JUSTIN POTTER LIBRARY

DEKALB COUNTY LIBRARY SYSTEM FUNDS

Financial Statements

For the Year Ended June 30, 2009

JUSTIN POTTER LIBRARY – DEKALB COUNTY LIBRARY SYSTEM FUNDS

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INTRODUCTORY SECTION

DEKALB COUNTY LIBRARY BOARD

The DeKalb County Court appoints the members of the DeKalb County Library Board to oversee the policies and financial business of the three county libraries. Each member of the Board is appointed for a three year term. The Board meets six times a year, at which time, the DeKalb County Libraries present Bi-Monthly Reports with circulation and financial information for their review. The County Executive, Mike Foster, and the County Court approve of the library accounts as they are set up and asks that a yearly audit be conducted on these accounts. The DeKalb County Library System complies with this request and the County is given a copy of this audit.

The Members of the DeKalb County Library Board are:

Annette Greek, Chair (As of May 26, 2009)

Brenda Hooper

Janie Knowles

Betty Pankey

Genrose Davis

Bobby White

Jack Barton

Mr. Jack Barton is a commissioner on the DeKalb County Court.

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

To the Justin Potter Library Board
Smithville, Tennessee

I have audited the accompanying financial statements of the Justin Potter Library – Dekalb County Library System Funds as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Justin Potter Library – Dekalb County Library System Funds' management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial reporting as contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that the audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements present only the Justin Potter Library – Dekalb County Library System Funds and do not purport to, and do not present fairly the financial position of the Dekalb County Library System or Dekalb County, Tennessee as of June 30, 2009, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Justin Potter Library – Dekalb County Library System Funds as of June 30, 2009, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2009 on the consideration of the Justin Potter Library – Dekalb County Library System Funds' internal control over financial reporting and the 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 the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

The audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Justin Potter Library – Dekalb County Library System Funds financial statements. The Introductory Section and the Financial Schedules as listed in the table of contents are not a required part of the financial statements. The Introductory Section and the Financial Schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

John R Poole, CPA

September 30, 2009

JUSTIN POTTER LIBRARY - DEKALB COUNTY LIBRARY STSTEM FUNDS

Balance Sheet

June 30, 2009

Assets	
Current Assets:	
Cash and cash equivalents	$42,770
Certificate of deposits	108,300
Total Current Assets	151,070
Total Assets	$151,070
Liabilities	
Current Liabilities	
Accounts payable	0
Total Current Liabilities	0
Fund Balance:	
Reserved	14,619
Unreserved	136,451
Total Fund Balance	$151,070

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

JUSTIN POTTER LIBRARY - DEKALB COUNTY LIBRARY STSTEM FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2009

Revenues:	
Fines and fees and donations	$141,298
Book orders	10,170
Grant	2,500
Interest income	272
Total Operating Revenues	154,240
Expenses:	
Contract labor	2,365
Operating supplies	9,329
Book publishing	13,206
Dues	683
Travel	477
Computer	5,988
Miscellaneous	2,527
Total Operating Expenses	34,575
Net change in fund balance	119,665
Fund Balance, June 30, 2008	31,405
Fund Balance, June 30, 2009	$151,070

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

JUSTIN POTTER LIBRARY - DEKALB COUNTY LIBRARY SYSTEM FUNDS

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The Justin Potter Library – Dekalb County Library System Funds (Justin Potter Library) is a part of the Dekalb County Library System, which is a department of Dekalb County, Tennessee. Dekalb County, Tennessee has allowed the Justin Potter Library – Dekalb County Library System Funds to have authority over certain funds, primarily funds donated to the Justin Potter Library and earned from various fines and fees. The audit of the Justin Potter Library – Dekalb County Library System Funds presented here is only for those funds mentioned above. The Justin Potter Library – Dekalb County Library System Funds does not contain any of the capital assets of the Dekalb County Library System nor does it cover the significant costs (personnel, occupancy and books) of the Dekalb County Library System. Dekalb County, Tennessee provides for the personnel and occupancy costs and a majority of the book cost of the Dekalb County Library System.

