

**GORHAM-MACBANE PUBLIC LIBRARY  
(A Joint Venture)  
Financial Statements  
June 30, 2009**

Gorham-MacBane Public Library  
(A Joint Venture)  
Table of Contents

Board of Directors and Key Employees .....	1
Independent Auditors' Report .....	2
Basic Financial Statements:	
Statement of Net Assets .....	4
Statement of Activities .....	5
Balance Sheet – Governmental Fund.....	6
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund.....	7
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual .....	9
Notes to Financial Statements .....	10
Required Supplementary Information:	
Schedule of Funding Progress .....	18
Supporting Schedules:	
Schedule of Revenue .....	19
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> .....	20
Schedule of Findings and Questioned Costs.....	22

Gorham-MacBane Public Library  
(A Joint Venture)  
Board of Director and Key Employees  
June 30, 2009

Board of Directors

Phyllis Morris, Chairman	Springfield, Tennessee
Paul Fuqua, Secretary	Greenbrier, Tennessee
Cindy Sneed	Springfield, Tennessee
Sherry Eden	White House, Tennessee
Raymond Francis	Springfield, Tennessee
Mary Sue Head	Springfield, Tennessee
Jane Ligon	Springfield, Tennessee
James Marshall	Springfield, Tennessee
Carol Sletto	Springfield, Tennessee

Key Employees

Mary Schmidt, Librarian	Springfield, Tennessee
Marlene Rose, Bookkeeper	Springfield, Tennessee

**Carl A. Davis & Company**  
**Certified Public Accountants**  
131 Maple Row Boulevard  
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Hendersonville, TN 37075

Phone: 615-822-0231

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Gorham-MacBane Public Library  
Springfield, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund of Gorham-MacBane Public Library as of and for the year ended June 30, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

The financial statements do not include financial data for the Library's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Library's primary government unless the Library also issues financial statements for the financial reporting entity that include the financial data for its component units. The Library has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units would have been reported as \$362,398, zero, \$362,398, \$14,144 and zero, respectively.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the Gorham-MacBane Public Library, as of June 30, 2009, or the changes in financial position thereof for the year then ended.

Except as explained in the following paragraph, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Because of the lack of audit trail with respect to the fixed asset records throughout the year, we were not able to satisfy ourselves as to the completeness of fixed assets or the accuracy of the

computation of the related accumulated depreciation or depreciation expense. The completeness and accuracy of fixed assets and the related depreciation materially affect the determination of the financial position and results of revenues, expenses and changes in net assets for the year ended June 30, 2009.

Because of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the statement of net assets and the statement of activities for the year ended June 30, 2009.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of each major fund of Gorham-MacBane Public Library as of June 30, 2009, and the respective changes in fund balance thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gorham-MacBane Public Library's basic financial statements. The Schedule of Revenue on page 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Revenues has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress on page 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2009, 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 conjunction with this report in considering the results of our audit.

Gorham-MacBane Public Library has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Carl A. Davis & Company*

Carl A. Davis & Company, CPAs  
Hendersonville, TN  
December 20, 2009

Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Net Assets  
June 30, 2009

	Governmental Activities
<b>ASSETS</b>	
<b><u>Current Assets</u></b>	
Cash on Hand	\$ 26
Cash	292,946
Total Current Assets	292,972
<b><u>Capital Assets</u></b>	
Books	996,045
Audio-Visual	119,048
Furniture and Equipment	216,784
Building	164,279
Construction in Progress	25,300
Land	60,000
Less: Accumulated Depreciation	(1,115,860)
Net Capital Assets	465,596
<b><u>Other Assets</u></b>	
Cash-Restricted	20,000
Prepaid Expense	1,735
Total Other Assets	21,735
Total Assets	\$ 780,303

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities</u></b>	
Accounts Payable	32,566
Payroll Taxes Payable	372
Credit Cards Payable	235
Total Current Liabilities	33,173
<b><u>Net Assets</u></b>	
Invested in Capital Assets	465,596
Restricted for Anna Pearson McIntosh Fund	20,000
Unrestricted	261,534
Total Net Assets	747,130
Total Liabilities & Net Assets	\$ 780,303

Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Activities  
For the Year Ended June 30, 2009

	Expenses	Program Revenue		Net (Exp) Rev and Changes in Net Assets
<b>Primary Government</b>		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Library Services	\$ 392,228	\$ 24,162	\$ 649,636	\$ 281,570
Total Governmental Activities	\$ 392,228	\$ 24,162	\$ 649,636	\$ 281,570
 <b>General Revenues</b>				
Investment Income				\$ 656
Total General Revenues				656
Change in Net Assets				282,226
Beginning Net Assets				464,904
Ending Net Assets				\$ 747,130

Gorham-MacBane Public Library  
(A Joint Venture)  
Balance Sheet  
Governmental Fund  
June 30, 2009

	General Fund
<b>ASSETS</b>	
<b><u>Current Assets</u></b>	
Cash on Hand	\$ 26
Cash	292,946
Total Current Assets	292,972
<b><u>Other Assets</u></b>	
Cash-Restricted	20,000
Prepaid Expense	1,735
Total Other Assets	21,735
Total Assets	\$ 314,707
<b>LIABILITIES AND FUND BALANCES</b>	
<b><u>Current Liabilities</u></b>	
Accounts Payable	32,566
Payroll Taxes Payable	372
Credit Cards Payable	235
Total Current Liabilities	33,173
<b><u>Fund Balance</u></b>	
Reserved for Anna Pearson McIntosh Fund	20,000
Unreserved	261,534
Total Fund Balance	281,534
Total Liabilities & Fund Balance	\$ 314,707
Total Fund Balance - Modified Accrual Basis	\$ 281,534
Amounts reported for governmental activities in the statement of net assets that are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	465,596
Net assets of governmental activities	\$ 747,130

Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Revenues, Expenditures, & Changes in Fund Balances  
Governmental Fund  
For the Year Ended June 30, 2009

	<u>General Fund</u>
<b><u>Revenues</u></b>	
Revenues (See Schedule on pg 19)	<u>\$ 131,068</u>
Total Revenues	<u>131,068</u>
<b><u>Expenditures</u></b>	
Salaries & Related Items	206,384
Utilities	15,903
Telephone	3,021
Maintenance & Repair	10,787
Supplies	13,593
Postage and Mailing Service	3,092
Insurance	1,526
Books	40,691
Periodicals	2,379
Audio-Visual Materials	6,457
Capital Outlay	103,780
Book Lease	5,254
Advertising	1,067
Professional Services	13,768
Staff Development	1,127
Fundraising Expense	10,997
Other Expenses	3,368
Software	<u>2,700</u>
Total Expenditures	<u>445,894</u>
Excess(Deficiency) of Revenues over Expenditures	<u>\$ (314,826)</u>
<b><u>Other Financing Sources</u></b>	
Robertson County Appropriation	\$ 384,045
City of Springfield Appropriation	<u>159,342</u>
Total Non-Operating Revenues	<u>543,387</u>
Increase(Decrease) in Fund Balance	<u>228,561</u>
Unreserved Fund Balance at Beginning of the Year	<u>32,973</u>
Unreserved Fund Balance at End of the Year	<u><u>\$ 261,534</u></u>

Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Revenues, Expenditures, & Changes in Fund Balances  
Governmental Fund  
For the Year Ended June 30, 2009

