

**CLARKSVILLE - MONTGOMERY COUNTY**

**PUBLIC LIBRARY**

**FINANCIAL STATEMENTS**

**AND**

**REPORT OF AUDIT**

**JUNE 30, 2009**

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY  
REPORT OF AUDIT  
JUNE 30, 2009**

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**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY  
REPORT OF AUDIT  
JUNE 30, 2009**

**GENERAL INFORMATION**

**A. General**

The Clarksville-Montgomery County Public Library (the Library) was created on August 6, 1959, by an agreement between the City of Clarksville and Montgomery County. A joint City-County Public Library Board was charged with the maintenance and operation of the Public Library for the benefit of residents of both Montgomery County and the City of Clarksville. The organization functioned as a joint venture between the City of Clarksville and Montgomery County until July 1, 2004, when Montgomery County took over the funding of the Library. The Library is now a component unit of Montgomery County. Revised by-laws effective December 5, 2005, provide for all board members to be appointed by Montgomery County Board of Commissioners.

The Library is located in Clarksville, Tennessee, and serves an estimated population of 147,000.

**B. Board of Trustees**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jane Olson	Chairman	2011
Rev. Mickey Richaud	Vice-Chairman	2009
Joe Creek	Treasurer	2011
Joanne Hackman	Secretary	2009
Cathy Stafford	Member	2011
Steve Ryan	Member	2010
David Farris	Member	2010
Peggy Taylor	Member	2009
Ann Ross	Member	2011

**C. Statement of Library Collection**

	<u>Total</u>	<u>Books</u>	<u>Audio/ Video</u>	<u>Microforms</u>	<u>Databases</u>
July 1, 2008	266,673	219,234	34,958	12,410	71
Number Added	16,406	14,163	2,243	-	-
Number Deducted	12,174	9,614	2,560	-	-
June 30, 2009	<u>270,905</u>	<u>223,783</u>	<u>34,641</u>	<u>12,410</u>	<u>71</u>



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**Board of Trustees**  
**Clarksville-Montgomery County Public Library**  
**350 Pageant Lane**  
**Clarksville, Tennessee 37040**

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Clarksville-Montgomery County Public Library (the Library), a component unit of Montgomery County, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the Clarksville-Montgomery County Public Library Foundation, which comprises the Library's discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Clarksville-Montgomery County Public Library Foundation, is based on the reports of other auditors.

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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the discretely presented component unit of the Library as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof 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 December 9, 2009, on our consideration of the Library's internal control over financial reporting and 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.

The Library has not presented the Management Discussion and Analysis, that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Schedule of Funding Progress for Pension Plan on page 15 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Library's basic financial statements. The budgetary information and schedule presented on pages 16 – 18 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary information and budgetary schedule have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such additional information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Thurman Campbell Group, PLC*

