

W. G. RHEA PUBLIC LIBRARY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2013

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INTRODUCTORY SECTION

**W. G. RHEA PUBLIC LIBRARY
DIRECTORY
June 30, 2013**

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Kathy Jones
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Connie McSwain, Executive Director
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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

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Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of W. G. Rhea Public Library (the Library), as of and for the year ended June 30, 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 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 management's discussion and analysis and schedule of funding progress on pages 4 through 6 and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The introductory section and supplementary and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary and other 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 information is fairly stated in all material respects in relation to the 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 May 30, 2014 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script, appearing to read "Aleah Thompson Audit LLC".

Jackson, Tennessee
May 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of W. G. Rhea Public Library (the Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2013. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total governmental funds have been provided.

FINANCIAL HIGHLIGHTS

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

- Total assets at year-end were \$320 thousand and exceeded liabilities in the amount of \$319 thousand (i.e. net position). Both the assets and net position show a \$12 thousand increase over the prior year.
- Net position increased \$13 thousand during the current year. In the prior year, the net position increased \$41 thousand.
- Operating revenues were \$326 thousand, while operating expenses were \$313 thousand which resulted in the increase in net position of \$13 thousand. In the prior year, operating revenues were \$355 thousand and operating expenses were \$315 thousand, which resulted in the \$41 thousand increase in net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

The *Statement of Net Position and Governmental Fund Balance Sheet* include all of the Library's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Library's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Library. As of the years ended June 30, 2013 and 2012, the Library reported no deferred inflows/outflows of resources.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* present the results of the activities over the course of the fiscal year and information as to how

MANAGEMENT'S DISCUSSION AND ANALYSIS

the net position and fund balances changed during the year. All changes in net position and fund balances are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Library's operations and can be used to determine whether the Library has successfully recovered all of its costs. This statement also measures the Library's profitability and credit worthiness.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by \$319 thousand at the close of the most recent fiscal year. A portion of the Library's net position (64%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Although the Library's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. As of June 30, 2013, the Library did not have any related debt.

CONDENSED STATEMENT OF NET POSITION

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			\$	%
Current and other assets	\$ 116,365	\$ 99,681	\$ 16,684	16.74%
Capital assets	203,255	207,120	(3,865)	-1.87%
Total assets	<u>319,620</u>	<u>306,801</u>	<u>12,819</u>	4.18%
Other liabilities	<u>509</u>	<u>565</u>	<u>(56)</u>	-9.91%
Net investment in capital assets	203,255	207,120	(3,865)	-1.87%
Restricted - non-routine purposes	40,011	41,648	(1,637)	-3.93%
Restricted - construction	5,190	6,872	(1,682)	100.00%
Restricted - computer lab grant	-	700	(700)	100.00%
Unrestricted	<u>70,655</u>	<u>49,896</u>	<u>20,759</u>	41.60%
Total net position	<u>\$ 319,111</u>	<u>\$ 306,236</u>	<u>\$ 12,875</u>	4.20%

Statement of Activities – Revenues in the governmental activities column exceeded expenses by \$13 thousand. Revenues decreased from the previous year due to a decrease in the following revenue sources: federal grant funding and insurance proceeds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

			Increase (Decrease)	
	June 30, 2012	June 30, 2012	\$	%
Operating revenues	\$ 325,580	\$ 355,409	\$(29,829)	-8.39%
Operating expenditures	312,705	314,764	(2,059)	-0.65%
Change in net position	12,875	40,645	(27,770)	-68.32%
Beginning net position	306,236	265,591	40,645	15.30%
Ending net position	\$ 319,111	\$ 306,236	\$ 12,875	4.20%

COMMENTS ON FUND FINANCIAL STATEMENTS

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

Governmental funds – The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financing requirements.