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

Net Change in Fund Balance	\$ 228,561
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Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library Books and other Audio-Visual	47,148
Capital Outlay	103,780
Net Book Value of Disposed Assets	-
Depreciation	<u>(97,264)</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 282,226</u></u>
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Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Revenues, Expenditures, & Changes in Fund Balances  
Actual to Budget  
General Fund  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenues (See Schedule on pg 19)	\$ 29,000	\$ 29,000	\$ 131,068	\$ 102,068
Total Revenues	29,000	29,000	131,068	102,068
<b>Expenditures</b>				
Salaries & Related Items	221,090	221,090	206,384	14,706
Utilities	15,200	15,200	15,903	(703)
Telephone	5,000	5,000	3,021	1,979
Maintenance & Repair	19,500	19,500	10,787	8,713
Supplies	14,000	14,000	13,593	407
Postage and Mailing Service	-	-	3,092	(3,092)
Insurance	3,000	3,000	1,526	1,474
Books	32,000	32,000	40,691	(8,691)
Periodicals	1,500	1,500	2,379	(879)
Audio-Visual Materials	14,000	14,000	6,457	7,543
Capital Outlay	7,000	7,000	103,780	(96,780)
Book Lease	-	-	5,254	(5,254)
Advertising	-	-	1,067	(1,067)
Professional Services	7,000	7,000	13,768	(6,768)
Staff Development	1,300	1,300	1,127	173
Other Expenses	3,500	3,500	3,368	132
Software	3,000	3,000	2,700	300
Building Fund - Fundraising	-	-	10,997	(10,997)
Total Expenditures	347,090	347,090	445,894	(98,804)
Excess of Revenues (Expenditures) Over Expenditures (Revenues)	(318,090)	(318,090)	(314,826)	3,264
<b>Other Financing Sources</b>				
Robertson County Appropriation	159,045	159,045	384,045	225,000
City of Springfield Appropriation	159,045	159,045	159,342	297
Total Non-Operating Revenues	318,090	318,090	543,387	225,297
Excess of Revenues and Other Financing Sources (Expenditures) over Expenditures (Revenues and Other Financing Sources)	\$ -	\$ -	\$ 228,561	\$ 228,561

See Notes to Financial Statements

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies**

**A. Organization**

Gorham-MacBane Public Library was created in February 1969 by the City of Springfield and Robertson County, Tennessee. The City and the County each provide half of the operating funds needed to supplement other revenues of the Library. The purpose of the Library is to furnish information to the citizens of Springfield and Robertson County, Tennessee.

**B. Basis of Presentation**

The Library's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

**C. Reporting Entity**

The Library is accounted for as a joint venture between Robertson County and the City of Springfield as defined in GASB 14. The City and County agreed to split the operational costs of the Library equally. They also split the number of board appointments equally with each entity appointing three board members and one board member being jointly appointed. Fixed assets used by the Library would revert to the City and County if the Library were ever disbanded.

The accompanying financial statements present the governmental operations of the Gorham-MacBane Public Library. See paragraph J regarding discrete component units.

**D. Basic Financial Statements – Government-Wide Statements**

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Library's services are classified as governmental activities. The Library has no business-type activities. In the government-wide Statement of Net Assets the governmental activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term debt and obligations. The Library's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

**D. Basic Financial Statements – Government-Wide Statements (continued)**  
and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants.

The net costs by function are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). The general revenue of the Library consists of unrestricted investment income only.

This government-wide focus is more on the sustainability of the Library as an entity and the change in the Library's net assets resulting from the current year's activities.

**E. Basic Financial Statement – Fund Financial Statements**

The financial transactions of the Library are reported in individual funds in the fund financial statements. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include assets, liabilities, fund equity, revenues and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The Library reports the following major general fund:

**Government Fund Types:**

General Fund – The General Fund is the general operating fund of the library. It is used to account for all financial resources except those required to be accounted for in another fund. All of the essential governmental services are reported in the General Fund.

All revenues are attributable to the providing of library services.

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

**F. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual— The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual — The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**G. Financial Statement Accounts**

Cash

Cash consists of deposits in local banks and a money market account held at Edward Jones Investments. These deposits are stated at cost at June 30, 2009. All of the bank deposits are covered by federal depository insurance and insured by the State of Tennessee bank collateral pool. The Edward Jones money market account is fully insured by SPIC.

Fixed Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line or double-declining balance basis over the following estimated useful lives:

Buildings and Additions	40 years
Books and Audio Visual	5 years
Furniture and Equipment	5 - 40 years

Revenues

Revenues consist almost entirely of allocations provided by the City of Springfield and Robertson County. These revenues are recognized when they become available.

Other revenues include fines, donations and gifts, and in-kind allocations from the Warioto Regional Library Center. These revenues have no receivable component and are recognized when collected or provided.

Expenses

Expenses are recorded when the related liability is incurred.