December 9, 2009

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY**  
**GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	General Fund	Gracey Fund	Memorial Fund	Total	Adjustments (Note 2)	Statement of Net Assets	Component Unit - Library Foundation 12/31/08
<b><u>ASSETS</u></b>							
Cash on Hand	\$ 350	\$ -	\$ -	\$ 350	\$ -	\$ 350	\$ -
Cash in Bank	61,888	156,334	26,905	245,127	-	245,127	-
Restricted Cash	-	-	-	-	-	-	694,159
Restricted Investments	-	-	-	-	-	-	1,783,404
Customer Receivables (Note 11)	293,401	-	-	293,401	-	293,401	-
Allowance for Uncollectible Accounts	(146,700)	-	-	(146,700)	-	(146,700)	-
Prepaid Expenses	10,228	-	-	10,228	-	10,228	-
Interfund Receivable	68,259	-	-	68,259	(68,259)	-	-
Capital Assets, Net of Accumulated Depreciation (Note 8 )	-	-	-	-	1,451,443	1,451,443	-
Total Assets	<u>287,426</u>	<u>156,334</u>	<u>26,905</u>	<u>470,665</u>	<u>1,383,184</u>	<u>1,853,849</u>	<u>2,477,563</u>
<b><u>LIABILITIES</u></b>							
Accounts Payable	8,055	-	-	8,055	-	8,055	-
Liabilities Payable	364	-	-	364	-	364	-
Interfund Payable	-	-	68,259	68,259	68,259	-	-
Accrued Compensated Absences	45,047	-	-	45,047	-	45,047	-
Total Liabilities	<u>53,466</u>	<u>-</u>	<u>68,259</u>	<u>121,725</u>	<u>68,259</u>	<u>53,466</u>	<u>-</u>
<b><u>FUND BALANCES / NET ASSETS</u></b>							
<b>Fund Balances:</b>							
<b>Unreserved, Reported in:</b>							
General Fund	233,960	-	-	233,960	(233,960)	-	-
Other Funds	-	156,334	(41,354)	114,980	(114,980)	-	-
Total Fund Balances	<u>233,960</u>	<u>156,334</u>	<u>(41,354)</u>	<u>348,940</u>	<u>(348,940)</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>287,426</u>	<u>156,334</u>	<u>26,905</u>	<u>470,665</u>			
<b>Net Assets</b>							
Invested in Capital Assets					1,451,443	1,451,443	-
Restricted					-	-	2,477,563
Unrestricted					348,940	348,940	-
Total Net Assets					<u>\$ 1,800,383</u>	<u>\$ 1,800,383</u>	<u>\$ 2,477,563</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Gracey Fund	Memorial Fund	Total	Adjustments (Note 3)	Statement of Activities	Component Unit - Library Foundation 12/31/08
<b>Revenues:</b>							
Montgomery County	\$ 1,527,251	\$ -	\$ -	\$ 1,527,251	\$ -	\$ 1,527,251	\$ -
Fines and Fees	157,782	-	-	157,782	-	157,782	-
Interest	1,125	3,854	-	4,979	-	4,979	74,056
Computer and Copy Machines	16,607	-	-	16,607	-	16,607	-
Gracey Trust Income	-	104,474	-	104,474	-	104,474	-
Memorial Income	-	-	12,804	12,804	-	12,804	-
Donations (Note 7)	3,275	-	-	3,275	-	3,275	-
Miscellaneous Income	17,656	-	-	17,656	-	17,656	-
Restricted Donations	-	-	-	-	-	-	162,740
Net Increase (Decrease) in the Fair Value of Investments	-	-	-	-	-	-	(637,894)
Bequests	275,000	-	-	275,000	-	275,000	-
<b>Total revenues</b>	<b>1,998,696</b>	<b>108,328</b>	<b>12,804</b>	<b>2,119,828</b>	<b>-</b>	<b>2,119,828</b>	<b>(401,098)</b>
<b>Expenditures:</b>							
<b>Current:</b>							
Salaries and Benefits	1,197,815	-	-	1,197,815	-	1,197,815	-
Communication Expenses	12,150	-	-	12,150	-	12,150	-
Custodial Services	24,519	-	-	24,519	-	24,519	-
Professional Services	25,638	-	-	25,638	-	25,638	3,400
Repairs and Maintenance	58,361	-	-	58,361	-	58,361	-
Supplies	28,961	-	-	28,961	-	28,961	-
Utilities	105,157	-	-	105,157	-	105,157	-
Insurance	8,037	-	-	8,037	-	8,037	-
Depreciation	-	-	-	-	380,878	380,878	-
Other	-	-	-	-	-	-	20
Investment Fees	-	-	-	-	-	-	20,706
<b>Capital Outlay:</b>							
Printed Materials	277,696	-	19,658	297,354	(297,354)	-	-
Equipment and Furnishings	373,492	-	-	373,492	(369,044)	4,448	-
<b>Total expenditures/ expenses</b>	<b>2,111,826</b>	<b>-</b>	<b>19,658</b>	<b>2,131,484</b>	<b>(285,520)</b>	<b>1,845,964</b>	<b>24,126</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(113,130)</b>	<b>108,328</b>	<b>(6,854)</b>	<b>(11,656)</b>	<b>285,520</b>	<b>273,864</b>	<b>(425,224)</b>
<b>Other financing sources:</b>							
Transfers	144,534	(118,534)	(26,000)	-	-	-	-
<b>Net Change in fund balances/net assets</b>	<b>31,404</b>	<b>(10,206)</b>	<b>(32,854)</b>	<b>(11,656)</b>	<b>285,520</b>	<b>273,864</b>	<b>(425,224)</b>
<b>Fund balances/net assets:</b>							
Beginning of year	202,556	166,540	(8,500)	360,596	1,165,923	1,526,519	2,902,787
End of year	\$ 233,960	\$ 156,334	\$ (41,354)	\$ 348,940	\$ 1,451,443	\$ 1,800,383	\$ 2,477,563

