

JACKSON-MADISON COUNTY LIBRARY

JACKSON, TENNESSEE

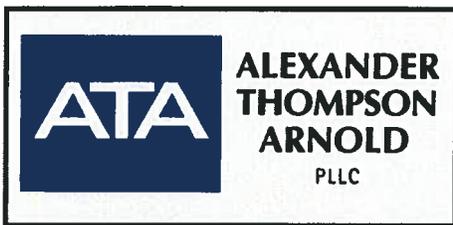
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2009

JACKSON-MADISON COUNTY LIBRARY
FINANCIAL STATEMENTS & SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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Independent Auditor's Report

Board of Trustees
Jackson-Madison County Library
Jackson, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Jackson-Madison County Library, Jackson, Tennessee (the 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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Jackson-Madison County Library as of June 30, 2009, and the respective changes in financial position and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 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

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis beginning on page 3 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson-Madison County Library's basic financial statements. The accompanying supplementary information listed in the Contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Library. Such information 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.

Alexander Thompson Arnold PLLC

Certified Public Accountants

Jackson, Tennessee
November 2, 2009

Management Discussion and Analysis

FY 2008-2009

By Richard D. Salmons, Executive Director

As management of the Jackson - Madison County 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, 2009. All amounts, unless otherwise indicated, are expressed in actual dollars. A comparative analysis of key elements of total governmental funds has been provided.

FINANCIAL HIGHLIGHTS

Management believes the Library's financial condition is acceptable. The Library is 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 \$492 thousand and there were no liabilities at year end.
- Operating revenues were approximately \$1 million, while operating expenses were \$1.1 million which resulted in a decrease in net assets of approximately \$100 thousand.

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, bond resolutions and other management tools were used for this analysis. The Financial Statements are made up of three sections: 1) the financial section, 2) the supplementary section, and 3) the internal control and compliance section. The financial section includes the independent auditor's report, the MD&A, and the financial statements with accompanying notes. The supplementary section includes other information of the detailed schedule of revenues, expenditures, and changes in fund balance and the schedule of officials. The internal control and compliance section includes the report on internal control and compliance and the schedule of findings and responses.

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 Assets and Governmental Funds Balance Sheet* includes 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). However, during the current year, the Library does not have any obligations to report so only the assets are presented. It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Library.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* presents the results of the business activities over the course of the fiscal year and information as to how the net assets and fund balances changed during the year. All changes in net assets 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

REQUIRED FINANCIAL STATEMENTS (Cont.)

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 Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Library, there were no liabilities at year end so the assets exceeded liabilities by \$492 thousand. A majority of the Library's net assets (96%) reflects its investment in capital assets (e.g., books, materials, and equipment).

CONDENSED STATEMENT OF NET ASSETS		
	June 30, 2009	June 30, 2008
Current and other assets	\$ 18,746	\$ 34,959
Capital assets	473,662	578,145
Total assets	\$ 492,408	\$ 613,104
Long-term liabilities	\$ -	\$ -
Other liabilities	-	4,816
Total liabilities	\$ -	\$ 4,816
Invested in capital assets	\$ 473,662	\$ 578,145
Restricted for permanent fund	11,000	11,000
Unrestricted	7,746	19,143
Total net assets	\$ 492,408	\$ 608,288

Statement of Activities – Expenses in the governmental activities column exceeded revenues by \$116 thousand.

CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

	June 30, 2009	June 30, 2008
Operating revenues	\$ 1,025,907	\$ 1,176,112
Operating expenditures	1,141,787	1,072,046
Change in net assets	(115,880)	104,066
Beginning net assets	608,288	504,222
Ending net assets	\$ 492,408	\$ 608,288

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

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

Revenue and other financing sources in the general fund decreased from last year by approximately \$150 thousand. The most significant changes in revenues and other financing sources in the general fund was:

- A \$132 thousand decrease in city/county capital expenditure funding.
- A \$10 thousand decrease in grant funding.