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

Revenue and other financing sources in the general fund decreased from last year by approximately \$19 thousand. The most significant changes in revenues and other financing sources in the general fund were:

- Local governmental funding increased \$32,000
- Grant funding decreased \$42,000
- Building improvement funding decreased \$9,000

Expenditures and other financing uses in the general fund decreased from last year by approximately \$52 thousand. The most significant changes in expenditures and other financing uses in the general fund were:

- Personnel expenditures increased by \$15,000
- Capital outlay expenditures decreased by \$67,000

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

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

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

CAPITAL ASSET ADMINISTRATION

Capital Assets – At the end of the fiscal year, the Library had invested \$203 thousand in a variety of capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

There are no substantial changes anticipated for next year's budget from any economic factors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUESTS FOR INFORMATION

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

W. G. RHEA PUBLIC LIBRARY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2013

	<u>Governmental Funds</u>			<u>Adjustments Note 3A</u>	<u>Statement of Net Position</u>
	<u>General</u>	<u>Library Trust</u>	<u>Total</u>		
Assets					
Cash in bank	\$ 73,412	\$ 19,104	\$ 92,516	\$ -	\$ 92,516
Investments	-	20,907	20,907	-	20,907
Prepaid insurance	2,942	-	2,942	-	2,942
Capital assets (net of accumulated depreciation)					
Building	-	-	-	63,036	63,036
Books	-	-	-	105,807	105,807
Furniture	-	-	-	7,696	7,696
Equipment	-	-	-	26,716	26,716
Total assets	<u>76,354</u>	<u>40,011</u>	<u>116,365</u>	<u>203,255</u>	<u>319,620</u>
Liabilities					
Accounts payable and other accrued expenses	<u>509</u>	<u>-</u>	<u>509</u>	<u>-</u>	<u>509</u>
Fund balance/net position					
Nonspendable	2,942	-	2,942	(2,942)	-
Restricted - non-routine purposes (See Note 7)	-	40,011	40,011	(40,011)	-
Restricted - construction income	5,190	-	5,190	(5,190)	-
Unrestricted	<u>67,713</u>	<u>-</u>	<u>67,713</u>	<u>(67,713)</u>	<u>-</u>
Total fund balance	<u>75,845</u>	<u>40,011</u>	<u>115,856</u>	<u>(115,856)</u>	<u>-</u>
Total liabilities and Total fund balance	<u>\$ 76,354</u>	<u>\$ 40,011</u>	<u>\$ 116,365</u>		
Net Position					
Net investment in capital assets				203,255	203,255
Restricted				45,201	45,201
Unrestricted				<u>70,655</u>	<u>70,655</u>
Total net position				<u>\$ 319,111</u>	<u>\$ 319,111</u>

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

W. G. RHEA PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2013

	<u>General</u>	<u>Library Trust</u>	<u>Total</u>	<u>Adjustments Note 3B</u>	<u>Statement of Activities</u>
Revenues					
Intergovernmental	\$ 285,416	\$ -	\$ 285,416	\$ -	\$ 285,416
Charges for services	17,963	3,792	21,755	-	21,755
Other	18,229	180	18,409	-	18,409
Total revenues	<u>321,608</u>	<u>3,972</u>	<u>325,580</u>	<u>-</u>	<u>325,580</u>
Expenditures					
Personnel	192,331	-	192,331	-	192,331
Other program related	72,679	5,609	78,288	-	78,288
Depreciation	-	-	-	42,086	42,086
Capital outlay	38,221	-	38,221	(38,221)	-
Total expenditures	<u>303,231</u>	<u>5,609</u>	<u>308,840</u>	<u>3,865</u>	<u>312,705</u>
Excess (deficiency) of revenues over expenditures	<u>18,377</u>	<u>(1,637)</u>	<u>16,740</u>	<u>(3,865)</u>	<u>12,875</u>
Other financing sources (uses)					
Transfers in	3,269	-	3,269	799	4,068
Transfers out	(3,269)	-	(3,269)	(799)	(4,068)
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance/ net position	<u>18,377</u>	<u>(1,637)</u>	<u>16,740</u>	<u>(3,865)</u>	<u>12,875</u>
Fund balance/net position, July 1	<u>57,468</u>	<u>41,648</u>	<u>99,116</u>	<u>207,120</u>	<u>306,236</u>
Fund balance/net position, June 30	<u>\$ 75,845</u>	<u>\$ 40,011</u>	<u>\$ 115,856</u>	<u>\$ 203,255</u>	<u>\$ 319,111</u>

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

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – ORGANIZATION

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

The objectives of the Library are:

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement *The Financial Reporting Entity and Omnibus* an amendment of GASB Statements No. 14 and No. 34. The basic criterion for including a potential component unit within the reporting entity is whether the primary government is financially accountable.

