

CHESTER COUNTY, TENNESSEE
Library Fund

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

JUNE 30, 2009

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CHESTER COUNTY, TENNESSEE
Library Fund
June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chester County Library

I have audited the accompanying financial statements of the Chester County Library Fund of Chester County, TN, consisting of the Special Revenue Fund, Clayton Endowment Fund, McAdams Endowment Fund, and Bulliner Endowment Fund, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of Chester County, TN's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 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 my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements present only the library fund and do not purport to, and do not, present fairly the financial position of Chester County, TN, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chester County Library Fund of Chester County, TN, 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.

The Chester County Library Fund has not presented "Management's Discussion and Analysis", that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 29, 2010, on my consideration of the Chester County Library Fund's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of expenditures of federal awards and state financial assistance, and the budgetary comparison schedule, listed in the table of contents as supplementary schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Jacks Creek, TN
June 29, 2010

Ronnie L. Clay
Certified Public Accountant
740 Johnson's Crossroad
Jacks Creek, TN 38347

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
Chester County Library Fund
Henderson, TN

We have audited the financial statements of the Chester County Library Fund, as of and for the year ended June 30, 2009, and have issued our report thereon dated June 29, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chester County Library Fund'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 Chester County Library Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chester County Library Fund's internal control over financial reporting.

Our consideration of 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, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Chester County Library Fund'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 Chester County Library Fund's financial statements that is more than inconsequential will not be prevented or detected by the Chester County Library Fund's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting. The significant deficiency is described in the accompanying schedule of findings as item #09-1.

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 Chester County Library Fund's internal control.

Our 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

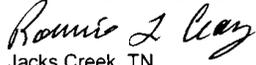
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chester County Library Fund'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 is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item #09-1.

Chester County Library Fund's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit Chester County Library Fund's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, others within the entity, federal awarding agencies and pass-through entities, and the Tennessee Comptroller of the Treasury, and is not intended to be and should not be used by anyone other than these specified parties.



Jacks Creek, TN
June 29, 2010

CHESTER COUNTY, TENNESSEE
Library Fund
Schedule of Findings
June 30, 2009

Internal Control and Compliance

Finding #09-1:

Expenditures were over budget in total and on several line items.

Recommendation:

Funds should be appropriated for all expenditures, and the budget amended as needed.

Management's Response:

We agree and will try to do this in the future.

Disposition of Prior Year's Findings:

Finding #08-1:

No budget was adopted.

Action taken:

A budget was adopted for the 2009 fiscal year.

CHESTER COUNTY LIBRARY
Balance Sheet
June 30, 2009

	Special Revenue Fund	Clayton Endowment Fund	McAdams Endowment Fund	Bulliner Endowment Fund	Totals
ASSETS:					
Current assets:					
Cash in Bank: Checking	\$ 22,192.24				\$ 22,192.24
Savings, Perkins Mem. Fund	1,450.12				1,450.12
Certificate of Deposit	26,110.13				26,110.13
Total Current Assets	\$ 49,752.49	0.00	0.00	0.00	\$ 49,752.49
Non-current assets:					
Investments, permanent endowment fund		38,836.82	38,836.22	36,090.28	113,763.32
Total Assets	\$ 49,752.49	\$ 38,836.82	\$ 38,836.22	\$ 36,090.28	\$ 163,515.81
LIABILITIES & FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 1,526.95				\$ 1,526.95
Total Liabilities	1,526.95	0.00	0.00	0.00	1,526.95
Fund Balance					
Reserved, donor restricted endowment funds	48,225.54	38,836.82	38,836.22	36,090.28	113,763.32
Unreserved	48,225.54	0.00	0.00	0.00	48,225.54
Total Fund Balance	48,225.54	38,836.82	38,836.22	36,090.28	161,988.86
Total Liabilities & Fund Balance	\$ 49,752.49	\$ 38,836.82	\$ 38,836.22	\$ 36,090.28	\$ 163,515.81

See accompanying notes to the financial statements.

