

BENTON COUNTY LIBRARY
(A Special Revenue Fund of Benton County, Tennessee)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

BENTON COUNTY LIBRARY
(A Special Revenue Fund of Benton County, Tennessee)
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For the Year Ended June 30, 2010

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Offices: Jackson, TN | Martin, TN | Paris, TN

Principals:

Clark H. Cowart, CPA

John R. Reese, CPA, PFS

Fancher P. Sargent, CPA

T. Paul Anderson, CPA, CFE

Landra Sanders

Independent Auditors' Report

To the Board of Directors
Benton County Library
Camden, Tennessee

We have audited the accompanying financial statements of Benton County Library, a special revenue fund of Benton County, Tennessee as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of Benton County Library's management. Our responsibility is to express an opinion 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 opinion.

As discussed in Note 1, the financial statements present only the Benton County Library, a special revenue fund of Benton County, Tennessee, and do not purport to, and do not, present fairly the financial position of Benton County, Tennessee, as of June 30, 2010, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Benton County Library (a special revenue fund), as of June 30, 2010, and the changes in 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 12, 2010 on our consideration of Benton County 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 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.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information sections in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Benton County Library. The other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right from the end of the name.

Cowart, Reese & Sargent, CPAs, P.C.
Jackson, Tennessee
January 26, 2011

Benton County Library
(A Special Revenue Fund of Benton County, Tennessee)
Balance Sheet
June 30, 2010

Assets

Current Assets:

Petty Cash	\$	350
Cash in Bank		20,443
Certificates of Deposit		<u>6,000</u>
Total Current Assets		<u>26,793</u>

Liabilities and Fund Balances

Liabilities:

Accounts Payable	\$	787
Payroll Taxes Payable		73
Due to Primary Government		<u>397</u>
Total Liabilities		<u>\$ 1,257</u>

Fund Balance:

Unreserved and Designated For:		
Designated for Genealogy	\$	31
Unreserved and Undesignated		<u>25,505</u>

Total Fund Balance \$ 25,536

Total Liabilities and Fund Balance \$ 26,793

Benton County Library
(A Special Revenue Fund of Benton County, Tennessee)
Statement of Revenues, Expenses and
Changes in Fund Balance
For the Year Ended June 30, 2010

Revenues and Other Sources:

Charges for Current Services

Fees

Copy and Fax Fees	\$ 8,796
Library Fees	8,223

Total Charges for Current Services	\$ 17,019
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Other Local Revenue

Recurring Items

Interest Income	\$ 198
Lease/Rentals	3,489
Sale of Materials and Supplies	8,748
Miscellaneous Refunds	7,237

Total Other Local Revenue	\$ 19,672
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State of Tennessee- Grants

Technology Grant	\$ 7,500
	\$ 7,500

Other Governments and Citizens Groups

Other Governments

Contributions - City of Camden	\$ 15,000
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Citizens Groups

Contributions	12,893
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Total Other Governments and Citizens Groups	\$ 27,893
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Total Revenues	\$ 72,084
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Other Sources

Operating Transfers from Primary Government	248,626
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TOTAL REVENUES AND OTHER SOURCES	\$ 320,710
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Benton County Library
(A Special Revenue Fund of Benton County, Tennessee)
Statement of Revenues, Expenses and
Changes in Fund Balance (Continued)
For the Year Ended June 30, 2010

EXPENDITURES AND OTHER USES

Social, Cultural, and Recreational Services

Libraries

Librarians	\$ 136,100
Custodial Personnel	4,280
Maintenance Personnel	3,918
Payroll Taxes	10,622
State Retirement	5,189
Medical Insurance	20,045
In-Service Training	1,707
Other Per-Diem & Fees	3,342
Advertising	865
Audit Fee	2,800
Communication	8,851
Data Processing Services	916
Dues and Memberships	362
Legal Notices and Court Costs	100
Maintenance Agreements	12,831
Pest Control	160
Postal Charges	2,787
Other Contracted Services	965
Custodial Supplies	3,783
Data Processing Supplies	4,717
Library Books/Media	18,366
Office Supplies	2,949
Other Supplies	4,107
Electricity	19,957
Natural Gas	996
Water	601
Building Improvements	3,942
Data Processing Equipment	3,785
Furniture & Fixtures	18,748
Office Equipment	6,239
Interest	1,153
Total Expenditures	\$ 305,183
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ 15,527
Fund Balance, Beginning	10,009
Fund Balance, Ending	\$ 25,536