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

Excluded from the reporting entity:

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

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

B. 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 operating activities of the Library.

The statement of activities demonstrates the degree to which the direct expenses of the given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate financial statements are provided for governmental funds.

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

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

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

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

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

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

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

The financial statements of the Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

D. Budgets and Budgetary Accounting

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

During the year ended June 30, 2013, donations received to help improve the Library's building and the improvement expenditures were not budgeted. Since these amounts were not reoccurring and because they would not spend more than what was received, the Library did not budget for these items.

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

E. Net Position and Net Position Flow Assumption

In the statement of net position, equity is classified as net position and displayed in the following three components, if applicable:

Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets. (This is reported as investment in capital assets, when there is no related debt.)

Restricted: Consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities.

Unrestricted: All other net position that do not meet the description of the above categories.

Sometimes the Library will 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 or unrestricted – net position in the government-wide 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.

F. Fund Balance and Fund Balance Flow Assumptions

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

Nonspendable: Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts that can be spent only for specific purposes because of the Library Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

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

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

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

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

G. Leave Policies

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

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

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

H. Encumbrances

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

I. Capital Assets

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

Building	39 years
Books and materials	10 years
Furniture	5-10 years
Equipment	2-15 years

J. Prepaid Items

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

K. Concentration of Credit Risk

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

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

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

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

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

Cost of capital assets	\$ 2,363,218
Accumulated depreciation	<u>(2,159,963)</u>
	<u>\$ 203,255</u>

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

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

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

Capital assets purchased	\$ 38,221
Depreciation expense	<u>(42,086)</u>
Difference	<u>\$ (3,865)</u>

NOTE 4 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk

The Library's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 2. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Library's agent in the Library's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Library to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction.

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

As of June 30, 2013, the bank deposits were fully collateralized.

Investments for the Library are reported at fair value. All investments at June 30, 2013, consisted of a certificate of deposit.

NOTE 5 – CAPITAL ASSETS

Capital assets acquired in the funds are expensed when purchased. The assets on the government-wide financial statements include only those that have met the Library's capitalization policy of more than \$100. Amounts remaining in capital outlay in the fund financial statements are for items that were not capitalized. Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance at</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2013</u>
Capital assets, being depreciated:				
Buildings	\$ 660,982	\$ -	\$ -	\$ 660,982
Books	1,130,959	27,599	-	1,158,558
Furniture	94,649	-	-	94,649
Equipment	444,567	10,622	6,160	449,029
Total capital assets, being depreciated	<u>2,331,157</u>	<u>38,221</u>	<u>6,160</u>	<u>2,363,218</u>
Less accumulated depreciation for:				
Buildings	593,626	4,320	-	597,946
Books	1,026,894	25,857	-	1,052,751
Furniture	83,253	1,477	-	84,730
Equipment	420,264	10,432	6,160	424,536
Total depreciation	<u>2,124,037</u>	<u>42,086</u>	<u>6,160</u>	<u>2,159,963</u>
Governmental activities capital assets, net	<u>\$ 207,120</u>	<u>\$ (3,865)</u>	<u>\$ -</u>	<u>\$ 203,255</u>

Depreciation expense for the year ended June 30, 2013 was \$42,086.

NOTE 6 – RETIREMENT PLAN

Plan Description

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

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

The Library requires employees to contribute 5.0 percent of earnable compensation.

The Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 11.07% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Library is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2013, the Library's annual pension cost of \$11,875 to TCRS was equal to the 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. 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 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 11,875	100.00%	\$ -
6/30/2012	\$ 10,521	100.00%	\$ -
6/30/2011	\$ 11,282	100.00%	\$ -

Funded Status and Funding Progress

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

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ 338,000	\$ 380,000	\$ 42,000	88.99%	\$ 89,000	47.02%

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.

