

OBION COUNTY PUBLIC LIBRARY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2010

**OBION COUNTY PUBLIC LIBRARY
JUNE 30, 2010**

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**OBION COUNTY PUBLIC LIBRARY
JUNE 30, 2010**

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Wayne Bailey, vice-chairman
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FINANCIAL SECTION



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 and each major fund of the Obion County Public Library, as of and for the year ended June 30, 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Obion County Public Library as of June 30, 2010, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Dyersburg, TN
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 23, 2010 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 financial statements as a whole. The introductory section and supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

Alexander Thompson Arnold PLLC

Union City, Tennessee
November 23, 2010

BASIC FINANCIAL STATEMENTS

**OBION COUNTY PUBLIC LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 166,773
Investments	5,000
Accrued interest receivable	83
Land	551,934
Other capital assets, net of accumulated depreciation	<u>3,486,188</u>
Total assets	<u>4,209,978</u>
 Liabilities	
Accounts payable	6,554
Payroll taxes payable	322
Unearned grant revenue	<u>2,500</u>
Total liabilities	<u>9,376</u>
 Net Assets	
Invested in capital assets	4,038,122
Restricted for:	
Special revenue programs	55,599
McRee and Verhine grants	5,000
Unrestricted	<u>101,881</u>
Total net assets	<u>\$ 4,200,602</u>

**OBION COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Expenses	
Library operations	<u>\$ 1,022,238</u>
Program revenues:	
Charges for services	36,119
Operating grants and contributions	544,008
Capital grants and contributions	<u>9,164</u>
Total program revenues	<u>589,291</u>
Net program income (expense)	<u>(432,947)</u>
General revenues:	
Interest income	11,264
Miscellaneous income	<u>3,166</u>
Total general revenues	<u>14,430</u>
Change in net assets	(418,517)
Net assets - July 1, 2009	<u>4,619,119</u>
Net assets - June 30, 2010	<u>\$ 4,200,602</u>

**OBION COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2010**

	MAJOR		Total
	General Fund	Special Revenue Fund	
Assets			
Cash and cash equivalents	\$ 108,757	\$ 58,016	\$ 166,773
Investments	-	5,000	5,000
Accrued interest receivable	-	83	83
	<u>\$ 108,757</u>	<u>\$ 63,099</u>	<u>\$ 171,856</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 6,554	\$ -	\$ 6,554
Payroll taxes payable	322	-	322
Unearned grant revenue	-	2,500	2,500
Total liabilities	<u>6,876</u>	<u>2,500</u>	<u>9,376</u>
Fund Balances			
Reserved	101,881	5,000	106,881
Unreserved	-	55,599	55,599
Total fund balances	<u>101,881</u>	<u>60,599</u>	<u>162,480</u>
Total liabilities and fund balances	<u>\$ 108,757</u>	<u>\$ 63,099</u>	<u>\$ 171,856</u>
 <u>Fund Balance Reconciliation</u>			
Fund balance of governmental funds			\$ 162,480
 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.			4,038,122
Net assets of governmental activities			<u>\$ 4,200,602</u>

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

**OBION COUNTY PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	MAJOR		Total
	General Fund	Special Revenue Fund	
Revenues			
Charges for services	\$ 11,854	\$ 24,265	\$ 36,119
City appropriation	167,244	-	167,244
County appropriation	334,487	-	334,487
Reimbursements - Latimer project	31,754	-	31,754
Donations and gifts	1,000	9,523	10,523
Grants	-	9,164	9,164
Interest income	10,808	456	11,264
Miscellaneous income	165	3,001	3,166
Total revenues	557,312	46,409	603,721
Expenditures			
Current:			
Salaries, taxes and benefits	381,874	-	381,874
Building occupancy and maintenance	99,902	-	99,902
Library materials	6,199	247,036	253,235
Capital outlay:			
Library books	45,013	4,967	49,980
Other	22,902	9,941	32,843
Depreciation	-	-	-
Total expenditures/expenses	555,890	261,944	817,834
Net change in fund balance	1,422	(215,535)	(214,113)
Fund balance - beginning of the year	100,459	276,134	376,593
Fund balance - end of the year	\$ 101,881	\$ 60,599	\$ 162,480

Reconciliation to Statement of Activities

Net change in fund balance of governmental funds (above) \$ (214,113)

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.

