

OBION COUNTY PUBLIC LIBRARY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2009

**OBION COUNTY PUBLIC LIBRARY
JUNE 30, 2009**

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**OBION COUNTY PUBLIC LIBRARY
JUNE 30, 2009**

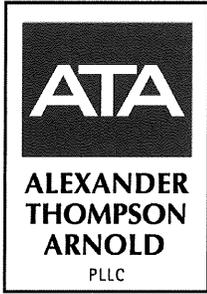
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Robert Gibson, chairman
Wayne Bailey, vice-chairman
Susan Harris, secretary
David Searcy, treasurer
Mary Ann Hime
Brenda Baker
Mike Cox
Nina Pierce

ADMINISTRATIVE STAFF

Michelle Barnes, interim director
Danielle Morris, administrative assistant

FINANCIAL SECTION



Certified Public Accountants

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American Institute of Certified Public Accountants
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Independent Auditor's Report

Board of Trustees
Obion County Public Library
Union City, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Obion County Public Library, which are special revenue funds and a capital project fund of Obion County, Tennessee, 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.

As discussed in Note 1, the financial statements referred to above present only special revenue funds and a capital projects fund comprising the Obion County Public Library and are not intended to present fairly the financial position and results of operations of Obion County, Tennessee, as of June 30, 2009, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Library has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

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

Board of Trustees
Obion County Public Library
Union City, Tennessee

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Obion County Public Library's basic financial statements. The supplementary information section 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Alexander Thompson Arnold PLLC

Union City, Tennessee
November 6, 2009

BASIC FINANCIAL STATEMENTS

**OBION COUNTY PUBLIC LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 161,004
Investments	221,813
Accrued interest receivable	8,499
Land	551,934
Other capital assets, net of accumulated depreciation	<u>3,690,592</u>
Total assets	<u>4,633,842</u>
 Liabilities	
Accounts payable	5,274
Payroll taxes payable	285
Unearned grant revenue	<u>9,164</u>
Total liabilities	<u>14,723</u>
 Net Assets	
Invested in capital assets	4,242,526
Restricted for:	
Special revenue programs	70,884
McRee and Verhine grants	205,250
Unrestricted	<u>100,459</u>
Total net assets	<u>\$ 4,619,119</u>

**OBION COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Expenses	
Library operations	<u>\$ 865,561</u>
Program revenues:	
Charges for services	37,725
Operating grants and contributions	222,324
Capital grants and contributions	-
Total program revenues	<u>260,049</u>
Net program income (expense)	<u>(605,512)</u>
General revenues:	
Interest income	11,883
Miscellaneous income	572
Transfers	<u>334,487</u>
Total general revenues and transfers	<u>346,942</u>
Change in net assets	(258,570)
Net assets - beginning of the year	<u>4,877,689</u>
Net assets - end of the year	<u>\$ 4,619,119</u>

**OBION COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2009**

	MAJOR		NONMAJOR	
	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Assets				
Cash and cash equivalents	\$ 106,018	\$ 54,986	\$ -	\$ 161,004
Investments	-	221,813	-	221,813
Accrued interest receivable	-	8,499	-	8,499
	<u>\$ 106,018</u>	<u>\$ 285,298</u>	<u>\$ -</u>	<u>\$ 391,316</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 5,274	\$ -	\$ -	\$ 5,274
Payroll taxes payable	285	-	-	285
Unearned grant revenue	-	9,164	-	9,164
Total liabilities	<u>5,559</u>	<u>9,164</u>	<u>-</u>	<u>14,723</u>
Fund Balances				
Reserved	100,459	205,250	-	305,709
Unreserved	-	70,884	-	70,884
Total fund balances	<u>100,459</u>	<u>276,134</u>	<u>-</u>	<u>376,593</u>
Total liabilities and fund balances	<u>\$ 106,018</u>	<u>\$ 285,298</u>	<u>\$ -</u>	<u>\$ 391,316</u>
 <u>Fund Balance Reconciliation</u>				
Fund balance of governmental funds				\$ 376,593
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				4,242,526
Net assets of governmental activities				<u>\$ 4,619,119</u>