Expenditures and other financing uses in the general fund increased from last year by approximately \$70 thousand. The most significant change in expenditures and other financing uses in the general fund was due to the following net affect of this expense increasing

- Depreciation increased by \$48 thousand

A budget comparison statement has been provided to demonstrate compliance with the budget. There was one significant variance from the budget to the actual amounts this year in the general expenses. There was not a budgeted amount for this line item but the actual expenses was \$13 thousand.

CAPITAL ASSET ADMINISTRATION

Capital Assets - At the end of the fiscal year, the Library had invested \$474 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.

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 Jackson-Madison County Library; 433 East Lafayette Street; Jackson, Tennessee 38301.

BASIC FINANCIAL STATEMENTS

JACKSON-MADISON COUNTY LIBRARY

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2009

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Assets</u>
Assets					
Cash on deposit	\$ 4,326	\$ 14,320	\$ 18,646	\$ -	\$ 18,646
Cash on hand	100	-	100	-	100
Capital assets (less accumulated depreciation)					
Books and materials	-	-	-	404,996	404,996
Equipment	-	-	-	68,666	68,666
Total Assets	<u>\$ 4,426</u>	<u>\$ 14,320</u>	<u>\$ 18,746</u>	<u>473,662</u>	<u>492,408</u>
Fund Balances/Net Assets					
Fund Balances					
Unreserved	\$ 4,426	\$ -	\$ 4,426	\$ (4,426)	\$ -
Reported in Permanent Fund					
Unreserved	-	3,320	3,320	(3,320)	-
Reserved	-	11,000	11,000	(11,000)	-
Total Fund Balances	<u>4,426</u>	<u>14,320</u>	<u>18,746</u>	<u>(18,746)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 4,426</u>	<u>\$ 14,320</u>	<u>\$ 18,746</u>		
Net Assets					
Invested in capital assets				473,662	473,662
Restricted for permanent fund				11,000	11,000
Unrestricted				7,746	7,746
Total Net Assets				<u>\$ 492,408</u>	<u>\$ 492,408</u>

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

JACKSON-MADISON COUNTY LIBRARY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Revenue					
Jackson-Madison County					
Joint appropriation	\$ 963,894	\$ -	\$ 963,894	\$ -	\$ 963,894
Jackson-Madison County: Other	5,111	-	5,111	-	5,111
Other revenue	51,849	543	52,392	-	52,392
Gifts	<u>4,510</u>	<u>-</u>	<u>4,510</u>	<u>-</u>	<u>4,510</u>
Total Revenue	<u>1,025,364</u>	<u>543</u>	<u>1,025,907</u>	<u>-</u>	<u>1,025,907</u>
Expenditures					
Circulation materials	4,000	-	4,000	(4,000)	-
Building and grounds	5,600	-	5,600	-	5,600
General expenses	11,744	-	11,744	-	11,744
Library Management	1,015,960	-	1,015,960	(128,121)	887,839
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,604</u>	<u>236,604</u>
Total Expenditures	<u>1,037,304</u>	<u>-</u>	<u>1,037,304</u>	<u>104,483</u>	<u>1,141,787</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(11,940)</u>	<u>543</u>	<u>(11,397)</u>	<u>(104,483)</u>	<u>(115,880)</u>
Fund Balance/Net Assets					
Beginning of the year	16,366	13,777	30,143	578,145	608,288
End of the year	<u>\$ 4,426</u>	<u>\$ 14,320</u>	<u>\$ 18,746</u>	<u>\$ 473,662</u>	<u>\$ 492,408</u>