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

**G. Budgets**

The Library Board appoints a committee, consisting of board members along with the librarian, which formulates the original budget. The budget is then submitted to the Library Board for approval. After the Library Board has approved the budget, it is then submitted to the City of Springfield Aldermen for approval. After the City Aldermen have approved the budget, it is then submitted to the budget committee of the Robertson County Commission. Upon passing review of the budget committee, it is then submitted to the full County Commission which has the final approval. The operating budget includes proposed expenditures and the means of financing them. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States except that the budgeted cost of fixed assets purchased is included as expenditures. Budget amendments require approval by the Board of Directors.

When unexpected or excess financing becomes available during the year, the Library Board has given the librarian authority to use her discretion as to how the funds are to be used unless stipulated by the donor or grantor. Some expense items appear to be in excess of the budgeted amounts for 2009. Since funding is an unknown variable for the library, expenditures are difficult to budget throughout the year. As funding becomes available, the board often authorizes additional expenditures.

The Library's budgetary basis of accounting is consistent with generally accepted accounting principles.

**H. Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

**I. Jointly Governed Organizations**

The Gorham-MacBane Library Board comprises the governing Board for Robertson County of the Regional Library system, which is a component of the State Library System. The Library does not provide and is not liable for any financial support of the system.

**J. Component Units**

Management has determined that the Friends of the Library, Inc., a legally separate organization, meets the criteria to be a discrete component unit of the Library. Had the Friends organization been audited and included in the Library's report, it may have shown approximately \$362,398 in cash and temporary investments and \$14,144 in investment income for the year ending December 31, 2008. The Friends organization operates on a calendar year basis. These amounts are the representation of management of the Friends of the Library, Inc. and have not been audited or reviewed.

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

**Note 2 – Cash**

The Library is allowed to invest funds in a manner as defined in the *Tennessee Code Annotated*. At June 30, 2009, the balance of the Library's deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
US Bank	\$ 35,950	\$ 60,441
Edward Jones Money Market	248,745	248,745
Bank of America	<u>8,251</u>	<u>8,251</u>
Total	\$ 292,946	\$ 317,437

All deposits are insured by FDIC or SPIC. See also Note 4 Restricted Cash.

**Note 3 – Pension Plan  
Plan Description**

Employees of Gorham MacBane Public Library are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 and with five years of service or at any age with thirty 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 Gorham-MacBane Public Library participates in the TCRS as individual entities and is liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to political subdivisions unless approved by the chief governing body.

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

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

**Note 3 – Pension Plan (continued)**

**Funding Policy**

Gorham-MacBane Public Library requires employees to contribute 5.0% of earnable compensation.

Gorham-MacBane Public Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 8.92% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Gorham-MacBane Public Library is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ending June 30, 2009, Gorham-MacBane Public Library's annual pension cost of \$14,116 to TCRS was equal to Gorham-MacBane's Public Library's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen initial liability 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 salary increases on a graded scale (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 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 five-year period. Gorham-MacBane Public Library's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2007 was 8 years.

<i>Fiscal Year Ending</i>	<u>Trend Information</u>		
	<i>Annual Pension Cost (APC)</i>	<i>Percent of APC Contributed</i>	<i>Net Pension Obligation</i>
June 30, 2009	\$14,116	100.00%	\$0.00
June 30, 2008	\$10,079	100.00%	\$0.00
June 30, 2007	\$10,396	100.00%	\$0.00

**Note 4 – Investment – Restricted Cash**

Restricted cash consists of a \$20,000 endowment held in trust and invested in a certificate of deposit. The certificate of deposit earns interest at rates commensurate with prevailing market rates for one-year certificates and renews annually. The market value of this instrument is not materially different from its carrying value presented in the financial statements. The library is allowed to use the earnings only, not the corpus, for general budget purposes. The certificate of deposit is insured by the FDIC.