**OBION COUNTY PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	MAJOR		NONMAJOR	Total
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues				
Charges for services	\$ 11,225	\$ 26,500	\$ -	\$ 37,725
City appropriation	167,244	-	-	167,244
Reimbursements - Latimer project	42,782	-	-	42,782
Donations and gifts	3,030	8,432	-	11,462
Grants	-	836	-	836
Interest income	11,709	173	1	11,883
Miscellaneous income	-	572	-	572
Total revenues	<u>235,990</u>	<u>36,513</u>	<u>1</u>	<u>272,504</u>
Expenditures				
Current:				
Salaries, taxes and benefits	417,698	-	-	417,698
Building occupancy and maintenance	80,896	-	-	80,896
Library materials	7,117	22,877	1,261	31,255
Capital outlay:				
Library books	43,184	6,015	-	49,199
Other	14,828	2,290	-	17,118
Total expenditures/expenses	<u>563,723</u>	<u>31,182</u>	<u>1,261</u>	<u>596,166</u>
Revenues over (under) expenditures	(327,733)	5,331	(1,260)	(323,662)
Transfers	<u>334,487</u>	<u>-</u>	<u>-</u>	<u>334,487</u>
Net change in fund balance	6,754	5,331	(1,260)	10,825
Fund balance - beginning of the year	<u>93,705</u>	<u>270,803</u>	<u>1,260</u>	<u>365,768</u>
Fund balance - end of the year	<u>\$ 100,459</u>	<u>\$ 276,134</u>	<u>\$ -</u>	<u>\$ 376,593</u>

Reconciliation to Statement of Activities

Net change in fund balance of governmental funds (above) \$ 10,825

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

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 depreciation exceeded capital outlay in the current period.

(269,395)

Change in net assets of governmental activities

\$ (258,570)

**OBION COUNTY PUBLIC LIBRARY
STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
City appropriation	\$ 167,244	\$ 167,244	\$ 167,244	\$ -
Erate revenue	-	-	11,225	11,225
Reimbursements - Latimer Project	40,290	40,290	42,782	2,492
Interest	8,375	8,375	11,709	3,334
Donations and gifts	-	-	3,030	3,030
Total revenues	<u>215,909</u>	<u>215,909</u>	<u>235,990</u>	<u>20,081</u>
Expenditures				
Salary - library director	59,239	59,239	57,416	(1,823)
Salary - assistant library director	36,051	36,051	34,782	(1,269)
Salaries - library assistants	110,228	110,228	130,228	20,000
Salaries - library aides	70,432	70,432	52,650	(17,782)
Salaries - Latimer Project	32,760	32,760	32,890	130
Salaries - custodian	20,442	20,442	20,551	109
Salaries - Verhine Children's Library	8,375	8,375	6,190	(2,185)
Payroll taxes	26,348	26,348	26,049	(299)
Employee retirement benefits	12,446	12,446	12,729	283
Employee health insurance	30,780	30,780	30,636	(144)
Accounting services	1,000	1,000	1,388	388
Audit services	6,000	6,000	3,425	(2,575)
Telephone and other communications expense	12,200	12,200	14,900	2,700
Repair and maintenance - buildings	6,000	6,000	7,939	1,939
Repair and maintenance - equipment	10,500	10,500	7,234	(3,266)
Travel	2,500	2,500	1,158	(1,342)
Custodial supplies	2,500	2,500	3,496	996
Data processing supplies	7,000	7,000	11,571	4,571
Utilities	39,300	39,300	42,336	3,036
Library books	40,000	40,000	43,184	3,184
Office supplies	5,000	5,000	7,606	2,606
Periodicals	4,500	4,500	3,129	(1,371)
Audio-visual materials	7,000	7,000	7,245	245
Insurance	4,600	4,600	4,000	(600)
Miscellaneous	1,020	1,020	991	(29)
Total expenditures	<u>556,221</u>	<u>556,221</u>	<u>563,723</u>	<u>7,502</u>
Deficit of revenue under expenditures	(340,312)	(340,312)	(327,733)	12,579
Other financing sources				
Transfer from County	<u>340,312</u>	<u>340,312</u>	<u>334,487</u>	<u>(5,825)</u>
Net change in fund balance	-	-	6,754	6,754
Fund balance - July 1, 2008	<u>93,705</u>	<u>93,705</u>	<u>93,705</u>	<u>-</u>
Fund balance - June 30, 2009	<u>\$ 93,705</u>	<u>\$ 93,705</u>	<u>\$ 100,459</u>	<u>\$ 6,754</u>

