

Cozart & Associates, PC

Certified Public Accountants

Elma Ross Public Library

*Financial Statements and
Supplementary Information
For the Year Ended June 30, 2009*

*29 North Lafayette Avenue
Brounsville, TN 38012*

**THE ELMA ROSS PUBLIC LIBRARY
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FOR THE YEAR ENDED JUNE 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
 The Elma Ross Public Library

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elma Ross Public Library as of and for the year ended June 30, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Elma Ross Public 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 each major fund of the Elma Ross Public Library as of June 30, 2009, thereof and the respective budgetary comparison for the Elma Ross Public Library fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

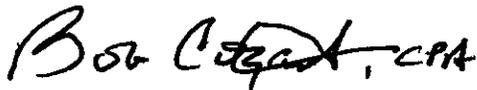
As discussed in Note I.A.1, the financial statements present only the Elma Ross Library fund and do not purport to, and do not, present fairly the financial position of Haywood County, as of June 30, 2009, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009 on our consideration of the Elma Ross Public Library internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other agreements. 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 - 9, is not a required part of the basic financial statements but are 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 an opinion on the financial statements that collectively comprise the Elma Ross Public Library's basic financial statements. The schedule of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.



Bob Cozart
Certified Public Accountant
Kenneth Cozart and Associates, CPA, PC

Brownsville, Tennessee
November 20, 2009

The Elma Ross Public Library
Management's Discussion and Analysis
June 30, 2009

As management of the Elma Ross Public Library, we offer readers of the Elma Ross Public Library's financial statements this narrative overview and analysis of the financial activities of the Elma Ross Public Library for the fiscal year ended June 30, 2009.

Financial Highlights

The assets of the Elma Ross Public Library exceeded its liabilities at the close of the most recent fiscal year by \$558,722 (net assets). Twenty-six percent of this amount may be used to meet the Library's ongoing obligations to citizens and creditors.

The Library's total net assets decreased by \$40,042. Most of this decrease is due to increase in repairs and maintenance and decrease the funds availability.

Contributions of books to the Library amounted to \$30,198.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Elma Ross Public Library's basic financial statements. The Elma Ross Public Library's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the Elma Ross Public Library. These financial statements are constructed around the concept of a primary government and the Library.

The Library's government-wide financial statements include the statement of net assets and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net assets is to attempt to report all of the assets held and liabilities owed by the Library. The Library reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred.

The difference between the Library's total assets and total liabilities is labeled as net assets and this difference is similar to the total owner's equity presented by a commercial enterprise. Although the purpose of the Library is not to accumulate net assets, in general, as this amount increases it indicates that the financial position of the Library is improving over time.

The purpose of the statement of activities is to present the revenues and expenses of the Library. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the Library. Thus, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statements is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the Library reports an amount described as change in net assets, essentially the same thing.

The focus of the statement of activities is on the net cost of various activities provided by the Library. The statement begins with a column that identifies the cost of each of the Library's major functions. Another column identifies the revenues that are specifically related to the classified governmental functions. The difference between the expenses and revenues related to specific program/ activities computes the net cost or benefits of the program/ activities, which identifies the extent to which each function of the Library draws from general revenues or is self financing through fees, intergovernmental aid, and other sources of resources.

The Library's government-wide financial statements includes only the primary government which includes the governmental activities. Governmental activities are generally financed through the City of Brownsville and Haywood County and other revenues.

The Library's government-wide financial statements are presented on pages 10 through 11 .

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the Library rather than the Library as a whole.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as equipment. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the year.

For the most part, the balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements; however, because different accounting bases are used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented in these financial statements. For this reason, there is an analysis at the bottom of the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, there is an analysis following the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column in the statement of activities.

The Library's governmental fund financial statements are presented on pages 12 through 15.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 16 through 19 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Elma Ross Public Library, assets exceeded liabilities by \$601,445 at the close of the most recent fiscal year.