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

**Note 5 – Fixed Assets**

	Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009	Accum. Deprec.	Net Book Value June 30, 2009
<b>Depreciable Assets</b>						
Books	955,355	40,691		996,046	750,133	245,913
Audio-Visual	112,591	6,457		119,048	90,225	28,823
Furniture & Fixtures	138,303	78,480		216,783	111,223	105,560
Construction in Progress	0	25,300		25,300	0	25,300
Building	164,279			164,279	164,279	0
<b>Total</b>	<b>1,370,528</b>	<b>150,928</b>	<b>0</b>	<b>1,521,456</b>	<b>1,115,860</b>	<b>405,596</b>
<b>Non-Depreciable Assets</b>						
Land	60,000			60,000		60,000
<b>Total</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>60,000</b>	<b>0</b>	<b>60,000</b>
<b>Total Assets</b>	<b>1,430,528</b>	<b>150,928</b>	<b>0</b>	<b>1,581,456</b>	<b>1,115,860</b>	<b>465,596</b>

Depreciation Expense of \$97,264 was charged to the library services governmental activity. The Library has no capitalization policy.

**Note 6 – Leases**

Gorham MacBane Public Library participated in operating leases for books and audio books in the current fiscal year. The lease agreements are one-year agreements. The audio book lease of \$5,254 was with Landmark Audio.

**Note 7 – State Appropriation**

The Library receives support from the Warioto Regional Library Center annually based on the funding the Warioto Regional Library Center receives from the State of Tennessee and the service area population of Robertson County in relation to other counties serviced by Warioto. For the fiscal year ended June 30, 2009, Gorham-MacBane Public Library received funding of \$5,905 from the Warioto Regional Center. Gorham-MacBane does not receive this support in the form of cash payments. Warioto uses these funds to purchase books and audio visual materials on behalf of the library.

**Note 8 – 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; natural disasters and workers'

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

compensation claims for which the library carries commercial insurance. Settlements have not exceeded insurance coverage for any claims in the prior three fiscal years.

**Note 9 – Restricted Fund Balance**

Governmental funds report reservations of fund balance for amounts that are not available to appropriation or are legally restricted by outside parties for use for a specified purpose.

The Library was the recipient of a \$20,000 trust to be known as the Anna Pearson MacIntosh Trust. The conditions of the trust are as follows: the principal of the trust must be kept intact and must be held in a federally secure deposit (See Note 4). Only the interest earned may be used by the Library.

**Note 10 – Concentrations**

Gorham-MacBane Public Library receives approximately 81% of its funding from Robertson County and the City of Springfield. For the year ending June 30, 2009, Robertson County accounted for approximately 56.9% and the City of Springfield accounted for approximately 23.6% of the Library's funding, respectively.

**Note 12 – Designated Fund Balance**

As of June 30, 2009 the Library had designated assets and fund balance of \$248,745. This designation is for a building fund.

**END OF NOTES**

**Supplementary Information  
and  
Supporting Schedules**

**Schedule of Funding Progress for Gorham-MacBane Library, 809.32**

(Dollar amounts in thousands)

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
	(a)	(b)	(b) – (a)	(a/b)	(c)	((b– a)/c)
July 01, 2007	\$200	\$233	\$ 33	85.84%	\$117	28.21%
July 01, 2005	\$164	\$211	\$ 47	77.73%	\$111	42.34%
July 01, 2003	\$139	\$175	\$ 36	79.43%	\$ 88	40.91%

Gorham-MacBane Public Library  
(A Joint Venture)  
Schedule of Revenue  
For the Year Ended June 30, 2009

**Revenues:**

Service Revenue	
Book Sales	\$ 1,823
Copies	5,351
Fines	12,263
Lost Books	1,200
Miscellaneous	2,680
New Cards	845
Total Service Revenue	<u>24,162</u>
Other Revenues	
Donations & Gifts	97,216
State Grant for Technology	1,450
Interest	656
Memorials	1,678
Warioto Regional Library Center	5,905
Total Other Revenues	<u>106,905</u>
Total Revenues	<u>\$ 131,068</u>

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**Report on Internal Control over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Directors  
Gorham-MacBane Public Library  
Springfield, Tennessee

We have audited the financial statements of the Gorham-MacBane Public Library as of and for the year ended June 30, 2009, and have issued our report thereon dated December 20, 2009. Our report included a disclaimer of opinion on the statement of net assets and the statement of activities due to scope limitations. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider all to be material weaknesses.