**OBION COUNTY PUBLIC LIBRARY
STATEMENT OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines	\$ 10,500	\$ 10,500	\$ 10,718	\$ 218
Lost books	1,900	1,900	1,079	(821)
Library cards	2,250	2,250	2,041	(209)
Library fees	1,200	1,200	1,604	404
Copy machine income	1,500	1,500	1,639	139
Copy fees	4,000	4,000	4,197	197
Other fees	325	325	424	99
Gifts	10,000	10,000	8,432	(1,568)
Memorials	5,000	5,000	-	(5,000)
Programs	-	-	3,254	3,254
Crafts	1,000	1,000	419	(581)
Meeting room	1,000	1,000	1,125	125
Grants	5,000	5,000	836	(4,164)
Interest	225	225	173	(52)
Other	300	300	572	272
Total revenues	<u>44,200</u>	<u>44,200</u>	<u>36,513</u>	<u>(7,687)</u>
Expenditures				
Advertising	3,000	3,000	3,177	177
Dues and memberships	2,000	2,000	1,797	(203)
Lease payments	500	500	798	298
Postage	2,000	2,000	2,644	644
Printing and stationery	2,200	2,200	32	(2,168)
Other contract services	4,500	4,500	193	(4,307)
Instructional supplies	8,989	8,989	4,907	(4,082)
Office supplies	3,000	3,000	3,482	482
Audio-visual materials	1,000	1,000	642	(358)
Special programs	2,000	2,000	3,519	1,519
Miscellaneous	500	500	498	(2)
Data processing supplies	32,156	32,156	2,024	(30,132)
Library books	5,000	5,000	6,015	1,015
Furniture and fixtures	1,000	1,000	1,454	454
Total expenditures	<u>67,845</u>	<u>67,845</u>	<u>31,182</u>	<u>(36,663)</u>
Net change in fund balance	(23,645)	(23,645)	5,331	28,976
Fund balance - July 1, 2008	<u>270,803</u>	<u>270,803</u>	<u>270,803</u>	<u>-</u>
Fund balance - June 30, 2009	<u>\$ 247,158</u>	<u>\$ 247,158</u>	<u>\$ 276,134</u>	<u>\$ 28,976</u>

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

**OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Obion County Public Library is jointly funded by the City of Union City and Obion County, Tennessee governments. The Library is not considered a component unit of any other government, but is considered to be a fund of the primary county government of Obion County, Tennessee. There are no other governmental units which are considered component units of the Library. The Library operates under a Board of Trustees form of government and provides the services of a public library. This report includes all of the funds relevant to the operation of the Obion County Public Library.

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

The Library's financial statements have been prepared in conformity with accounting principles generally accepted for governmental entities as set forth in the pronouncements of the *Governmental Accounting Standards Board (GASB)*. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, in accordance with generally accepted accounting principles (gaap) as defined in the Statements of Governmental Accounting Standards Board (GASB). 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. The Library has determined a period of availability of 60 days after the end of the current fiscal period. Grant funds, where expenditure is the prime factor for determining eligibility, are recognized as revenue when the expenditure is made. Grant proceeds received after the 60-day period of availability are recorded as deferred revenue. Expenditures under the modified accrual basis of accounting are recorded when the related liability is incurred.

The Library reports the following governmental funds:

The general fund is the Library's primary operating fund and accounts for all financial resources applicable to the general operation of the Library, except those required to be accounted for in another fund. Revenues are derived primarily from appropriations from the City of Union City and Obion County, Tennessee.

The special revenue fund is used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action.

**OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

The capital projects fund accounts for the acquisition or construction of capital projects. Revenues are derived primarily from public donations.

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.

C. Budgetary Information

The Library adopts an annual budget for the General Fund and the Special Revenue Fund prepared in accordance with the basis of accounting used by those funds. Any revisions that alter total expenditures must be approved by the Board of Trustees and the Obion County Commission. The budgets as originally approved and as amended are presented in the statements of budgetary comparison. For the year ended June 30, 2009, the General Fund had expenditures exceeding appropriations by \$7,502.

Major capital expenditures, which are accounted for within the Capital Projects Fund, are subject to budgetary control on a project basis. Appropriations for a specific project do not lapse until completion of the project. Due to the nature of these funds, budgetary comparison statements on an annual basis would not provide meaningful information and, therefore, are not presented in the accompanying financial statements.

D. Assets, Liabilities and Fund Equity/Net Assets

Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand and demand deposits at various financial institutions. Investments consist of certificates of deposit with original maturities greater than three months. All interest earned is allocated to the source from which the cash originated.

Capital Assets

Capital assets are included in the government-wide financial statements. Capital assets are defined by the Board as assets with an estimated useful life in excess of three 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 expensed as incurred. Capital assets of the Library are depreciated using the straight line method over the estimated useful lives of each group of assets.

Compensated Absences

The Library's obligation for employees' rights to receive compensation for future absences, such as vacation and sick days, was not material as of June 30, 2009, and thus, is not recognized in the accompanying financial statements. The Library permits the accumulation of a maximum of 30 days sick leave for employees; however, unused sick days are not paid upon termination. Accordingly, sick pay is charged to expenditures when taken.