See notes to the financial statements

Benton County Library
(A Special Revenue Fund of Benton County, Tennessee)
Statement of Revenues and Expenses
Budget to Actual
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance from Amended Budget</u> Favorable (Unfavorable)
<u>Revenues and Other Sources</u>				
Copy and Fax Fees	6,000	8,030	8,796	766
Library Fees	6,000	8,030	8,223	193
Interest Income	-	-	198	198
Lease/Rentals	6,000	8,030	3,489	(4,541)
Sale of Materials and Supplies	6,000	8,030	8,748	718
Grants-State	-	7,500	7,500	-
Miscellaneous Refunds	6,000	8,030	7,237	(793)
Contributions - City of Camden	15,000	15,000	15,000	-
Contributions	6,000	8,030	12,893	4,863
Operating Transfers from Primary Government	248,625	248,625	248,626	1
Total Revenues and Other Sources	\$ 299,625	\$ 319,305	\$ 320,710	\$ 1,405
<u>Expenditures</u>				
Librarians	\$ 128,000	\$ 130,399	\$ 136,100	\$ (5,701)
Custodial Personnel	3,000	4,280	4,280	-
Maintenance Personnel	3,000	3,923	3,918	5
Payroll Taxes	11,000	10,768	10,622	146
State Retirement	4,600	4,600	5,189	(589)
Medical Insurance	19,800	20,045	20,045	-
In-Service Training	1,250	1,707	1,707	-
Other Per-Diem & Fees	1,250	3,231	3,342	(111)
Advertising	-	-	865	(865)
Audit Fee	2,800	2,800	2,800	-
Communication	8,200	8,075	8,851	(776)
Data Processing Services	1,800	1,477	916	561
Dues and Memberships	-	-	362	(362)
Legal Notices and Court Costs	-	-	100	(100)
Maintenance Agreements	18,000	16,754	12,831	3,923
Pest Control	-	-	160	(160)
Postal Charges	3,000	2,637	2,787	(150)
Other Contracted Services	-	-	965	(965)
Custodial Supplies	2,500	2,237	3,783	(1,546)
Data Processing Supplies	2,000	1,677	4,717	(3,040)
Library Books/Media	20,000	19,397	18,366	1,031
Office Supplies	5,000	4,910	2,949	1,961
Other Supplies	-	-	4,107	(4,107)
Electricity	27,125	19,957	19,957	-
Natural Gas	1,600	992	996	(4)
Water	600	581	601	(20)
Building Improvements	2,500	4,203	3,942	261
Data Processing Equipment	-	3,785	3,785	-
Furniture & Fixtures	2,500	18,087	18,748	(661)
Office Equipment	2,500	19,714	6,239	13,475
Interest	-	-	1,153	(1,153)
Total Expenditures	\$ 272,025	\$ 306,236	\$ 305,183	\$ 1,053
Excess of Revenues and Other Sources Over Expenditures	\$ 27,600	\$ 13,069	\$ 15,527	\$ 2,458

BENTON COUNTY LIBRARY
Notes to the Financial Statements
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Benton County Library are described below to enhance the usefulness of the financial statements.

Organization and Reporting Entity

The Benton County Library (Library) was established by resolution on January 5, 1942, by action of the Benton County Commission. A seven (7) member board (Board of Trustees) was originally appointed by the commissioners, and the commissioners still approve the appointment of members to the Board of Trustees.

The Board of Trustees is responsible for formulating policies, handling finances and hiring of the Library employees. The Board of Trustees also hires a Director/Librarian who is responsible for the daily administration of the Library under a Board's directions.

The Benton County Library does not have separate corporate powers, i.e. does not have the capacity to have its own name, does not have the right to sue and be sued in its own name and does not have the right to buy, sell, lease, and mortgage property in its own name, that would distinguish it as being a legally separate organization. Therefore, in accordance with accounting principles generally accepted in the United States of America, the Benton County Library would be a special revenue fund in the Comprehensive Annual Financial Report of Benton County, Tennessee.