Reporting Entity:

Governmental Accounting Standards Board (GASB) Statement Number 14, "The Financial Reporting Entity" requires that financial statements present the reporting entity which consists of the primary government and any "Component Unit" organizations for which the primary government is financially accountable and any other "Component Unit" organizations for which the nature and significance of their relationship with the primary government are such that exclusion, could cause the Library's financial statements to be misleading. There were no component units requiring blended or discrete presentation under the requirements of GASB Statement Number 14.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded generally when a liability is incurred, as under accrual accounting.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposit accounts, certificates of deposit with original maturities three months or less. When both restricted and unrestricted resources are available for use, it is the Justin Potter Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Equity

In the financial statements, governmental funds report reservations of net assets for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(1) Summary of Significant Accounting Policies, Continued

Deferred Revenue

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to resources, the deferred revenue is removed from the statement of net assets and revenue is recognized. There was no deferred revenue at yearend.

Budgets and Budgetary Accounting

The Justin Potter Library Board follows these procedures in establishing the budgetary data reflected in the financial statements:

a. Formal budgets are adopted and approved by Library Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

b. The budget amounts are not shown in the financial statements as these amounts were not approved by the County Commission which is required by Tennessee Code Annotated, and as such the Library does not have a legally adopted budget.

(2) Cash and Cash Equivalents

The Justin Potter Library is authorized to invest funds in financial institution demand deposit accounts and certificates of deposit. During the year, the Justin Potter Library invested funds that were not immediately needed in certificates of deposits and savings accounts. The Justin Potter Library has deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions.

The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the Justin Potter Library and must total a minimum 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The Justin Potter Library's deposits with financial institutions are fully insured or collateralized by securities held in the library's name.

(3) Risk Management

The activities of the Justin Potter Library are covered under the insurance policies of Dekalb County, Tennessee. The Justin Potter Library has no insurance for their activities. Based on discussion with the Library Board management additional insurance coverage is not carried given their limited activities.

(4) Reserved Fund Balance

At yearend the Justin Potter Library has $14,619 in reserved fund balance. These funds will be used for book publishing.

FINANCIAL SCHEDULES

JUSTIN POTTER LIBRARY - DEKALB COUNTY LIBRARY SYSTEM FUNDS

Schedule of Cash and Cash Equivalents and Certificate of Deposits
All Funds

June 30, 2009

	Carrying Value
Cash and Cash equilavents	
Liberty library	60
Alexandria library - Regions bank	826
Alexandria library - Liberty State	777
Smithville- Petty cash bank account	6,347
Smithville- book publishing account	14,619
Smithville- operating account	20,141
Total Cash and cash equilavents	42,770
Certificate of Deposits	
Dekalb Community Bank C. D.	4,000
Dekalb Community Bank C. D. - historical	100,000
Dekalb Community Bank C. D. - Friends of the Library	4,300
Total Certificate of deposits	108,300
Total - All accounts	$151,070

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE (615) 822-4177
HENDERSONVILLE, TN 37075

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

To the Justin Potter Library Board
Smithville, Tennessee

I have audited the financial statements (as listed in the table of contents) of Justin Potter Library - Dekalb County Library System Funds as of and for the year ended June 30, 2009, and have issued my report thereon dated September 30, 2009. I conducted the 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 the audit, I considered the Justin Potter Library - Dekalb County Library System Funds' internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Justin Potter Library - Dekalb County Library System Funds' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

The significant deficiency is as follows:

Prior Year:

08-01 County Commission not Approved Budget

Tennessee Code Annotated requires that the Library funds budget must be approved by the County Commission. The funds reported in this report were not approved by the County Commission.

Recommendation: All Library funds should be approved by the County Commission.

Management Response: All Library funds budgets were approved by the Library Board which is appointed by the County Commission.

Auditor's Conclusion: The Library understands it is not in compliance with Tennessee Code Annotated.

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 organization's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Justin Potter Library - Dekalb County Library System Funds' financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Justin Potter Library - Dekalb County Library System Funds' response to the finding identified in the audit is described above. I did not audit the Management Response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, and State Comptrollers Office and is not intended to be and should not be used by anyone other than these specified parties.

Jah R Poole, CPA

September 30, 2009