**Elma Ross Public Library
Net Assets - Primary Government
June 30, 2008**

	Governmental Activities	
	<u>2008</u>	<u>2009</u>
Current and Other Assets	\$152,849	\$156,210
Capital Assets	<u>449,430</u>	<u>403,161</u>
Total Assets	602,279	559,371
Other Liabilities	<u>834</u>	<u>649</u>
Total Liabilities	<u>834</u>	<u>649</u>
Net Assets:		
Invested in Capital Assets, net of related debt	449,430	403,161
Unrestricted	<u>152,015</u>	<u>155,561</u>
Total Net Assets	<u>\$601,445</u>	<u>\$558,722</u>

The Elma Ross Public Library's capital assets reflects 72% of net assets. The Elma Ross Public Library uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

The remaining balance of unrestricted net assets (including the prior period adjustment) may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Elma Ross Public Library is able to report a positive balance in net asset. The same is true for the prior fiscal year.

Governmental Activities

Governmental activities decreased the Elma Ross Public Library's net assets by \$40,042. Key elements of this decrease are as follows:

The Library's Changes in Net Assets For the Year Ended June 30, 2009

	Governmental	
	<u>2008</u>	<u>2009</u>
Revenues:		
Charges for Services	\$5,502	\$5,969
City and County	128,986	131,547
Contributions and Capital Grants		32,148
Contributions and Operating Grants	6,300	
General Revenues:		
Gifts and Memorials	551	2,324
Interest	3,365	2,124
Rent	2,130	1,860
Miscellaneous	429	192
Total Revenues	<u>147,263</u>	<u>176,164</u>
Expenses:		
General Government	<u>202,269</u>	<u>216,206</u>
Total Expenses	<u>202,269</u>	<u>216,206</u>
Decrease in Net Assets	(23,321)	(40,042)
Net Assets - Beginning	624,766	601,445
Adjustment to Beginning Net Assets		(2,681)
Net Assets - Ending	<u>\$601,445</u>	<u>\$558,722</u>

- Several repairs were done to the Library during the year to cause the increase in expenses.
- Several more books were also bought during the year.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Elma Ross Public 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 Elma Ross Public 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.

Asset, Liabilities, and Fund Balances
Total Governmental Funds
June 30, 2009

	<u>2008</u>	<u>2009</u>
Total Assets	\$152,849	\$156,210
Total Liability	834	649
Fund Balance:		
Unrestricted	152,015	155,561
Total Fund Balance	152,015	155,561
Total Liabilities and Fund Balance	<u>\$152,849</u>	<u>\$156,210</u>

As of the end of the current fiscal year, the Elma Ross Public Library's governmental funds reported fund balance of \$152,015, an increase of \$16,201 in comparison with the prior year. All of this amount constitutes unreserved fund balance, which is available for spending at the library's discretion. Key factors in the increase are as follows:

Changes in Fund Balances of Governmental Funds
For the Year Ended June 30, 2009

	<u>2008</u>	<u>2009</u>
Revenues		
City of Brownsville	\$64,493	\$65,000
Haywood County	64,493	66,547
Grants	6,300	1,950
Gifts and Memorials	551	2,324
Interest	3,365	2,124
Rent	2,130	1,860
Miscellaneous	429	192
Fines, Copies, and Other Sources	5,502	5,969
Total Revenues	<u>147,263</u>	<u>145,966</u>
Expenditures		
Administrative Salaries	60,103	63,666
Maintenance Staff Salaries	10,446	11,341
Payroll Taxes	4,908	4,958
Supplies	4,218	2,225
Contracted Services	0	4,078
Computer Expense	1,604	632
Capital Outlay - Books and Periodicals	7,058	7,633
Capital Outlay - Equipment	8,017	8,457
Insurance	3,369	350
Professional Fees	1,200	1,500
Genealogy	1,559	548
Audiovisuals	1,232	1,420
Continuing Education	1,391	1,153
Travel	0	
Telephone	2,767	2,728
Utilities	9,452	11,295
Maintenance	6,701	2,401
Pension Expense	5,819	6,020
Miscellaneous	1,209	9,334
Total Expenditures	<u>131,053</u>	<u>139,739</u>
Net Changes in Fund Balance	16,210	6,227
Fund Balance - Beginning of Year	124,549	152,015
Adjustment - Note III.C.1		<u>(2,681)</u>
Fund Balance - End of Year	<u>\$140,759</u>	<u>\$155,561</u>