Measurement Focus/Basis of Accounting

The Benton County Library is considered to be a separate accounting entity of Benton County, Tennessee. The operations of the Library are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The Benton County Library is considered to be a special revenue fund that is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. A special revenue fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The operating statement of this fund presents increases (i.e., revenues and other financing sources) and decreases (i.e. expenditures and other uses) in net current assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Benton County Library's special revenue fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

BENTON COUNTY LIBRARY
Notes to the Financial Statements
For the Year Ended June 30, 2010

The financial statements are prepared on the basis of accounting of GASB Statement Number 34, *Basic Financial Statements, Management's Discussion and Analysis for State and Local Governments* and related standards. This standard mandates government-wide financial statements of net assets and activities, which are presented on the "economic resources" measurement focus and accrual basis of accounting, significant changes in terminology, as well as an inclusion of a management discussion and analysis; supplementary information; and other changes. It also requires, if applicable, that certain fixed assets be recorded at cost less accumulated depreciation. Most of the requirements relate to the primary government's reporting and in this case that would be Benton County, Tennessee in their Comprehensive Annual Financial Report.

Budget

The Benton County Library is required by state statute to adopt an annual budget. The budget is to be prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Benton County Commission, and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level. Management may make revisions within major categories except for certain line items, such as salaries, but only the governing body may transfer appropriations between categories. The Library's operations would be considered a major category for budgetary purposes; therefore, management may transfer amounts between budgetary line items other than salaries.

The Library's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP).

Income Taxes

Because the Library is considered a governmental unit, it is not subject to income taxes and no amount for taxes has been recorded in the accompanying statements.

Capital Assets and Equipment

The Library uses a current financial resources measurement focus. Therefore, capital assets and equipment are recorded as expenditures when purchased. The cost and related depreciation of capital assets are required to be maintained and would be reported as capital assets only in the primary government's (Benton County, Tennessee) government-wide financial statements, as mandated by GASB Statement Number 34.

BENTON COUNTY LIBRARY
Notes to the Financial Statements
For the Year Ended June 30, 2010

Reserves of Fund Balance

Reserves represent amounts that are legally required to be reappropriated and expended for specific purposes in the subsequent year. There were no reserves of fund balance at year end.

Designation of Fund Balance

Designations of fund balance reflect tentative plans for future uses of financial resources as approved by the Benton County Library Board of Trustees or the Benton County Commission. There were designated fund balances of \$31 at year-end. The \$31 designation for genealogy represents the balance of contributions received that were earmarked for genealogy purposes only.

Vacation and Sick Leave

There is no written policy regarding vacation and sick leave for employees. Employees of the Library are granted vacation and sick leave at the discretion of the Director. The granting of leave has no guaranteed payment attached and therefore is not required to be accrued or recorded. Informally, the Library follows the vacation and sick leave of the County.

Inter-fund Transactions

The operating transfers from the primary government, as noted on the financial statements and on the schedule of transfers, represent funds appropriated by the Benton County Commission for operating the Benton County Library.

NOTE 2- RISK MANAGEMENT

Benton County carries commercial insurance for risks of loss from general liability, property and casualty, which also covers Benton County Library. Settled claims have not exceeded this commercial coverage in any of the three past fiscal years.

NOTE 3- PURCHASING LAWS

As discussed in Note 1, the Benton County Library is a blended special revenue fund of the primary government, Benton County, Tennessee. Purchasing procedures for this department fall under procedures as applied to general government purchases. Purchasing procedures are governed by Chapter 541, Private Acts of 1939, as amended, and the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). The private act provides for the issuance of requisitions and purchase orders for all purchases of equipment, supplies, and materials. The County Purchasing Law provides for all purchases in excess of \$10,000 to be made after public advertisement and competitive bidding.

BENTON COUNTY LIBRARY
Notes to the Financial Statements
For the Year Ended June 30, 2010

NOTE 4- DEPOSITS AND CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Library's deposits may not be returned or the Library will not be able to recover collateral securities in the possession of an outside party. State statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. Further, state statutes require collateral must be placed by the depository bank in an escrow account for the benefit of the Library. As an alternative, a depository bank may participate in the bank collateral pool administered by the treasurer of the State of Tennessee. This allows the participating bank to pledge securities in the aggregate, rather than pledging securities to each individual account. At year end, the Library's bank deposits total \$26,793, all of which is considered to be fully insured.