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

JACKSON-MADISON COUNTY LIBRARY

STATEMENT OF BUDGETARY COMPARISON-MAJOR FUND

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2009

	Budget Original/Final	Actual	Variance Over (Under)
Revenue			
City/County Joint Appropriation	\$ 963,894	\$ 963,894	\$ -
City/County Capital Expenditures	-	5,111	5,111
Other Revenue	47,500	51,849	4,349
Special Gifts Account	-	4,510	4,510
	<u>1,011,394</u>	<u>1,025,364</u>	<u>13,970</u>
Total Revenue			
Expenditures			
Accounting	6,000	5,980	(20)
Insurance	2,100	2,064	(36)
Credit card fees	2,000	259	(1,741)
General Expenses	-	13,041	13,041
Library Management	1,015,960	1,015,960	-
	<u>1,026,060</u>	<u>1,037,304</u>	<u>11,244</u>
Total Expenditures			
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ (14,666)</u>	(11,940)	<u>\$ 2,726</u>
FUND BALANCE, JULY 1		<u>16,366</u>	
FUND BALANCE, JUNE 30		<u>\$ 4,426</u>	

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

JACKSON-MADISON COUNTY LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - ORGANIZATION

The Jackson-Madison County Library (Library) is jointly funded by the City of Jackson, Tennessee, and the County of Madison, Tennessee. There are no other governmental units which are considered component units of the Library.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The Library operates under a Board of Trustees form of government and provides the services of a public Library.

The Library's financial statements have been prepared in conformity with accounting principles generally accepted as set forth in the pronouncements of the *Governmental Accounting Standards Board (GASB)*. The following is a summary of the more significant accounting policies.

A. Reporting Entity:

The funds related to the Library included in this report are controlled by the Library's Board of Trustees.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) 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 are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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.

JACKSON-MADISON COUNTY LIBRARY

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)**

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 government 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.

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 Library reports the following governmental funds:

The general fund is the library's primary operating fund. It accounts for all financial resources of the library, except those required to be accounted for in another fund.

The permanent fund is used to account for principal amounts received and related interest income, which may be used to provide genealogical resources to the patrons of the library. The Library's permanent fund is the Endowment fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

D. Assets, Liabilities, and Net Assets or Equity***Deposits and Investments***

The Library's cash and cash equivalents are considered to be cash on hand and demand deposits. All interest earned is allocated to the source from which the cash originated.

JACKSON-MADISON COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

Capital Assets

Capital assets, which include equipment and furniture, are included in the government-wide financial statements. The Library land and building are titled to the City of Jackson, and therefore are not included in the Library's capital assets. Capital assets are defined by the Board as assets with an initial, individual (or group combined) cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Books are grouped by category, and depreciated by group. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets of the Library are depreciated using the straight line method over the following useful lives:

Books and materials	5 - 20 years
Furniture and fixtures	5 - 15 years
Machinery and equipment	5 - 20 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

In the fund financial statements, governmental funds show debt payments as current expenditures.

Fund Equity

In the fund financial statements, the governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Library elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

JACKSON-MADISON COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

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 Assets

Adjustments to the balance sheet of governmental funds to the statement of net assets includes the following items:

When capital assets (books, materials, furniture and equipment) 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 assets includes those capital assets among the assets of the Library as a whole.

Cost of capital assets	\$ 2,097,516
Accumulated depreciation	<u>(1,623,854)</u>
	<u>\$ 473,662</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 assets 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 assets decrease by the amount of depreciation expense charged for the year. Likewise, employee compensation is a long-term liability reported as expenditures in the statement of activities when employee benefits are expensed.

Books and materials purchased	\$ (132,121)
Depreciation expense	<u>236,604</u>
Difference	<u>\$ 104,483</u>

NOTE 4 – BUDGETS AND BUDGETARY ACCOUNTING

The Board of Directors approves the annual budget, which is adopted on a basis consistent with generally accepted accounting principles. This budget is approved by line item and used by management to analyze financial activity for the fiscal year ended June 30. Their primary funding source is appropriations from the local government, 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 fiscal year ending June 30, 2009, the Board of Directors did not budget a general expense amount, which caused the actual expenditures to exceed the budgeted amount.

JACKSON-MADISON COUNTY LIBRARY

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 5 – DEPOSITS***Custodial Credit Risk***

The Library's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 2. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits.

The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Library's agent in the Library's name, or by the Federal Reserve Banks acting as third party agents. 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, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009 bank deposits were not in excess of collateralized or insured amounts.