The fund balance of the Elma Ross Public Library increased by \$3,546 during the current fiscal year. The Library was able to achieve positive growth in the fund balance. Key factors in this fund for 2009 include:

- Amount of money received from City and County increased by \$2,561.
- Amount of gifts and memorials increased by \$1,773.
- Amount of Grants received decreased by \$4,350.
- No other significant changes.

General Fund Budgetary Highlights

There was no difference between the original and the final budget. We were told in a meeting in June 2009 by our auditors that the budget should be set for all revenues and expenditures and amendments should be made, if necessary, if expenditures exceed appropriations.

During the year, total expenditures exceeded total appropriations. Total revenue exceeded total expenditures.

Capital Asset

The Elma Ross Public Library's investment in capital assets for the governmental activities as of June 30, 2009, amounts to \$403,161 (net of depreciation). This investment in capital assets includes equipment, books and periodicals.

Major capital assets events during the current fiscal year included the following:

- a contribution of books worth \$30,198 and purchases of books and periodicals worth of \$7,633.
- books worth of \$4,828 were deleted.
- Shelving for library books purchased for the sum of \$5,847.
- Dell computer and peripherals purchased for \$2,582.

Additional information on the Elma Ross Public Library's capital assets can be found in note III.A.2. on pages 18 through 19 of this report.

Elma Ross Public Library Capital Assets (net of depreciation) June 30, 2009

	2008	2009
Equipment	\$15,761	\$19,283
Books	433,669	383,878
Total Capital Assets	\$449,430	\$403,161

Economic Factors and Next Year's Budgets

- Inflationary trends in the region compare favorable to national indices.
- all the revenues and appropriations for next year will be budgeted.

Request for Information

This financial report is designed to provide a general overview of the Elma Ross Public Library's finances for all those 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 Elma Ross Public Library, Attn: Katherine Horn, 1011 East Main, Brownsville, TN., 38012.

BASIC FINANCIAL STATEMENTS

THE ELMA ROSS PUBLIC LIBRARY
STATEMENT OF NET ASSETS
June 30, 2009

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTAL</u>
ASSETS		
Current Assets		
Cash	\$125,730	\$125,730
Certificate of Deposits	27,452	27,452
Prepaid Insurance	3,028	3,028
Total Current Assets	<u>156,210</u>	<u>156,210</u>
Noncurrent Assets		
Property and Equipment	95,699	95,699
Books and Periodicals	876,196	876,196
Less Accumulated Depreciation	(568,734)	(568,734)
Total Noncurrent Assets	<u>403,161</u>	<u>403,161</u>
Total Assets	<u>559,371</u>	<u>559,371</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	649	649
Total Liabilities	<u>649</u>	<u>649</u>
NET ASSETS		
Invested in Capital Assets	403,161	403,161
Unrestricted Net Assets	<u>155,561</u>	<u>155,561</u>
Total Net Assets	<u><u>\$558,722</u></u>	<u><u>\$558,722</u></u>

Notes to the financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Total Governmental Funds
ASSETS		
Cash	\$125,730	\$125,730
Certificate of Deposits	27,452	27,452
Prepaid Insurance	3,028	3,028
Total Assets	\$156,210	\$156,210
 LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$649	\$649
Fund Balances:		
Unreserved	155,561	155,561
Total Fund Balances	155,561	155,561
Total Liabilities and Fund Balances	\$156,210	

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 governmental funds:

Governmental capital assets	971,895	
Less Accumulated Depreciation	(568,734)	403,161
Net Assets of Governmental Activities		\$558,722