NOTE 5 – LITIGATION

There is no threatened or pending litigation which would materially affect the financial statements of the Benton County Library.

NOTE 6 – FUND BALANCE

The Library (a special revenue fund) has a negative fund balance as a result of a combination of accounting principles and the method (short-term See Note 6) of financing used to purchase the equipment. Because the Library is a special revenue fund, when the equipment it was required to be expensed, yet because short-term financing was utilized the loan proceeds were required to be recognized as a liability rather than an other financial source.

NOTE 7 – RETIREMENT COMMITMENTS

The Benton County Library, being a special revenue fund of Benton County, Tennessee, is a member of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS is a defined benefit retirement plan covering teachers and general employees of the state as well as employees of political subdivisions that have elected coverage. Membership in the system is mandatory for state employees, teachers and employees of participating political subdivisions. The 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 age 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 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 performance of duty. Members joining the system on or 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 and amended by state statute.

BENTON COUNTY LIBRARY
Notes to the Financial Statements
For the Year Ended June 30, 2010

The Benton County Library is contributory whereby the employee contributes five percent of their earnable compensation and the employer is required at an actuarially determined rate (The Library contributed 7.18% for the year ended June 30, 2010). The contribution requirement for the employer is established and can be amended by the TCRS Board of Trustees. The contribution requirements for the plan members (employees) are set by state statute. These contributions are remitted monthly to the Benton County Trustee, who subsequently remits the funds to TCRS. The Library recognized \$5,189 in retirement expense for the year ended June 30, 2010. For further information concerning funding status and progress, actuarially determined contribution requirements, contributions made and trend information, see Benton County, Tennessee's Comprehensive Annual Financial Report for the respective year.

NOTE 9 – OPERATING LEASES

The Library is currently obligated on one lease for a copying machine. The lease has a monthly payment of \$268.50. The lease is considered an operating lease in which the Library has an option at the end of the lease to purchase the equipment at fair-market value. Expense of \$6,239 has been recognized under the lease agreement and an expired lease agreement for the year ended June 30, 2010. Future minimum lease payments under the leases are as follows:

2010-2011	<u>\$ 3,222</u>
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NOTE 10 – SUBSEQUENT EVENTS

The Library has evaluated subsequent events through January 26, 2011, the date which the financial statements were available to be issued.

Benton County Library
(A Special Revenue Fund of Benton County, Tennessee)
Supplementary Information
Schedule of Expenditures of State Grants
For the Year Ended June 30, 2010

<u>Grantor/Program Title</u>	<u>Grant Number</u>	<u>Grants (Receivable)/ Deferred 7/1/2009</u>	<u>Cash Receipts</u>	<u>Earned/ Expended</u>	<u>Grants (Receivable)/ Deferred 6/30/2010</u>
State Grants					
Department of State- Division of Library and Archives:					
Local Archives Development	Not Available	\$ -	\$ 7,500	\$ 7,500	\$ -
Total Expenditures of State Grants		<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ -</u>

Benton County Library
(A Special Revenue Fund of Benton County, Tennessee)
Supplementary Information
Schedule of Transfers
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Operating Transfers from Primary Government</u>			
County General	Library	Funding for general operations	\$ 220,984
County General	Library	Funding for archive operations	27,642
Total Transfers from Primary Government- June 30, 2010			<u><u>\$ 248,626</u></u>

Benton County Library
 (A Special Revenue Fund of Benton County, Tennessee)
 Supplementary Information
 Schedule of Salaries and Surety Bonds of Principal Officials
 For the Year Ended June 30, 2010

<u>Name & Title of Official</u>		<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Rhonda Tippitt, Director/Librarian	(1)	29,860	0
Guy T. Wilkinson, Chairman, Board of Trustees		0	0
Irice Jones, Treasure, Board of Trustees		0	0

(1) Considered an employee of Benton County, Tennessee for insurance purposes and would be covered under the employee dishonesty blanket bond purchased annually by Benton County, Tennessee.