CHESTER COUNTY LIBRARY
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2009

	Special Revenue Fund	Clayton Endowment Fund	McAdams Endowment Fund	Bulliner Endowment Fund	Totals
REVENUES:					
Book fines, donations, & misc.	\$ 11,871.04				\$ 11,871.04
City Contributions	4,000.00				4,000.00
Interest income	870.57				870.57
Total Revenue	\$ 16,741.61	0.00	0.00	0.00	\$ 16,741.61
EXPENDITURES:					
Book Purchases	4,023.00				4,023.00
Capital Outlay	8,712.33				8,712.33
Dues & Publications	843.60				843.60
Office Expense					0.00
Professional fees	2,459.64				2,459.64
Repairs and maintenance					0.00
Supplies					0.00
Telephone	1,739.12				1,739.12
Promotional	2,864.62				2,864.62
Miscellaneous	30.00				30.00
Miscellaneous	24.95				24.95
Total Expenditures	20,697.26	0.00	0.00	0.00	20,697.26
Revenues Over (Under) Expend.	(3,955.65)	0.00	0.00	0.00	(3,955.65)
Other Financing Sources (Uses):					
Fed. and/or State Capital Grants	1,000.00				1,000.00
Other state grants					0.00
Other grants	378.00				378.00
Endowment gift, donor restricted				20,000.00	20,000.00
Increase (decrease) in fair market value of investments		(10,769.57)	(10,770.05)	(2,845.58)	(24,385.20)
Total Other Fin. Sources (Uses)	1,378.00	(10,769.57)	(10,770.05)	17,154.42	(3,007.20)
Revenues & Other Sources Over (Under) Expend. & Other Uses	(2,577.65)	(10,769.57)	(10,770.05)	17,154.42	(6,962.85)
Fund Balance, Beginning	50,803.19	49,606.39	49,606.27	18,935.86	168,951.71
Fund Balance, Ending	\$ 48,225.54	\$ 38,836.82	\$ 38,836.22	\$ 36,090.28	\$ 161,988.86

The accompanying notes are an integral part of this statement.

CHESTER COUNTY, TENNESSEE
Library Fund
Notes to the Financial Statements
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Chester County Library Fund is a fund of Chester County, Tennessee. The County exercises substantial control and influence over the Library, providing the major fixed assets and personnel. The accompanying financial statements present only the library fund and do not purport to, and do not, present fairly the financial position of Chester County, TN, as of June 30, 2009, nor the changes in its financial position for the year then ended.

Fund Accounting

The operations of the library fund are accounted for using a governmental (special revenue) fund type, and three permanent endowment funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Governmental funds use the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The library fund considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Budgets and Budgetary Accounting

The budget is adopted on a basis consistent with U. S. generally accepted accounting principles.

The budget is prepared by the Library's treasurer, and is approved and adopted by the board. As an extension of the formal budgetary process, the Board may transfer or appropriate additional funds for expenses not anticipated at the time of budget adoption. All unexpended appropriations lapse at the end of the fiscal year unless the Board authorizes retention.

For the current year, expenditures were over budget in total, and on several line items.

Encumbrances

The library fund does not record encumbrances in the accounting records.

Concentrations

The library fund operates within the geographical area of Chester County, Tennessee, and receives a substantial amount of financial support from the county and city.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CHESTER COUNTY, TENNESSEE
Library Fund
Notes to the Financial Statements
June 30, 2009

NOTE 2: CASH AND CERTIFICATE OF DEPOSIT

The following funds are on deposit with Clayton Bank & Trust (formerly First State Bank) of Henderson, TN:

Checking account	\$ 22,192.24
Savings, Perkins Memorial account	1,450.12
Certificate of Deposit (issued 5/10/09, matures 11/10/10, int. rate 2.03%)	26,110.13

All of the above funds are insured by FDIC. There are no legal or contractual provisions for the Library's deposits, and there is no written policy stating where the Library's funds may be invested. The board has approved the purchase of CD's when funds are available, and the Library's only investment at June 30, 2009, except for the endowment funds described in note 3, was a CD.