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

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
City of Brownsville	\$65,000	\$65,000
Haywood County	66,547	66,547
Grants	1,950	1,950
Gifts and Memorials	2,324	2,324
Interest	2,124	2,124
Rent	1,860	1,860
Miscellaneous	192	192
Fines, Copies and Other Sources	5,969	5,969
	<u>145,966</u>	<u>145,966</u>
Expenditures:		
Administrative Salaries	63,666	63,666
Maintenance Staff Salaries	11,341	11,341
Payroll Taxes	4,958	4,958
Supplies	2,225	2,225
Cotracted Services	4,078	4,078
Computer Expense	632	632
Capital Outlay - Books and Periodicals	7,633	7,633
Capital Outlay - Equipment	8,457	8,457
Insurance	350	350
Professional Fees	1,500	1,500
Genealogy	548	548
Audiovisuals	1,420	1,420
Continuing Education	1,153	1,153
Telephone	2,728	2,728
Utilities	11,295	11,295
Maintenance	2,401	2,401
Pension Expense	6,020	6,020
Miscellaneous	9,334	9,334
	<u>139,739</u>	<u>139,739</u>
Net Change in Fund Balance	6,227	6,227
Fund Balance - Beginning of Year	152,015	152,015
Adjustment to Beginning Fund Balance - Note III.C.1	(2,681)	(2,681)
Fund Balance - End of Year	<u>\$155,561</u>	<u>\$155,561</u>

Notes to financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVEUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net change in total fund balances per fund financial statements		\$6,227
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Revenues that are not available to pay current obligations are not reported in this fund financial statement, but they are presented in the statement of net assets.</p>		
Contribution of Books		30,198
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives.</p>		
Expenditures for capital assets	16,090	
Less Current year depreciation	(92,557)	(76,467)
Change in Net Assets of Governmental Activities		(\$40,042)

Notes to financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
City of Brownsville	\$65,000	\$65,000	\$65,000	\$0
Haywood County	66,547	66,547	66,547	0
Grants	0	0	1,950	1,950
Gifts & Memorials	0	0	2,324	2,324
Interest	0	0	2,124	2,124
Rent	0	0	1,860	1,860
Miscellaneous	0	0	192	192
Fines, Copies, and Other Sources	0	0	5,969	5,969
Total Revenues	<u>131,547</u>	<u>131,547</u>	<u>145,966</u>	<u>14,419</u>
Expenditures:				
Administrative Salaries	66,847	66,847	63,666	3,181
Maintenance Salaries	13,834	13,834	11,342	2,492
Payroll Taxes	6,651	6,651	4,958	1,693
Supplies	2,500	2,500	2,225	275
Contracted Services	620	620	4,077	(3,457)
Computer Expense	600	600	632	(32)
Capital Outlay - Books and Periodicals	6,800	6,800	7,633	(833)
Capital Outlay - Equipment	0	0	8,457	(8,457)
Insurance	2,471	2,471	350	2,121
Professional Fees	1,300	1,300	1,500	(200)
Geneology	600	600	548	52
Audiovisuals	1,641	1,641	1,420	221
Continuing Education	1,200	1,200	1,153	47
Telephone	3,100	3,100	2,728	372
Utilities	13,700	13,700	11,295	2,405
Maintenance	4,000	4,000	2,401	1,599
Pension Expense	5,828	5,828	6,020	(192)
Miscellaneous	800	800	9,334	(8,534)
Total Expenditures	<u>132,492</u>	<u>132,492</u>	<u>139,739</u>	<u>(7,247)</u>
Net Change in Fund Balance	<u>(945)</u>	<u>(945)</u>	<u>6,227</u>	<u>7,172</u>
Fund Balance - Beginning	152,015	152,015	152,015	152,015
Adjustment - Note III.C.2.	(2,681)	(2,681)	(2,681)	(2,681)
Fund Balance - Ending	<u>\$148,389</u>	<u>\$148,389</u>	<u>\$155,561</u>	<u>\$156,506</u>

Notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

THE ELMA ROSS PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

I.A.1. INTRODUCTION

The Elma Ross Public Library is a special revenue fund of Haywood County that is reported separately. The trustees of the Library are appointed by the County Commission. The Library's function is to serve as a public library for Brownsville and Haywood County.