NOTE 7 – W. G. RHEA PUBLIC LIBRARY TRUST FUND

In December 1980, Dr. William Gardner Rhea, Sr. created an irrevocable charitable trust into which he donated \$40,000. Subsequent gifts of \$30,000 each were received in December 1984 and December 1985. The perpetual trust is administered by an independent board of trustees. The trust corpus is not to be invaded per the trust agreement. The sole income beneficiary of the trust is the Library; the trust income for the library fiscal year ended June 30, 2013 was \$3,792. The restrictions on the trust’s income are as follows:

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

NOTE 8 – RESTRICTED FUND BALANCE

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

NOTE 9 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2013, the Library purchased commercial insurance for all the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

REQUIRED SUPPLEMENTARY INFORMATION

**W. G. RHEA PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2013**

Schedule of Funding Progress

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

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

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

**W. G. RHEA PUBLIC LIBRARY
GENERAL FUND
SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE
For the Fiscal Year Ended June 30, 2013**

	<u>Identified in Accounting Records As</u>			
	<u>General</u>	<u>Emergency and Misc.</u>	<u>Building</u>	<u>Total</u>
Assets				
Cash in bank	\$ 30,269	\$ 37,953	\$ 5,190	\$ 73,412
Prepaid insurance	<u>2,942</u>	<u>-</u>	<u>-</u>	<u>2,942</u>
Total assets	<u>33,211</u>	<u>37,953</u>	<u>5,190</u>	<u>76,354</u>
Liabilities				
Accounts payable and accrued liabilities	<u>509</u>	<u>-</u>	<u>-</u>	<u>509</u>
Fund balance				
Nonspendable	2,942	-	-	2,942
Restricted - construction	-	-	5,190	5,190
Unassigned	<u>29,760</u>	<u>37,953</u>	<u>-</u>	<u>67,713</u>
Total fund balance	<u>32,702</u>	<u>37,953</u>	<u>5,190</u>	<u>75,845</u>
Total liabilities and fund balance	<u>\$ 33,211</u>	<u>\$ 37,953</u>	<u>\$ 5,190</u>	<u>\$ 76,354</u>

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2013**

	<u>Identified in Accounting Records As</u>			<u>Capital Outlay Reclassified</u>	<u>Total</u>
	<u>General</u>	<u>Emergency and Misc.</u>	<u>Building</u>		
Revenues					
Intergovernmental	\$ 280,000	\$ 5,416	\$ -	\$ -	\$ 285,416
Charges for services	-	17,963	-	-	17,963
Other	<u>5,196</u>	<u>12,485</u>	<u>548</u>	-	<u>18,229</u>
 Total revenues	 <u>285,196</u>	 <u>35,864</u>	 <u>548</u>	 -	 <u>321,608</u>
Expenditures					
Current:					
Personnel	192,331	-	-	-	192,331
Other program related	82,039	26,631	2,230	(38,221)	72,679
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,221</u>	<u>38,221</u>
 Total expenditures	 <u>274,370</u>	 <u>26,631</u>	 <u>2,230</u>	 -	 <u>303,231</u>
 Excess (deficiency) of revenues over expenditures	 10,826	 9,233	 (1,682)	 -	 18,377
Other financing sources (uses)					
Transfers in	3,269	-	-	-	3,269
Transfers out	<u>-</u>	<u>(3,269)</u>	<u>-</u>	<u>-</u>	<u>(3,269)</u>
Total other financing sources (uses)	<u>3,269</u>	<u>(3,269)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in fund balance	 14,095	 5,964	 (1,682)	 -	 18,377
Fund balance, July 1	<u>18,607</u>	<u>31,989</u>	<u>6,872</u>	-	<u>57,468</u>
Fund balance, June 30	<u>\$ 32,702</u>	<u>\$ 37,953</u>	<u>\$ 5,190</u>	<u>\$ -</u>	<u>\$ 75,845</u>

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
GENERAL ACCOUNT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Intergovernmental:				
Henry County funding	\$ 142,000	\$ 142,000	\$ 142,000	\$ -
City of Paris funding	138,000	138,000	138,000	-
	<u>280,000</u>	<u>280,000</u>	<u>280,000</u>	<u>-</u>
Other:				
Other revenue	-	-	5,196	5,196
Total revenues	<u>280,000</u>	<u>280,000</u>	<u>285,196</u>	<u>5,196</u>
Expenditures				
Personnel:				
Director	34,569	34,569	35,481	912
Assistant director	30,513	30,513	31,240	727
Catalog librarian	23,424	23,424	24,054	630
Circulation librarian	17,316	17,316	19,168	1,852
Part-time assistants	25,500	25,500	25,959	459
Youth/Children's librarian	16,122	16,122	6,763	(9,359)
Payroll taxes	12,149	12,149	11,241	(908)
Employee insurance	32,500	32,500	26,550	(5,950)
Retirement	12,607	12,607	11,875	(732)
	<u>204,700</u>	<u>204,700</u>	<u>192,331</u>	<u>(12,369)</u>
Other program related:				
Maintenance and repairs	3,200	3,200	5,063	1,863
Building insurance	4,000	4,000	3,707	(293)
Worker's compensation	800	800	648	(152)
Miscellaneous	250	250	200	(50)
Books	23,000	23,000	27,599	4,599
Other operating	-	-	101	101
Periodicals	800	800	765	(35)
Other materials	-	-	1,469	1,469
Postage	2,000	2,000	1,599	(401)
Professional fees	2,000	2,000	-	(2,000)
Supplies	2,700	2,700	5,690	2,990
Telephone	4,800	4,800	4,234	(566)
Travel	1,500	1,500	1,500	-