(204,404)

Change in net assets of governmental activities

\$ (418,517)

**OBION COUNTY PUBLIC LIBRARY
STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
City appropriation	\$ 167,244	\$ 167,244	\$ 167,244	\$ -
County appropriation	334,487	334,487	334,487	-
Erate revenue	11,854	11,854	11,854	-
Reimbursements - Latimer Project	38,290	38,290	31,754	(6,536)
Interest	11,000	11,000	10,808	(192)
Donations and gifts	1,000	1,000	1,000	-
Other income	200	200	165	(35)
Total revenues	<u>564,075</u>	<u>564,075</u>	<u>557,312</u>	<u>(6,763)</u>
Expenditures				
Salary - library director	27,527	27,527	25,000	(2,527)
Salary - assistant library director	27,670	27,670	27,663	(7)
Salaries - library assistants	124,461	124,461	123,989	(472)
Salaries - library aides	61,143	61,143	61,143	-
Salaries - Latimer Project	32,760	32,760	28,795	(3,965)
Salaries - custodian	20,551	20,551	20,551	-
Salaries - Verhine Children's Library	5,131	5,131	5,131	-
Payroll taxes	25,110	25,110	22,061	(3,049)
Employee retirement benefits	10,168	10,168	9,885	(283)
Employee health insurance	33,058	33,058	33,015	(43)
Accounting services	960	960	960	-
Audit services	3,550	3,550	3,550	-
Telephone and other communications expense	15,673	15,673	15,673	-
Repair and maintenance - buildings	10,842	10,842	10,752	(90)
Repair and maintenance - equipment	25,734	25,734	25,635	(99)
Travel	1,700	1,700	1,685	(15)
Custodial supplies	3,900	3,900	3,883	(17)
Data processing supplies	16,500	16,500	16,434	(66)
Utilities	37,800	37,800	39,229	1,429
Library books	45,013	45,013	45,013	-
Office supplies	17,234	17,234	18,446	1,212
Periodicals	5,400	5,400	5,371	(29)
Audio-visual materials	7,340	7,340	7,296	(44)
Insurance	3,050	3,050	3,050	-
Miscellaneous	1,800	1,800	1,680	(120)
Total expenditures	<u>564,075</u>	<u>564,075</u>	<u>555,890</u>	<u>(8,185)</u>
Net change in fund balance	-	-	1,422	1,422
Fund balance - July 1, 2009	<u>100,459</u>	<u>100,459</u>	<u>100,459</u>	<u>-</u>
Fund balance - June 30, 2010	<u>\$ 100,459</u>	<u>\$ 100,459</u>	<u>\$ 101,881</u>	<u>\$ 1,422</u>

**OBION COUNTY PUBLIC LIBRARY
STATEMENT OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines	\$ 11,300	\$ 11,300	\$ 11,440	\$ 140
Lost books	1,000	1,000	1,008	8
Library cards	2,300	2,300	2,384	84
Library fees	2,200	2,200	2,059	(141)
Copy machine income	2,100	2,100	2,177	77
Copy fees	5,000	5,000	4,554	(446)
Other fees	250	250	225	(25)
Gifts	9,600	9,600	9,523	(77)
Programs, crafts and meetings	4,050	4,050	418	(3,632)
Grants	5,000	5,000	9,164	4,164
Interest	375	375	456	81
Other	300	300	3,001	2,701
Total revenues	<u>43,475</u>	<u>43,475</u>	<u>46,409</u>	<u>2,934</u>
Expenditures				
Advertising	2,930	2,930	2,815	(115)
Dues and memberships	2,000	2,000	1,996	(4)
Lease payments	570	570	569	(1)
Postage	2,200	2,200	2,159	(41)
Printing and stationery	250	250	235	(15)
Other contract services	250	250	250	-
Instructional supplies	5,800	5,800	5,719	(81)
Office supplies	3,400	3,400	-	(3,400)
Audio-visual materials	1,600	1,600	1,570	(30)
Special programs	3,600	3,600	3,582	(18)
Miscellaneous	2,000	2,000	2,371	371
Data processing supplies	14,000	14,000	10,861	(3,139)
Library books	4,875	4,875	4,967	92
Donation to Obion County Library Association	-	-	224,850	224,850
Total expenditures	<u>43,475</u>	<u>43,475</u>	<u>261,944</u>	<u>218,469</u>
Net change in fund balance	-	-	(215,535)	(215,535)
Fund balance - July 1, 2009	<u>276,134</u>	<u>276,134</u>	<u>276,134</u>	-
Fund balance - June 30, 2010	<u>\$ 276,134</u>	<u>\$ 276,134</u>	<u>\$ 60,599</u>	<u>\$ (215,535)</u>