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**A. The Reporting Entity**

The Clarksville-Montgomery County Public Library (the Library), for financial purposes, includes all of the funds for which the Library is considered to be financially accountable. The Library is a special purpose single-program government with only governmental activities. The Library is a Component Unit of Montgomery County Government. The board is comprised of members that are appointed by the Montgomery County Commission. The County provides approximately 72% of the revenues of the Library.

**B. Combination Government-Wide and Fund Financial Statements**

Combination government-wide and fund financial statements are presented for the Library since it is a special purpose single-program governmental entity. The first four columns of the statements represent the fund financial statements of the Library. The second column from the right of the statements represents the government-wide financial statements for the Library. The adjustment column represents the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements. The explanations of the reconciling items are presented in Notes 2 and 3 of the notes to the financial statements.

**C. Government Wide Financial Statements**

The government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental activities for the Library.

Government-wide statements are prepared using an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Library's assets and liabilities are included in the accompanying statement of net assets.

**D. Fund Financial Statements and Measurement Focus**

Fund financial statements report detailed information about the Library. The focus of the fund financial statements is on major funds rather than fund type. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which report on sources and uses of current financial resources.

**E. Basis of Presentation and Measurement Focus**

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library has only governmental type funds. The emphasis of fund financial statements is on major governmental funds each displayed in a

separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

**Governmental Fund Types**

Governmental fund types are used to account for the Library's general government activities. Governmental fund types include the following for the Library:

**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.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes (not including major capital projects). The Gracey and Memorial Funds are the Library's Special Revenue Funds.

**Gracey Fund**

The Library was named as a beneficiary of a portion of the estate of Mrs. Donald Gracey. The bequest is to be used for general Library purposes as directed by its board. These unrestricted funds are accounted for as a separate, special revenue fund solely for information purposes.

**Memorial Fund**

The Memorial Fund is used to receive and expense memorial and other special donations to the Library. The funds are generally unrestricted and are accounted for as a separate, special revenue fund solely for informational purposes.

**F. Property, Plant and Equipment**

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated items are valued at their estimated fair value on the date donated. No interest was capitalized during the audit period.

Depreciation is computed on capital assets using the straight-line method over the following useful lives:

Furniture and Equipment	5 - 10 years
Building Improvements	10 years
Books and Videos	5 years

Property with an expected life of five years or greater and that is susceptible to misappropriation is capitalized. There is no dollar threshold.

**G. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Library is subject to the accounting directives issued by the Governmental Accounting Standards Board (GASB) and, therefore, has adopted, in all material respects, the provisions of all applicable GASB pronouncements and all applicable pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, which do not conflict with GASB pronouncements.

The Library utilizes the modified accrual basis of accounting as required for governmental fund types. Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Library considers revenues to be available if they are collected within sixty days of the end of the fiscal year. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

H. Donated Services

Donated services are not valued as contributions and are not recorded as expenditures.

I. Donated Supplies and Equipment

Donated supplies and equipment are recorded as gifts at fair market value on date donated. Supplies are recorded as expenditures at the same value and donated equipment is capitalized.

J. Accrued Compensated Absences

The Library accrues unused annual leave as compensated absences. Unused sick leave is not valued since it is paid only when actually used.

K. Major Funding

The Library is primarily funded by transfers of funds from Montgomery County. Cessation of funding by Montgomery County would have a major economic impact on the Library and might adversely affect the Library's ability to continue operations.

L. Grant Accounting

Grants are accounted for separately and separate bank accounts are utilized for large grants. The Library received no material grants during the audit period.

M. Insurance Paid

Insurance is expensed when recognized. Prepaid insurance is included on the balance sheet at June 30, 2009 in the amount of \$10,228.

N. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "interfund receivables and payables." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

O. Restricted/Unrestricted Resources Usage

The Library's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Other Significant Accounting Policies

Other significant accounting policies are described throughout the notes section of this audit report or are disclosed in the statement formats.

2. **RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO STATEMENT OF NET ASSETS**

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

Total fund balances - governmental funds	\$ 348,940
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	<u>1,451,443</u>
Total net assets of governmental activities	<u>1,800,383</u>

3. **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

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

Net change in fund balances - total government funds	\$ (11,656)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>285,520</u>
Change in net assets of governmental activities	<u>\$ 273,864</u>

4. **BANK DEPOSIT INFORMATION**

Statement No. 40, "Deposit and Investment Risk Disclosures," of the Governmental Accounting Standards Board, states "If a government has no deposit or investment policy that addresses a specific type of risk that it is exposed to, the disclosure should indicate that fact." The Library does not have an official investment policy. Although there is no official investment policy for the Library, in order to provide a safe temporary medium for investment of the Library's idle funds, the Library invests those idle funds under the provisions of Tennessee Code Annotated 6-56-106. The Library is a passive investor, in that investments are held to maturity. The investments made by the Library are authorized by Section 6-56-106 of the Tennessee Code Annotated. The Library recognizes its investments may have one or more risks: (1) custodial credit risk, (2) concentrations of credit risk, (3) interest rate risk, and (4) foreign currency risk; however because of the relative safety of the investments authorized in T.C.A. 6-56-106 (a) 1-6 and 8, the exposure to risk is generally limited to interest rate risk.

State statutes authorize the Library to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federally chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the Library invested funds in regular demand deposits. At year-end the carrying amount of the Library's cash deposits was \$245,127 and the bank balances were \$274,243. The cash deposits at year-end were held by a bank that is a member of the Tennessee bank collateral pool.

The Library's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC insures the first \$250,000 of the Library's deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral pool. State statutes provide for additional amounts to be assessed on a pro rata basis to financial institutions in the collateral pool in the event that the pool's funds would be insufficient to cover a loss.

5. GRACEY BEQUEST FUND

The Library was named as a beneficiary of a portion of the estate of Mrs. Donald Gracey. The principal of the bequest is held in trust for a period of thirty years from the settlement of the estate. Twenty-eight and one-half percent of the income from this trust is to be paid to the Library on at least a quarterly basis. Upon expiration of thirty years, twenty-eight and one-half percent of the trust corpus will be delivered to the Library. The estate was settled in 1992. During the current year, income of \$104,474 was donated to the Library. The bequest is to be used for general Library purposes as directed by its board. These unrestricted funds are accounted for as a separate, special revenue fund solely for information purposes.

6. MEMORIAL FUND

The Memorial Fund is used to receive and expense memorial and other special donations to the Library. The funds are generally unrestricted and are accounted for as a separate, special revenue fund solely for informational purposes.

7. COMPONENT UNIT

The Clarksville-Montgomery County Public Library Foundation is a legally separate, tax-exempt component unit of the Library. The Foundation's primary purpose is to provide assistance to the Library through fund raising activities and through the management, investment and administration of the funds under the Foundation's control. The funds raised by the Foundation are not to be used for the funding of day-to-day operations of the Library but for special programs, activities and capital projects. The three-member board is self-perpetuating and consists of residents of Montgomery County with diverse business, personal and professional experience. Although the Library doesn't control the timing or amount of receipts from the Foundation, the majority of the resources that the Foundation holds are restricted to Library purposes. Because these resources can only be used by or for the benefit of the Library, the Foundation is considered a component unit of the Library. The Foundation is required to disburse between 25% and 75% of the annual interest or dividends earned on Foundation investments during the previous year ending December 31. During the year ended June 30, 2009, the Foundation didn't distribute any cash to the Library for capital purposes, due to significant losses on security investments.

The Foundation's year end, December 31, differs from the Library's year-end. The December 31, 2008 audited financial statements are included in the Library's June 30, 2009 basic financial statements. The Foundation's by-laws, adopted April 1, 2005, require the Foundation's accounts to be audited annually.