#### Compliance and Other Matters

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

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Library's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization, the Tennessee State Comptrollers Office, and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Carl A. Davis & Company*

Carl A. Davis & Company, CPA's  
Hendersonville, Tennessee  
December 20, 2009

Gorham-MacBane Public Library  
Schedule of Findings and Questioned Costs  
June 30, 2009

**Follow-up on Prior Year Findings**

**Finding 2008-1** - The fixed asset records, especially those related to library books, do not provide a reliable audit trail to substantiate the value of capital assets.

Current Year Status – Finding repeated in current year as 2009-1

**Finding 2008-2** - A complete segregation of duties does not exist at the library.

Current Year Status – Finding repeated in current year as 2009-2

**Finding 2008-3** - The library's accounting system is not currently consolidated.

Current Year Status – The library consolidated their accounting system in 2009.

**Finding 2008-4** - The library does not have financial staff with adequate knowledge to produce financial statements and disclosures in conformity with generally accepted accounting principals.

Current Year Status - Finding repeated in current year as 2009-3

**Current Year Findings**

**Finding 2009-1 (repeat finding)**

Statement of Condition

The fixed asset records, especially those related to library books, do not provide a reliable audit trail to substantiate the value of capital assets.

Criteria

Fixed asset records should be periodically evaluated and reconciled in order to safeguard and provide values of capital assets.

Effect of Condition

A lack of verified fixed asset records increases the potential for theft and attrition losses to go undetected.

Cause of Condition

The time and resources needed to verify the list of assets, and in particular the immense volume of books, has not been readily available.

Gorham-MacBane Public Library  
Schedule of Findings and Questioned Costs  
June 30, 2009

Recommendation

Management should begin to evaluate this process by researching how other similar institutions have completed this task.

Management Response

Comparison with other libraries in the area shows that our fixed asset records are similar in condition to others. In November 2008 a new circulation system was purchased for the library. Features of this system will hopefully make reconciling the fixed asset records more feasible. We will remain aware of the condition and consider further appropriate actions to take.

**Finding 2009-2(repeat finding)**

Statement of Condition

A complete segregation of duties does not exist at the library.

Criteria

Accounting duties should be segregated to avoid too much control concentrated to a single individual.

Effect of Condition

Inadequate segregation can lead to opportunities for fraud.

Cause of Condition

The library lacks funding to provide for enough staff to fully segregate duties.

Recommendation

Library management should continue to look for opportunities to segregate where possible and board members should provide involvement where practical.

Management Response

We believe management and board involvement has addressed as much segregation as practical at the present time. We will continue to provide further segregation where possible.

**Finding 2009-3(repeat finding)**

Statement of Condition

The library does not have financial staff with adequate knowledge to produce financial statements and disclosures in conformity with generally accepted accounting principals.

Gorham-MacBane Public Library  
Schedule of Findings and Questioned Costs  
June 30, 2009

Criteria

Recently enacted accounting standards place an expectation on management over the financial reporting process.

Effect of Condition

Diminished ability for financial reporting may contribute to a lower level of understanding over the library's financial position.

Cause of Condition

The size and budget of the organization makes it prohibitive to employ or engage individuals with such knowledge.

Recommendation

We recommend that management implement review procedures to ensure that the financial statements are prepared in conformity with generally accepted accounting principles.

Management Response

The Library consolidated and computerized its accounting records during fiscal 2009 and upgraded the accounting staff. While we recognize that these steps do not fully address this finding, we believe we have taken appropriate and progressive steps.

**Finding 2009-4**

Statement of Condition

Certain library expenditures exceed budgeted amounts.

Criteria

Budgets are established to ensure appropriate use of library resources.

Effect of Condition

Overages in budgeted expenditures, when not matched by additional revenue, can lead to shortages of resources.

Cause of Condition

Certain overages are caused by in-kind or paid on behalf of expenditures not reflected in the library's cash basis financial reporting model.

Recommendation

The library's budget should be amended for any material changes.

Management Response

The board reviews revenue and expense at a line item level each month. On a net basis, the library's total revenues exceeded total expenditures.