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

**OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 State has determined that the Library is a joint venture with 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. 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, 2010**

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, 2010, the Special Revenue Fund's total expenditures exceeded the amount budgeted by \$218,469. This was the result of a restricted certificate of deposit in the amount of \$224,850 being transferred (donated) to the Obion County Library Association that was not budgeted. Expenditures excluding this line item were under the amount budgeted by the Library.

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, 2010, 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 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.

**OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 \$4,039,111 difference reported in the reconciliation on the Governmental Funds Balance Sheet were as follows:

Governmental fund capital assets	\$ 6,625,197
Less: accumulated depreciation	<u>(2,586,086)</u>
 Net adjustment to increase fund equity – total governmental funds to arrive at net assets – governmental activities	 <u>\$ 4,039,111</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 \$203,415 difference reported in the reconciliation were as follows:

Capital outlay	\$ 83,882
Depreciation expense	<u>(287,297)</u>
 Net adjustment to decrease net changes in fund balance – total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ (203,415)</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 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, 2010, the Library's bank deposits were fully insured or collateralized.

**OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Capital Assets

Capital asset activity for the year ended June 30, 2010 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	4,227,003	-	-	4,227,003
Equipment, furniture and fixtures	815,143	11,667	-	826,810
Park facilities and furniture	377,887	-	-	377,887
Data processing equipment	72,371	13,880	-	86,251
Library books	496,977	58,335	-	555,312
Total	5,989,381	83,882	-	6,073,263
Less accumulated depreciation for:				
Buildings	976,537	172,488	-	1,149,025
Equipment, furniture and fixtures	792,601	11,874	-	804,476
Park facilities and furniture	185,199	37,789	-	222,988
Data processing equipment	53,118	8,277	-	61,395
Library books	291,334	56,869	-	348,202
	2,298,789	287,297	-	2,586,086
Net capital assets being depreciated	3,690,592	(203,415)	-	3,487,177
Governmental activities capital assets – net	\$ 4,242,526	\$ (203,415)	\$ -	\$ 4,039,111

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 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.

**OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, 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, 2010, the Obion County Public Library's annual pension cost of \$9,885 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, 2009, which established contribution rates effective July 1, 2010.

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 EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass-through Agency/ Program Name	CFDA Number	Pass-through Agency Grant Number	(Receivable) Unearned Balance 7/1/2009	Receipts	Disbursements	(Receivable) Unearned Balance 6/30/2010
Institute of Museum and Library Services/ Tennessee State Library and Archives/ Library Services and Technology Act Direct Service Grant	45.310	GG0927602-00	\$ 6,664	\$ -	\$ 6,664	\$ -
Library Services and Technology Act Technology Grant	45.310	1272	2,500	-	2,500	-
Library Services and Technology Act Technology Grant	45.310	1272	-	2,500	-	2,500
			<u>\$ 9,164</u>	<u>\$ 2,500</u>	<u>\$ 9,164</u>	<u>\$ 2,500</u>

INTERNAL CONTROL AND COMPLIANCE SECTION



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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 and each major fund of the Obion County Public Library, as of and for the year ended June 30, 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 23, 2010. 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 deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 23, 2010