Complete financial statements for the Foundation can be obtained from Secretary/Treasurer, Clarksville-Montgomery County Public Library Foundation, 350 Pageant Lane, Suite 501, Clarksville, Tennessee, 37040.

8. **CAPITAL ASSETS**

Changes in the capital assets for the year were as follows:

	<u>Balance</u> <u>7/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2009</u>
<b><u>Depreciable Assets</u></b>				
Furniture, Fixtures, Equipment and Software	\$ 1,373,476	\$ 295,510	\$ -	\$ 1,668,986
Building Improvements	47,442	73,534	-	120,976
Library Resources	<u>4,030,837</u>	<u>297,354</u>	<u>262,716</u>	<u>4,065,475</u>
Total	<u>5,451,755</u>	<u>666,398</u>	<u>262,716</u>	<u>5,855,437</u>
<b><u>Accumulated Depreciation</u></b>				
Furniture, Fixtures, Equipment and Software	1,141,868	51,388	-	1,193,256
Building Improvements	41,349	2,522	-	43,871
Library Resources	<u>3,102,615</u>	<u>326,968</u>	<u>262,716</u>	<u>3,166,867</u>
Total	<u>4,285,832</u>	<u>380,878</u>	<u>262,716</u>	<u>4,403,994</u>
<b><u>Capital Assets Net of</u></b>				
<b><u>Accumulated Depreciation</u></b>	<u>\$ 1,165,923</u>	<u>\$ 285,520</u>	<u>\$ -</u>	<u>\$ 1,451,443</u>

The building and related facilities are furnished to the Library by Montgomery County and the City of Clarksville. Depreciation expense for the year is \$380,878.

9. **PENSION INFORMATION**

A. **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 the system 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 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, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

**B. Funding Policy**

The Library has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 13.40% 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.

**C. Annual Pension Cost**

For the year ending June 30, 2009, the Library's annual pension cost of \$85,849 to TCRS was equal to the Library's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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 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), (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. 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, 2007 was 8 years. An actuarial valuation was performed as July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$85,849	100.00%	\$0.00
6/30/08	\$88,379	100.00%	\$0.00
6/30/07	\$89,726	100.00%	\$0.00

**Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 87.52% percent funded. The actuarial accrued liability for benefits was \$1.35 million, and the actuarial value of assets was \$1.18 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.17 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1 million, and the ratio of the UAAL to the covered payroll was 26.41% percent.

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.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Accrued Liability (ALL)</u> (b)	<u>Actuarial Unfunded AAL (UAAL)</u> (b)-(a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> ((b-a)/c)
7/01/07	\$1,185	\$1,354	\$169	87.52%	640	26.41%

10. 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. The Library has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee Municipal League Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.

11. CUSTOMER RECEIVABLES

There were customer receivables of \$293,401 and uncollectible amounts of \$146,700 which includes uncollectible, waived, or returned items. Gross customer receivables include not only fines and fees receivable, but also an amount due the Library for lost books. When a book is returned, the amount due the Library is reduced by the cost of the book, but the Library receives no cash in this situation. The estimate of uncollectible, waived and returned items is based on statistical information tracked by the Library of amounts due and amounts collected by month.

**CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2009**

**12. PENSION PLAN - SCHEDULE OF FUNDING PROGRESS FOR THE LIBRARY**

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Accrued Liability (ALL)</u> (b)	<u>Actuarial Unfunded AAL (UAAL)</u> (b)-(a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> ((b-a)/c)
7/01/07	\$1,185	\$1,354	\$169	87.52%	640	26.41%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial costs method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial costs method change made during the year of the most recent actuarial valuation date, therefore only the most current year is presented.

**CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY  
SUPPLEMENTAL INFORMATION  
JUNE 30, 2009**

**BUDGETARY INFORMATION**

Through the budget, the Library Board of Trustees sets the direction of the Library and establishes its priorities. The annual budget assures the efficient and effective use of the Library's economic resources.

The annual budget serves from July 1 to June 30, and is used to communicate the Library's priorities to Montgomery County, the main source of support for the Library. It also provides the foundation for effective financial planning for the Library.