Fund Equity/Net Assets

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

**OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

to change. Net assets in the government-wide statements are categorized as invested in capital assets, restricted and unrestricted. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets represent net assets that have third party limitations on their use. The Library elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Reconciliation of the Governmental Fund Balance Sheet and the Statement of Net Assets

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Details of the \$4,242,526 difference reported in the reconciliation on the Governmental Funds Balance Sheet were as follows:

Governmental fund capital assets	\$ 6,541,315
Less: accumulated depreciation	<u>(2,298,789)</u>
 Net adjustment to increase fund equity – total governmental funds to arrive at net assets – governmental activities	 <u>\$ 4,242,526</u>

Reconciliation of the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

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. Details of the \$269,395 difference reported in the reconciliation were as follows:

Capital outlay	\$ 66,317
Depreciation expense	<u>(335,712)</u>
 Net adjustment to decrease net changes in fund balance – total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ (269,395)</u>

NOTE 3 – DETAILED NOTES ON ACCOUNTS

Deposits

Custodial Credit Risk

The Library's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. 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

**OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, the Library's bank deposits were fully insured or collateralized.

Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 551,934	\$ -	\$ -	\$ 551,934
Capital assets, being depreciated				
Buildings	4,226,460	543	-	4,227,003
Equipment, furniture and fixtures	809,094	6,049	-	815,143
Park facilities and furniture	377,887	-	-	377,887
Data processing equipment	69,089	3,282	-	72,371
Library books	440,534	56,443	-	496,977
Total	5,923,064	66,317	-	5,989,381
Less accumulated depreciation for:				
Buildings	804,085	172,452	-	976,537
Equipment, furniture and fixtures	730,166	62,435	-	792,601
Park facilities and furniture	147,410	37,789	-	185,199
Data processing equipment	44,974	8,144	-	53,118
Library books	236,442	54,892	-	291,334
	1,963,077	335,712	-	2,298,789
Net capital assets being depreciated	3,959,987	(269,395)	-	3,690,592
Governmental activities capital assets – net	\$ 4,511,921	\$ (269,395)	\$ -	\$ 4,242,526

Interfund Transfers

During the year ended June 30, 2009, Obion County transferred \$334,487 to the Library for their annual appropriation.

NOTE 4 – PENSION INFORMATION

Plan Description

Employees of the Obion County Public Library are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit 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

**OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service, and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Obion County Public 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 the 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/>.

Funding Policy

The Obion County Public Library requires employees to contribute 5.0% of earnable compensation. The Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009, was 4.81% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Obion County Public Library is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2009, the Obion County Public Library's annual pension cost of \$12,729 to TCRS was equal to the Library's required and actual contribution. 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), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities 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 of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information and Schedule of Funding Progress

Trend Information and the required supplementary schedule of funding progress are not available individually for the Obion County Public Library. This information for Obion County as a whole is available in the County's separately issued financial statements.

NOTE 5 - RISK MANAGEMENT

The Library purchases commercial insurance for all significant risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

SUPPLEMENTARY INFORMATION SECTION

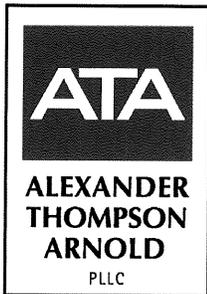
**OBION COUNTY PUBLIC LIBRARY
SCHEDULE OF FEDERAL AND STATE GRANTS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass-through Agency/ Program Name	CFDA Number	Pass-through Agency Grant Number	(Receivable) Unearned Balance 7/1/2008	Receipts	Disbursements	(Receivable) Unearned Balance 6/30/2009
Institute of Museum and Library Services/ Tennessee State Library and Archives/ Library Services and Technology Act Direct Service Grant	45.310	GG-09-27602-00	\$ -	\$ 7,500	\$ 836	\$ 6,664
Library Services and Technology Act Technology Grant	45.310	Z-09-217861-00	-	2,500	-	2,500
			\$ -	\$ 10,000	\$ 836	\$ 9,164

**OBION COUNTY PUBLIC LIBRARY
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Transferred from:</u>	<u>Transferred to:</u>	<u>Amount</u>
Obion County	General Fund	\$334,487

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

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Fax: (731) 885-6909

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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
Obion County Public Library
Union City, Tennessee

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Obion County Public 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 6, 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 of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Obion County Public 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.

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

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

Our consideration of 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Obion County Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no 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 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 Arnold PLLC

Union City, Tennessee
November 6, 2009