NOTE 6 - ENDOWMENT FUND - PERMANENT FUND

The Library has received contributions that have been restricted by the donor. The principal is required to be invested. Only the interest earned can be used by the Library and it must be spent only on genealogical materials. This year, the funds were spent on books, microfilm and online databases.

Principal contributions received	\$ 11,000
Total interest earned since contribution less materials purchaed	<u>3,320</u>
Total contributions	<u>\$ 14,320</u>

NOTE 7 - RISK MANAGEMENT

The Library is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions and auto physical damage coverage. The Library joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The Library pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workman's compensation and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The Library's premiums are calculated based on its prior claims history.

It is the policy of the Library to purchase commercial insurance for the risks of employee dishonesty and excess liability. Settled claims have not exceeded this commercial coverage or the coverage provided by the Pool in any of the past three years.

JACKSON-MADISON COUNTY LIBRARY

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS

Fixed assets acquired in the General Fund are expensed when purchased. The assets on the government-wide financial statements include only those that have met the Board of Trustee's capitalization policy. The City of Jackson and Madison County budget for Capital Outlay by the library, and pays directly for the items so budgeted. LSSI also pays for a portion of these assets; in their contract, they will spend 20% of the library's budget in materials acquisition. Both City and County assets and LSSI assets are included in the Capital Asset account, if they meet the criteria. The library land and building are titled to the City of Jackson, and therefore are not in the Library's capital asset account. Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Adjustments (See Note 9)	Ending Balance
Capital assets, being depreciated:				
Books and materials	\$ 1,655,139	\$ 132,121	\$ -	\$ 1,787,260
Equipment	<u>310,257</u>	<u>-</u>	<u>-</u>	<u>310,257</u>
Total capital assets	1,965,396	132,121	-	2,097,517
Less accumulated depreciation for:				
Books and materials	1,159,993	222,271	-	1,382,264
Equipment	<u>227,258</u>	<u>14,333</u>	<u>-</u>	<u>241,591</u>
Total depreciation	<u>1,387,251</u>	<u>236,604</u>	<u>-</u>	<u>1,623,855</u>
Governmental activities capital assets, net	<u>\$ 578,145</u>	<u>\$ (104,483)</u>	<u>\$ -</u>	<u>\$ 473,662</u>

NOTE 9 – LIBRARY SYSTEMS & SERVICES, LLC (LSSI)**A. Definition and Agreement of LSSI**

LSSI is a corporation dedicated to providing library-oriented automated systems and manual library support services. The Library entered into an agreement on October 9, 2006 with LSSI, with Services to commence on November 1, 2006. Services include all library management services, staffing, and ancillary services. The Jackson-Madison County Library Board (JMCLB) shall make available to LSSI all properties, facilities, equipment, collections, supplies, records, files and data used or useful in the operation of the Library. JMCLB reserves all ownership rights upon the termination or expiration of the Agreement.

B. Reimbursement For Expenses

LSSI shall be responsible for purchasing all materials, services, labor and any other items related to the annual budget for the Library. This responsibility of LSSI shall include handling all invoices and accounts payable associated with such expenditures. LSSI shall be reimbursed for expenditures on behalf of the Library only if such expenses have been authorized properly.

C. Asset Ownership

All property purchased by LSSI relating to the operation of the Library with funds provided by the JMCLB shall be deemed to have been purchased by LSSI as agent for the JMCLB, and title to same shall be vested in the JMCLB.

JACKSON-MADISON COUNTY LIBRARY

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 9 – LIBRARY SYSTEMS & SERVICES, LLC (LSSI) (Cont.)**D. Pension Plan**

LSSI provides a tax deferred 401(k) profit sharing plan to all qualifying employees. A qualifying employee can be defined as one who has completed one year of continuous services and has worked a minimum of 1,000 hours. All employees who meet these qualifications are eligible for this benefit.