The accounting and reporting framework and the more significant accounting principles and practices of the Elma Ross Public Library are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Library's financial activities for the fiscal year ended June 30, 2009.

IB.1. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Library as a whole. The primary government is presented separately within the financial statements with the focus on the primary government.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities that capture expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, copies and other charges to users of the Library's services; and (2) operating grants which finance annual operating activities.

Fund Financial Statements

Fund Financial Statements are provided for the governmental fund which is considered a major fund. There are no non-major funds that should be reported in a separate column.

I.B.2. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Library's revenues are recognized when they become measurable and available as net assets. Expenditures are generally recognized when the related liability is incurred. The Library does not use the encumbrance method of accounting.

THE ELMA ROSS PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
June 30, 2009

I.B.3. FUND TYPES AND MAJOR FUNDS

Governmental Funds

General Fund - reports as the primary fund of the Library. This fund is used to account for all financial resources.

I.C.1. CASH AND CASH EQUIVALENTS

The Library reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Exceptions include three certificates of deposits with a maturity of twelve months. Cash equivalents are stated at cost plus accrued interest, which approximates market value. The maximum amount placed in any one financial institution is limited in order to reduce risk. The Library does not have a deposit policy for custodial credit risk.

State statute's authorize the government and the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the Library are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

I.C.2. PREPAIDS

Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepays are similarly reported in government-wide and fund financial statements.

I.C.3. CAPITAL ASSETS AND DEPRECIATION

The Library's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Library generally capitalizes assets with cost of \$1000.00 or more as purchase occur. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 - 50
Improvements	2 - 50
Furniture, Machinery, and Equipment	3 - 30
Books & Periodicals	7 - 10

I.C.4. FUND EQUITY

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

II.A. BUDGETARY INFORMATION

II.A.1. BUDGET POLICY AND PRACTICE

The Library's Director submits an annual budget to the Board of Directors. The City Council and the County Commission review and approval of the allocation of resources. Once approved, the legally adopted budget can be amended when unexpected modifications are required in estimated revenues and appropriations by the Board of Directors, the City Council, and the County Commission.

THE ELMA ROSS PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
June 30, 2009

II.B.2. BASIS OF BUDGETING

The fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class as follows: salaries, compensation related services and supplies, computer and equipment supplies, core material, and miscellaneous. Expenditures may not exceed appropriations.

The budget for the operating funds are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

III. DETAILED NOTES ON FUND

III.A. ASSETS

III.A.1. DEPOSITS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2009, the Library's bank balance of \$173,786.32 is insured by FDIC.

The Library has no pledged securities.

III.A.2. CAPITAL ASSETS

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	<u>Capital Assets Depreciated</u>	
	<u>Equipment</u>	<u>Books</u>
Primary Government		
<i>Government Activities</i>		
Balance, June 30, 2008	\$87,242	\$843,193
Increases	8,457	37,831
Decreases	0	4,828
Adjustment		0
Balance, June 30, 2008	<u>\$95,699</u>	<u>\$876,196</u>
Accumulated Depreciation		
Balance, June 30, 2008	\$71,481	\$409,524
Increases	4,935	87,622
Decreases	0	4,828
Balance, June 30, 2009	<u>\$76,416</u>	<u>\$492,318</u>
<i>Governmental Activities</i>		
Capital Assets, Net	<u>\$19,283</u>	<u>\$383,878</u>

\$30,198.00 worth of books that are being capitalized this year were contributions to the Library.