NOTE 3: INVESTMENTS, ENDOWMENT FUND

The Clayton Family Foundation made a donation of \$100,000.00 to the Library on January 24, 2007. This money was used to establish two permanent endowment funds, The Ruth Clayton Fund, and The Hayes and Virginia Dare McAdams Fund. These funds each received 50% of the initial donation, or \$50,000.00 each. Clayton Bank and Trust donated an additional \$20,000.00 on May 1, 2008, specifying that this amount be used to establish the Jack Bulliner permanent endowment fund. An additional \$20,000.00 was donated to the Jack Bulliner fund on 5/11/09. These funds are invested in various securities through the Clayton Bank and Trust of Henderson, TN, and, as of June 30, 2009, the total fair market value was \$113,763.32. The Library's use of these funds is restricted by the donor. Annual distributions from the funds are limited to four and one-half percent of the 3-year average principal value of the funds, or eighty percent of the 3-year average annual total return of the funds, whichever is less.

Distributions from the funds may be used for the purchase of books, computers and other technology, equipment, media and materials which are made available to the general public without charge. Principal distributions may be made from time to time with the prior written consent of the Foundation.

No distributions were made in the 2009 fiscal year.

NOTE 4: RISK MANAGEMENT

Significant losses from property damage, personal injury, employee dishonesty, general liability, and workers' compensation, are covered by commercial insurance, provided by the county.

Risk management activities are not recorded in a separate fund.

CHESTER COUNTY LIBRARY
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Receivable June 30, 2007	Receipts	Expenditures	Receivable June 30, 2008
Federal Awards						
Dept. of State Library and Archives Technology grant	45.31	Z-09217807	0.00	1,000.00	1,000.00	0.00
Total Federal Awards			0.00	1,000.00	1,000.00	0.00
State Financial Assistance						
TN Dept. of State Community Enhance.	N/A		0.00			0.00
Total State Financial Assistance			0.00			0.00
Total Federal and State Awards			0.00	1,000.00	1,000.00	0.00

CHESTER COUNTY LIBRARY
Special Revenue Fund
Budgetary Comparison of Revenue and Expenditures
For the year ended June 30, 2009

	Actual	Budget	Variance (unfavorable)
REVENUES:			
Book fines, donations, & misc.	\$ 11,871.04	7,575.00	4,296.04
City Contributions	4,000.00		4,000.00
Interest income	870.57	350.00	520.57
Total Revenue	\$ 16,741.61	\$ 7,925.00	\$ 8,816.61
EXPENDITURES:			
Book Purchases	4,023.00	1,385.00	(2,638.00)
Capital Outlay	8,712.33	3,810.00	(4,902.33)
Dues & Publications	843.60	420.00	(423.60)
Office Expense		265.00	265.00
Professional fees	2,459.64	520.00	(1,939.64)
Repairs and maintenance			0.00
Supplies	1,739.12	1,920.00	180.88
Telephone	2,864.62	2,100.00	(764.62)
Promotionals	30.00	90.00	60.00
Miscellaneous	24.95	265.00	240.05
Total Expenditures	20,697.26	10,775.00	(9,922.26)
Revenues Over (Under) Expend.	(3,955.65)	(2,850.00)	(1,105.65)
Other Financing Sources (Uses):			
Fed. and/or State Capital Grants	1,000.00		1,000.00
Other state grants		1,670.00	(1,670.00)
Other grants	378.00	1,825.00	(1,447.00)
Total Other Fin. Sources (Uses)	1,378.00	3,495.00	(2,117.00)
Revenues & Other Sources Over (Under) Expend. & Other Uses	(2,577.65)	645.00	(3,222.65)
Fund Balance, Beginning	50,803.19	50,803.19	0.00
Fund Balance, Ending	\$ 48,225.54	\$ 51,448.19	\$ (3,222.65)

The accompanying notes are an integral part of this statement.