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
GENERAL ACCOUNT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Employee training	\$ 400	\$ 400	\$ 400	\$ -
Janitorial	4,290	4,290	4,515	225
Utilities	20,000	20,000	18,513	(1,487)
Landscaping	1,560	1,560	1,403	(157)
Technology	4,000	4,000	4,633	633
	<u>75,300</u>	<u>75,300</u>	<u>82,039</u>	<u>6,739</u>
Total expenditures	<u>280,000</u>	<u>280,000</u>	<u>274,370</u>	<u>(5,630)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>10,826</u>	<u>10,826</u>
Other financing sources (uses)				
Operating transfers in	<u>-</u>	<u>-</u>	<u>3,269</u>	<u>3,269</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>14,095</u>	<u>14,095</u>
Fund balance, July 1			<u>18,607</u>	
Fund balance, June 30			<u>\$ 32,702</u>	

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
EMERGENCY & MISCELLANEOUS ACCOUNT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Intergovernmental:				
BPU grant	\$ 2,000	\$ 2,000	\$ 3,000	\$ 1,000
LSTA grant	1,000	1,000	2,416	1,416
	<u>3,000</u>	<u>3,000</u>	<u>5,416</u>	<u>2,416</u>
Charges for services:				
Computer printer revenue	3,000	3,000	2,504	\$ (496)
Copy machine revenue	1,500	1,500	954	(546)
E-rate revenue	5,500	5,500	4,644	(856)
Fax revenue	1,500	1,500	1,592	92
Fine revenue	3,600	3,600	3,748	148
Genealogy revenue	4,500	4,500	2,307	(2,193)
Nonresident fee	80	80	90	10
Lost book reimbursements	2,225	2,225	2,124	(101)
	<u>21,905</u>	<u>21,905</u>	<u>17,963</u>	<u>(3,942)</u>
Other:				
Donations	7,200	7,200	11,908	4,708
Postage donation	200	200	389	189
Interest income	120	120	90	(30)
Miscellaneous	575	575	98	(477)
	<u>8,095</u>	<u>8,095</u>	<u>12,485</u>	<u>4,390</u>
Total revenues	<u>33,000</u>	<u>33,000</u>	<u>35,864</u>	<u>2,864</u>
Expenditures				
Personnel:				
Payroll taxes	<u>3,400</u>	<u>3,400</u>	<u>-</u>	<u>(3,400)</u>
Other program related:				
Books	800	800	293	(507)
Books on CD	600	600	959	359
Banking/Dues	300	300	336	36
Computer printers	1,200	1,200	1,178	(22)
Miscellaneous	200	200	-	(200)

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
EMERGENCY & MISCELLANEOUS ACCOUNT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
E-Rate	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Lost book expenditures	100	100	10	(90)
Materials	2,900	2,900	2,709	(191)
Other	200	200	4	(196)
Reimbursement expenditures	-	-	9	9
Supplies	-	-	1,635	1,635
Maintenance and repairs	2,000	2,000	-	(2,000)
Travel	1,000	1,000	854	(146)
Petty cash	200	200	-	(200)
Postage donation expenditures	100	100	-	(100)
Computer technology	1,200	1,200	6,129	4,929
Copy machine	4,000	4,000	3,783	(217)
Equipment and furniture	1,000	1,000	895	(105)
Genealogy	4,500	4,500	3,749	(751)
Gifts	200	200	156	(44)
Printing and binding	100	100	132	32
Programming	2,500	2,500	3,800	1,300
Special appropriations expenditures	4,000	4,000	-	(4,000)
	<u>29,600</u>	<u>29,600</u>	<u>26,631</u>	<u>(2,969)</u>
 Total expenditures	 <u>33,000</u>	 <u>33,000</u>	 <u>26,631</u>	 <u>(6,369)</u>
 Excess (deficiency) of revenues over (under) expenditures	 \$ -	 \$ -	 \$ 9,233	 \$ 9,233
 Other financing uses				
Operating transfers out	-	-	(3,269)	(3,269)
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>5,964</u>	 <u>\$ 5,964</u>
 Fund balance, July 1			 <u>31,989</u>	
 Fund balance, June 30			 <u>\$ 37,953</u>	