THE ELMA ROSS PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
June 30, 2009

III.B.1. RISK MANAGEMENT - CLAIMS AND ADJUSTMENTS

The Library manages its risk financing through the purchase of insurance. The Library's exposure to loss is limited to the contents of the Library and any workman's compensation claims. In the past three years, there have been no insurance settlements what so ever.

III.B.2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to May 15 of each year, the Library's Director formally submits to the County Commission, Board of Directors, and City Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are conducted by the Board of Aldermen to obtain citizen comments on the budget. Prior to June 30, the budget is legally enacted through passage of an ordinance. Annual appropriated budgets for the special revenue and debt service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP"). The annual appropriated budget for the general fund is adopted on a GAAP basis.

Budgeted amounts shown are those originally adopted, as well as the final budgets which reflect amendments by the Board of Aldermen.

Total expenditures for each of these funds may not exceed the total amount appropriated in the budget ordinance. The City Manager is authorized to transfer budgeted amounts between departments within an individual fund; and revisions that alter the total appropriations for any fund must be approved through the passage of an ordinance by the Board of Aldermen. All annual appropriations lapse at year end.

During the year ending June 30, 2009, expenditures exceeded the budgeted level of appropriations as follows:

BUDGET - EXCESS EXPENDITURES

Computer Expense	32
Capital Outlay - Equipment	8,457
Books & Periodicals	833
Professional Services	200
Pension Expenses	192
Contract Services	3,457
Miscellaneous	8,534

Total expenditures exceeded appropriated expenditures by \$7,247.00 which results in an instance of noncompliance.

III. C. 1. BEGINNING FUND BALANCE ADJUSTMENT

The Insouth-Haywood Guide Book Bank Account no longer belongs to Elma Ross Public Library. It has been transferred to another County Account that is unrelated to the Library.

Unreserved Fund Balance - Beginning	\$152,015
Less the Guide Book Bank Account	(2,681)
Unreserved Fund Balance - Beginning Adjusted	<u>\$149,334</u>

ELMA ROSS PUBLIC LIBRARY
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 June 30, 2009

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	State Contract Number	Beginning Balance	Receipts	Expenditures	Ending Balance
Tennessee State Library and Archives TECH GRANT	45.310	Z-09217822 - 00	\$0	\$1,950	\$1,950	\$0
			<u>\$0</u>	<u>\$1,950</u>	<u>\$1,950</u>	<u>\$0</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
 REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
 AUDIT OF FINANCIAL STATEMENTS PERFORMED
 IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

To the Board of Directors of
 The Elma Ross Public Library

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elma Ross Public Library, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 20, 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 Elma Ross Public 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 purpose of expressing an opinion on the effectiveness of the Elma Ross Public Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elma Ross Public 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity's internal control.

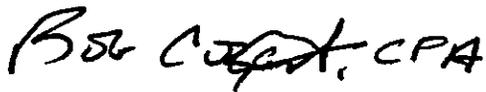
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the 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 Elma Ross 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

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

This report is intended solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and others within the entity, and is not intended to be and should not be used by anyone other than specified parties.



Bob Cozart
Certified Public Accountant
Kenneth Cozart & Associates, CPA, PC

Brownsville, Tennessee
November 20, 2009

**ELMA ROSS PUBLIC LIBRARY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the accompanying financial statements of Elma Ross Public Library.
2. No instance of material weaknesses or significant deficiencies were disclosed during the audit of financial statements.
3. One instance of noncompliance that was material to the financial statements was disclosed during the audit.

Findings - Financial Statements Audit

1.-07

- Condition:** Expenditures exceeded appropriations allowed by the budget in the general fund.
- Criteria:** Tennessee Code Annotated Section 6-56-203 prohibits expenditures of funds except in accordance with authorized budget. Further it requires a budget for all funds.
- Effects:** Expenditures in excess of the budgeted amounts are unauthorized.
- Recommendations:** We recommend that budgets be reviewed on a regular basis and that appropriate amendments to the adopted budget be made when necessary.
- Management Response:** In future periods, we will work to amend the budget when necessary and to adhere to the budget that is approved.