

**JUSTIN POTTER LIBRARY**  
**DEKALB COUNTY LIBRARY SYSTEM FUNDS**

Financial Statements

For the Year Ended June 30, 2011

# JUSTIN POTTER LIBRARY – DEKALB COUNTY LIBRARY SYSTEM FUNDS

## Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Justin Potter Library - Dekalb County Library Board.....	i
FINANCIAL SECTION:	
Independent Auditor’s Report . . . . .	1
Balance Sheet . . . . .	2
Statement of Revenues, Expenditures and Changes in Fund Balance . . . . .	3
Notes to Financial Statements . . . . .	4-5
FINANCIAL SCHEDULES:	
Schedule of Cash and Cash Equivalents and Certificate of Deposit - All Funds .....	7
Schedule of State and Federal Financial Assistance . . . . .	8
COMPLIANCE AND INTERNAL CONTROL:	
Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> . . . . .	9-10

## INTRODUCTORY SECTION

## DeKalb County Library Board of Trustees

Annette Greek, Chairman (through June 2011)

Jack Barton

Genrose Davis

Brenda Hooper

Janie Knowles

Betty Pankey

Bobby White

**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, 2011, 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, 2011, 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.

As discussed in Note 4, the Justin Potter Library – Dekalb County Library System Funds transferred all of its assets to DeKalb County, Tennessee.

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, 2011, 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, 2011 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, including the Schedule of State and Federal Financial Assistance, 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, 2011

JUSTIN POTTER LIBRARY - DEKALB COUNTY LIBRARY STSTEM FUNDS

Balance Sheet

June 30, 2011

Assets

Current Assets:

Cash and cash equivalents	\$0
Certificate of deposits	0
Total Current Assets	<u>0</u>

Total Assets	<u><u>\$0</u></u>
--------------	-------------------

Liabilities

Current Liabilities

Accounts payable	0
Total Current Liabilities	<u>0</u>

Fund Balance:

Reserved	0
Unreserved	0
Total Fund Balance	<u><u>\$0</u></u>

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, 2011

Revenues:	
Fines and fees	\$12,757
Donations	6,546
Book sales	9,991
Grants- State	29,368
Grants- Federal	4,084
Interest income	1,625
Total Operating Revenues	<u>64,371</u>
Expenses:	
Books	23,448
Contract labor	2,916
Dues	447
Travel	430
Equipment	13,630
Operating supplies	5,704
Miscellaneous	1,569
Total Operating Expenses	<u>48,144</u>
Operating transfer out	<u>(187,138)</u>
Net change in fund balance	(170,911)
Fund Balance, June 30, 2010	<u>170,911</u>
Fund Balance, June 30, 2011	<u><u>\$0</u></u>

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, 2011

### (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.

# JUSTIN POTTER LIBRARY – DEKALB COUNTY LIBRARY SYSTEM FUNDS

## Notes to Financial Statements

June 30, 2011

### (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) Liquidation of Library Funds

At yearend the Justin Potter Library has transferred all of its assets to Dekalb County Tennessee.

# **FINANCIAL SCHEDULES**

JUSTIN POTTER LIBRARY - DEKALB COUNTY LIBRARY SYSTEM FUNDS

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

June 30, 2011

	<u>Carrying Value</u>
Cash and Cash equivalents	
Liberty library	0
Alexandria library - Regions bank	0
Alexandria library - Liberty State	0
Smithville- Petty cash bank account	0
Smithville- book publishing account	0
Smithville- operating account	0
Total Cash and cash equivalents	<u>0</u>
Certificate of Deposits	
Dekalb Community Bank C. D.	0
Dekalb Community Bank C. D. - historical	0
Dekalb Community Bank C. D. - Friends of the Library	0
Total Certificate of deposits	<u>0</u>
 Total - All accounts	 <u><u>\$0</u></u>

Note all accounts closed and proceeds transferred to Dekalb County, Tennessee.

JUSTIN POTTER LIBRARY -DEKALB COUNTY LIBRARY SYSTEM FUNDS

Schedule of State and Federal Financial Assistance

June 30, 2011

<u>Grantee</u>	<u>Grant Number</u>	<u>Amount</u>
<u>State program</u>		
State of Tennessee -TSLA Technology	N/A	\$1,300
State of Tennessee -Laptops	N/A	28,068
<u>Federal program</u>		
USDA - Laptops	N/A	4,084

The Federal Program dollars have not been received and as such the receivable related to this grant has been transferred to Dekalb County, Tennessee.

**COMPLIANCE AND  
INTERNAL CONTROL**

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**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, 2011, and have issued my report thereon dated September 30, 2011. 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

Management of the Library is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness (08-01 County Commission Not Approved Budget).

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 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. I consider the deficiency described below (08-01) to be a material weakness.

The material weakness 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.

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.

*John R. Poole, CPA*

September 30, 2011