NOTE 10– DEBT FORGIVENESS

During the fiscal year ended June 30, 2008, the Library became indebted to Library Systems & Services, LLC for the loan of \$5,000 to open a coffee shop within the Library. However, the coffee shop was closed by Library Systems & Services, LLC during the fiscal year ended June 30, 2009 and the loan was forgiven.

NOTE 11– JACKSON-MADISON COUNTY LIBRARY FOUNDATION

The purpose of the Jackson-Madison County Library Foundation (Foundation) is to benefit the Library; however, the Foundation has the following factors that distinguish it from being a component unit of the Library: separate corporate powers, board of directors independent of Library's management, and separate financial accountability. In addition, the Foundation is a legally separate, tax exempt entity with their own 501(c)(3) status. The Foundation raises funds to be used at the discretion of the board members and the Library does not have access to these funds. The Library may apply for a grant from the Foundation; this has a process where the Library Trustees fill out a grant request form and submit it to the Foundation's Board of Directors. This grant request is not automatically approved since the Foundation does have other non-profit entities they disburse funding to.

OTHER SUPPLEMENTARY INFORMATION

JACKSON-MADISON COUNTY LIBRARY
 GENERAL FUND
 DETAILED SCHEDULE OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2009

REVENUE	
Jackson-Madison County Joint Appropriations	\$ 963,894
Jackson-Madison County: Capital Expenditures	5,111
Copy machine revenue	7,404
Fines and penalties	34,485
Computer use and rental fees	924
Miscellaneous	962
Sale items	3,258
Coffee shop income	4,816
Gifts	4,510
Total Revenue	<u>1,025,364</u>
EXPENDITURES	
Circulation materials:	
Books	4,000
Building and grounds:	
Repairs and maintenance	5,600
General expenses:	
Accounting	5,980
Fees	259
Insurance	2,064
Miscellaneous	513
Supplies	2,928
Library Management	1,015,960
Total Expenditures	<u>1,037,304</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(11,940)
FUND BALANCE, JULY 1	<u>16,366</u>
FUND BALANCE, JUNE 30	<u>\$ 4,426</u>

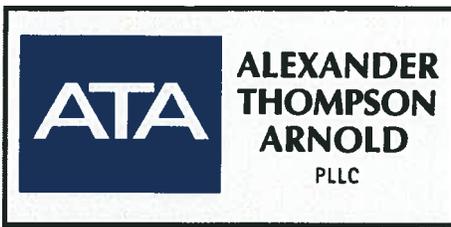
JACKSON-MADISON COUNTY LIBRARY

SCHEDULE OF OFFICIALS

JUNE 30, 2009

<u>Members of Board</u>	<u>Amount of Surety Bond</u>
Dr. Sharon Younger, Chair	
Mr. Greg Milam, Vice-Chair	
Mr. Robert L. Huffman, Treasurer	
Mrs. Mary Louise Williams Slack	
Mrs. Stacey Roe	
Mr. Brandon McWherter	
Mr. Michael Stone	
<u>Director</u>	
Richard Salmons	\$ 10,000*

*All employees are covered by a \$10,000 blanket surety bond.



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- AICPA Center for Public Company Audit Firms
- AICPA Governmental Audit Quality Center
- AICPA Employee Benefit Plan Audit Quality Center
- Tennessee Society of Certified Public Accountants
- Kentucky Society of Certified Public Accountants

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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*

Board of Trustees
Jackson-Madison County Library
Jackson, Tennessee

We have audited the financial statements of the governmental activities and the major fund information of the Jackson-Madison County Library, Jackson, Tennessee (Library), as of and for the year ended June 30, 2009 which collectively comprise the Library’s basic financial statements, and have issued our report thereon dated November 2, 2009. 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 auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library’s internal control over financial reporting.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

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*.

We noted certain matters that we reported to management of the Library in a separate letter dated November 2, 2009.

This report is intended solely for the information and use of the Board of Trustees, management, pass-through entities, and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson And P.C.

Certified Public Accountants
Jackson, Tennessee

November 2, 2009

JACKSON-MADISON COUNTY LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2009

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

None