

CANNON COUNTY LIBRARY SYSTEM FUNDS

Financial Statements

For the Year Ended June 30, 2009

CANNON COUNTY LIBRARY SYSTEM FUNDS

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INTRODUCTORY SECTION

CANNON COUNTY LIBRARY SYSTEM FUNDS

Members of the Cannon County Library Board

June 30, 2009

<u>Name</u>	<u>Title</u>
Angela Ott	Chair
Bill Bryson	Vice-Chair
Peggy Tate	Treasurer
Faye-Northcutt-Knox	Secretary
Betty Jo Jarvis	Member
Matt Bush	Member
Wally Vernon	Member
Chris Sanborn	Member
Stephanie Fuson	Library Director

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

To the Cannon County Library Board
Woodbury, Tennessee

I have audited the accompanying financial statements of the Cannon 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 Cannon 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 Cannon County Library System Funds and do not purport to, and do not present fairly the financial position of the Cannon County Library System or Cannon 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 Cannon 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 Cannon 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 Cannon 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

CANNON COUNTY LIBRARY SYSTEM FUNDS

Balance Sheet

June 30, 2009

Assets

Current Assets:

Cash and cash equivalents

\$ 9,047

Total Current Assets

9,047

Total Assets

\$9,047

Liabilities

Current Liabilities

Accounts payable

0

Total Current Liabilities

0

Fund Balance:

Unreserved

9,047

Total Fund Balance

\$9,047

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

CANNON COUNTY LIBRARY SYSTEM FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2009

Revenues:	
Fines and fees	\$22,177
Donations - Cannon County	23,657
Donations - City of Woodbury	5,000
Donations	2,500
Total Operating Revenues	<u>53,334</u>
Expenses:	
Utilities	12,040
Operating supplies	25,107
Meeting and programs	1,200
Insurance	1,978
Professional services	1,000
Book and magazine expense	10,110
Capital improvements	4,343
Miscellaneous	685
Total Operating Expenses	<u>56,463</u>
Net change in fund balance	(3,129)
Fund Balance, June 30, 2008	<u>12,176</u>
Fund Balance, June 30, 2009	<u><u>\$9,047</u></u>

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

CANNON COUNTY LIBRARY SYSTEM FUNDS

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

CANNON COUNTY LIBRARY SYSTEM FUNDS

Notes to Financial Statements

June 30, 2009

(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 Cannon 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 Library is authorized to invest funds in financial institution demand deposit accounts and certificates of deposit. The 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 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 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 library are covered under the insurance policies purchased thru commercial insurance contracts. The Library carries commercial insurance for the majority of risks of loss, including general liability and property and casualty. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

FINANCIAL SCHEDULES

CANNON COUNTY LIBRARY SYSTEM FUNDS

**Schedule of Cash and Cash Equivalents
All Funds**

June 30, 2009

	<u>Carrying Value</u>
Cash and Cash equivalents	
Checking accounts - First National Bank	<u>9,047</u>
Total Cash and cash equivalents	<u>9,047</u>

**COMPLIANCE AND
INTERNAL CONTROL**

JOHN R. POOLE, CPA
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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 Cannon County Library Board
Woodbury, Tennessee

I have audited the financial statements (as listed in the table of contents) of Cannon 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 Cannon 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 Cannon 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 Cannon 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*.

Cannon 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.

Jaeh R Poole, CPA

September 30, 2009