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
LIBRARY TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Other:				
Gift from trust	\$ 3,823	\$ 3,823	\$ 3,792	\$ (31)
Interest income	<u>209</u>	<u>209</u>	<u>180</u>	<u>(29)</u>
Total revenues	<u>4,032</u>	<u>4,032</u>	<u>3,972</u>	<u>(60)</u>
Expenditures				
Audio program	2,200	2,200	2,322	122
Reference materials	1,000	1,000	759	(241)
Computer technology	1,600	1,600	1,139	(461)
Special programming	1,000	1,000	400	(600)
Summer reading program	1,000	1,000	989	(11)
Miscellaneous	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Total expenditures	<u>7,000</u>	<u>7,000</u>	<u>5,609</u>	<u>(1,391)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,968)</u>	<u>\$ (2,968)</u>	<u>(1,637)</u>	<u>\$ 1,331</u>
Net change in fund balance	<u>\$ (2,968)</u>	<u>\$ (2,968)</u>	<u>(1,637)</u>	<u>\$ 1,331</u>
Fund balance, July 1			<u>41,648</u>	
Fund balance, June 30			<u>\$ 40,011</u>	

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
BUILDING ACCOUNT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Other:				
Corporate contributions	\$ -	\$ -	\$ 448	\$ 448
Individual contributions	-	-	100	100
Total revenues	<u>-</u>	<u>-</u>	<u>548</u>	<u>548</u>
Expenditures				
Equipment maintenance and repairs	-	-	2,230	2,230
Total expenditures	<u>-</u>	<u>-</u>	<u>2,230</u>	<u>2,230</u>
Excess of revenues over expenditures	\$ -	\$ -	(1,682)	\$ (1,682)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,682)</u>	<u>\$ (1,682)</u>
Fund balance, July 1			<u>6,872</u>	
Fund balance, June 30			<u>\$ 5,190</u>	

See independent auditor's report.

W. G. RHEA PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

<u>Grant or Program</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>(Accrued) Deferred 7/1/2012</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred 6/30/2013</u>
Institute of Museum and Library Services, Tennessee State Library and Archives Passed through State of Tennessee Office of the Secretary of State, Tennessee State Library and Archives:						
Grants to State	45.310	None	\$ -	\$ 2,416	\$ 2,416	\$ -
Total Federal Awards			<u>\$ -</u>	<u>\$ 2,416</u>	<u>\$ 2,416</u>	<u>\$ -</u>

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the W.G. Rhea Public Library under programs of the federal government for the year ended June 30, 2013. The expenditures are presented using the modified accrual basis of accounting.

See independent auditor's report.

W. G. RHEA PUBLIC LIBRARY
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2013

<u>Grant or Program</u>	<u>Contract Number</u>	<u>(Accrued) Deferred 7/1/2012</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred 6/30/2013</u>
Rural Libraries Computer Grant	2780	\$ 700	\$ -	\$ 700	\$ -
Total State Awards		<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 700</u>	<u>\$ -</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
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Tennessee Society of Certified Public Accountants
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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*

The Board of Trustees
W. G. Rhea Public Library
Paris, 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 W.G. Rhea Public Library, Paris, Tennessee (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 May 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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 the 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to management of the Library, in a separate letter dated May 30, 2014.

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.

A handwritten signature in black ink, appearing to read "Adam Haysom" followed by a flourish.

Jackson, Tennessee
May 30, 2014

W. G. RHEA PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2013

Current Year Findings

None reported.

Prior Year Findings

None reported.