The Library Board of Trustees adopts an annual operating budget. This budget is presented to Montgomery County during County budget discussions before the County approves the Library subsidy for the upcoming year. The budget is not a legally adopted budget which requires formal amendment when variances from the budget occur. Line item budget variances are discussed with the Library Board of Trustees, and verbal consent is given for changes made in the budget.

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY  
BUDGETARY COMPARISON SCHEDULE – ALL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>			
Montgomery County	\$ 1,527,251	\$ 1,527,251	\$ -
Fines and Fees	107,000	157,782	50,782
Interest	2,100	4,979	2,879
Copy Machines	8,000	16,607	8,607
Gracey Trust	90,600	104,474	13,874
Memorial Income	8,000	12,804	4,804
Miscellaneous Income	-	17,656	17,656
Bequests	-	275,000	275,000
Unbudgeted Income (Donations)	-	3,275	3,275
Total Revenue	<u>1,742,951</u>	<u>2,119,828</u>	<u>376,877</u>
<b><u>EXPENDITURES</u></b>			
Personnel	937,615	912,906	24,709
Fringe Benefits	301,629	284,337	17,292
Audit Services	6,000	9,600	(3,600)
Bank Charges	20	6	14
Data Processing Services	28,500	20,436	8,064
Debt Collection Services	12,000	13,353	(1,353)
Drug Control Services	540	572	(32)
Dues and Memberships	500	825	(325)
Freight	4,000	3,876	124
Laundry	150	53	97
Lease Payments	5,600	3,547	2,053
Licenses	250	300	(50)
Maintenance Agreements	15,850	15,407	443
Repairs and Maintenance - Building	8,000	17,552	(9,552)
Repairs and Maintenance - Equipment	1,000	2,498	(1,498)
Pest Control	300	100	200
Postal Charges	10,559	5,522	5,037
Printing, Stationery, Forms	4,000	5,220	(1,220)
Travel	1,000	1,419	(419)
Tuition	1,000	1,760	(760)
Custodial Supplies	14,000	17,960	(3,960)

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY  
 BUDGETARY COMPARISON SCHEDULE – ALL FUNDS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2009**

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Data Processing Supplies	7,000	4,742	2,258
Duplicating Supplies	2,500	1,644	856
Electricity	93,895	86,932	6,963
Food Supplies	50	-	50
Instructional Materials/Supplies	15,000	18,306	(3,306)
Printed Materials	300,140	297,348	2,792
Natural Gas	25,000	13,174	11,826
Office Supplies	5,000	4,269	731
Water and Sewer	4,000	5,051	(1,051)
Building and Contents Insurance	4,500	3,773	727
Refunds	600	1,240	(640)
Workman's Compensation Insurance	4,500	4,264	236
Data Processing Equipment	5,000	290,469	(285,469)
Furniture and Fixtures	1,000	3,496	(2,496)
Office Equipment	1,000	393	607
Other Equipment	<u>1,000</u>	<u>79,134</u>	<u>(78,134)</u>
Total Expenditures	<u>1,822,698</u>	<u>2,131,484</u>	<u>(308,786)</u>
 <u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u>	 <u>\$ (79,747)</u>	 <u>(11,656)</u>	 <u>\$ 68,091</u>
 <u>FUND BALANCE BEGINNING</u>		 <u>360,596</u>	
 <u>FUND BALANCE ENDING</u>		 <u>\$ 348,940</u>	

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.



**THURMAN CAMPBELL GROUP, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Board of Trustees**  
**Clarksville-Montgomery County Public Library**  
**350 Pageant Lane**  
**Clarksville, Tennessee 37040**

**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**

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Clarksville-Montgomery County Public Library (the Library), a component unit of Montgomery County, 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 December 9, 2009. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Clarksville-Montgomery County Public Library Foundation, as described in our report on the Library's financial statements.

This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Clarksville-Montgomery County Public Library Foundation were not audited in accordance with *Government Auditing Standards*.

**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 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.

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 combinations 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 over financial reporting 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 a material weakness, as defined above.

#### 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*.

This report is intended solely for the information and use of management, others within the organization, the County Commissioners and other awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Thurman Campbell Group, PLC*

December 9, 2009