Offices: Jackson, TN | Martin, TN | Paris, TN

Principals:

Clark H. Cowart, CPA
John R. Reese, CPA, PFS
Fancher P. Sargent, CPA
T. Paul Anderson, CPA, CFE
Landra Sanders

**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
Benton County Library
Camden, Tennessee

We have audited the financial statements of Benton County Library, a special revenue fund of Benton County, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 12, 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 the Library's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of 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.

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 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of control 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. We consider the deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting: 2010-01, 2010-03 and 2010-04.

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 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 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances 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 Recommendations as item 2010-2.

This report is intended solely for the information and use of management, Board of Trustees, Benton County, Tennessee, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specific parties. However, the report is a matter of public record and its distribution is not limited.



Cowart Reese Sargent, CPAs, P.C.
Certified Public Accountants
November 12, 2010

BENTON COUNTY LIBRARY
(A Special Revenue Fund of Benton County, Tennessee)
Schedule of Prior Audit Findings- Status
For the Year Ended June 30, 2010

Government Auditing Standards require auditors to report on the status of uncorrected findings from prior audits. Presented below is the summarized data related to the prior year's (June 30, 2009) audit findings. The uncorrected findings noted below have also been reported in the current year's Schedule of Findings and Recommendations.

Finding 2009-01: Purchasing laws were not followed relating to the use of purchase orders.

Current Status: Uncorrected – Finding will be repeated for current year.

Finding 2009-02: Budgets were not amended until after expenditures had exceeded original appropriations.

Current Status: Uncorrected – Finding will be repeated for current year.

Finding 2009-03: Internal control weaknesses relating to segregation of duties.

Current Status: Uncorrected – Finding will be repeated for current year.

Finding 2009-04: Debt approvals not properly obtained for borrowing of funds.

Current Status: Borrowed amounts paid off fully during the year.

BENTON COUNTY LIBRARY
(A Special Revenue Fund of Benton County, Tennessee)
Schedule of Findings and Recommendations
For the Year Ended June 30, 2010

The findings and recommendations as a result of the audit of the Benton County Library are presented below. These findings and recommendations have been reviewed with management.

FINDING 2010-01: Use of Purchase Orders (Internal Control)

The Benton County Library is a blended special revenue fund of the primary government of Benton County, Tennessee. Purchasing procedures for this department fall under procedures as applied to general government purchases. Purchasing procedures are governed by provisions of Chapter 541 Private Acts of 1939, as amended and the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, TCA. The Private Act provides for the issuance of requisitions and purchase orders for all purchases of equipment, supplies, and materials. The County Purchasing Law addresses the procedures and when competitive bids are required. During the audit, we noted that requisition and purchase orders had not been used.

Recommendation:

Although in the situation of the Library where the use of requisitions/purchase orders may seem redundant or unnecessary for the size of your organization, it is our responsibility to bring this noncompliance to your attention. The use of requisition and purchase orders are internal control procedures to control who has the authority to make purchases and document purchasing commitments. Requisition and purchase orders should be issued in all applicable instances.

FINDING 2010-02: Budgetary Operations (Noncompliance)

The Library's actual expenditures within various line items including salary line items exceeded budgetary amounts. In addition, we could not locate within the minutes of the Library's Board the approval of the amended budget.

Recommendation:

Expenditures should be held within the approved budgetary amounts. In addition, budgetary amendments should be approved by the Library's Board and forwarded to the County Commission for their subsequent approval.

BENTON COUNTY LIBRARY
(A Special Revenue Fund of Benton County, Tennessee)
Schedule of Findings and Recommendations (Continued)
For the Year Ended June 30, 2010

FINDING 2010-03: Segregation of Duties (Internal Control)

During the period under examination, accounting duties were not adequately segregated among employees of the Library. Examples of the functions that need to be segregated to the extent possible include collections and the issuing of receipts, preparing bank deposits, taking deposits to the bank, posting of the daily cash record and reconciling the bank statements. Also purchase ordering/payroll calculations, check writing and posting of expenses should be segregated to the extent possible. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to your attention.

FINDING 2010-04: Approval of Disbursements (Internal Control)

During the period under examination, it came to our attention that many of the disbursement checks are not being dually signed as required in the Library's standard procedures. We also noticed that there are no initials on invoices approving payment before funds are expended.

Recommendation:

We recommend that all checks be dually signed by the Director and a Board Member, and that at least one Board Member approve all invoices before they are paid.