

**LAUDERDALE COUNTY LIBRARY FUND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

# LAUDERDALE COUNTY LIBRARY FUND

## TABLE OF CONTENTS

<b>Board of Trustees</b>	1
<b>Management Discussion and Analysis</b>	2-4
<b>Independent Auditors Report</b>	5-6
<b>Financial Statements</b>	
Statement of Net Assets	7
Statement of Activities	8
Balance Sheet	9
Statement of Revenue, Expenditures, and Changes in Fund Balance	10
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual	11
Notes to Financial Statements	12-14
<b>Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance With Governmental Auditing Standards</b>	15-16
<b>Schedule of Findings, Recommendations and Responses</b>	17-18

**LAUDERDALE COUNTY LIBRARY FUND  
BOARD OF TRUSTEES  
FOR THE YEAR ENDED JUNE 30, 2011**

William A. Klutts—Chairman  
Bette Anthony  
Bettie Davis  
Frances Fitzhugh  
Carolyn Pilcher  
Susan Scott (retired)  
Bill Williams  
Eddie Evans

**ASSOCIATE TRUSTEES**

Harold Evans  
Carrie Fullen

# LAUDERDALE COUNTY LIBRARY

120 Lafayette St.  
Ripley, TN 38063-1321

Phone: 731-635-1872  
Fax: 731-635-8568  
E-mail: library@bellsouth.net

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Lauderdale County Library Fund's financial accomplishments provides an overview of the Fund's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Fund's Independent Auditor's Report, financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

### FINANCIAL HIGHLIGHTS

Due to a recent change in accounting standards the assets and liabilities of the Lauderdale County Library Fund were transferred to the Lauderdale County's General Fund as a department in the general fund within the year ended June 30, 2011. Transactions reflected within these financial statements only reflect the transactions with the control and management of the Library Trustees and staff during this transition time. The transition was complete within the year ended June 30, 2011 and no assets, liabilities, or net assets remain within the Lauderdale County Library Fund.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Lauderdale County Library Fund's financial statements which are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The *Government-wide financial statements* are the **statement of net assets** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net assets of governmental activities and the change in net assets. Governmental activities are primarily supported by special assessments billed as non-ad valorem assessments on property tax bills.

The **statement of net assets** presents information on all of the Fund's assets and liabilities, with the difference between the two reported as net assets. Net assets are reported in three categories; 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Lauderdale County Library Fund is improving or deteriorating.

The **statement of activities** presents the information on all revenues and expenses of the Fund and the change in net assets. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the Fund.

*Fund financial statements* present financial information for governmental funds. These statements provide financial information for the one fund of the Library. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

*Fund financial statements* include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balance** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balance-(budget and actual)**, is provided for the Fund. *Fund financial statements* provide more detail information about the Fund's activities.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the Fund. The government-wide financial statements provide an overall picture of the Fund's financial standing. These financial statements are comparable to private-sector companies and give a good understanding of the Fund's overall financial health and how the Fund paid for the various functions provided. All assets of the Fund, including buildings, books, office furniture and equipment are reported in the **statement of net assets**. All liabilities, including future employee benefits obligated but not paid by the Fund, are included. The **statement of activities** include depreciation on all long lived assets of the Fund. In the case of governmental activities, outlays for long lived assets are reported as expenditures. To provide a link from the *fund financial statements* to the *government-wide financial statements*, reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to the financial statements provide additional detail concerning the financial activities and financial balances of the Fund. Additional information about the accounting practices of the Fund and investments of the Fund are some of the items included in the *notes to the financial statements*.

## FINANCIAL ANALYSIS OF THE FUND

The following comparative schedule provides a summary of the assets, liabilities and net assets of the Fund. As mentioned above no assets, liabilities, or net assets remain within the Lauderdale County Library Fund.

	Net Assets	
	2010	2010
Current assets	\$ 0	\$ 754,604
Fixed assets	0	403,334
Total assets	<u>\$ 0</u>	<u>\$1,157,938</u>
Total liabilities (current)	\$ 0	\$ 9,969
Net assets		
Invested in fixed assets	0	403,334
Restricted	0	597,814
Unrestricted	0	146,821
Total liabilities and net assets	<u>\$ 0</u>	<u>\$1,157,938</u>

**Changes in Net Assets**

	2011	2010
Program revenues		
Charges for services	\$ 1,095	\$ 3,302
Operating grants and contributions	0	51,681
General revenues		
Payments from (to) Lauderdale County	(1,149,244)	98,555
Investment earnings	31	10,603
Total Revenues	<u>\$(1,149,213)</u>	<u>\$ 164,141</u>
Program expenses	<u>( 149)</u>	<u>132,490</u>
Increase (decrease) in net assets	\$(1,149,969)	\$ 31,651
Net assets at beginning of period	<u>1,147,969</u>	<u>1,116,318</u>
Net assets at end of period	<u><u>\$ 0</u></u>	<u><u>\$1,147,969</u></u>

**BUDGETARY HIGHLIGHTS**

No budget was prepared for the Lauderdale County Library Fund in the year ended June 30, 2011 due to the transfer.

**FUTURE PROJECTIONS**

The primary goals of the Lauderdale County Library Fund were to continue providing quality library services to the public and to double the available library space. Construction of the Library expansion was completed by June 30, 2011. However, all of these transactions are recorded within the Lauderdale County General Fund.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Lauderdale County Library Fund's finances for those with an interest in the Library Fund's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Board of Directors of the Lauderdale County Library Fund at 120 Lafayette Street, Ripley, Tennessee 38063.

*William A. Klutts*

William A. Klutts  
 Chairman  
 Lauderdale County Library  
 Board of Trustees

**MARTHA CRITES**

*Certified Public Accountant*

115 South Front • Halls, TN 38040

(731) 836-5987

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Lauderdale County Executive  
Lauderdale County Library Fund  
Ripley, Tennessee

I have audited the accompanying financial statements of the governmental activities and the major fund of the Lauderdale County Library Fund, of Lauderdale County, Tennessee, a separately reported special revenue fund of Lauderdale County, as of and for the year ended June 30, 2011 which collectively comprise the Library's basic financial statements for the Library Fund. These financial statements are the responsibility of the Board of Trustees of the Lauderdale County Library Fund. 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 financial position of Lauderdale County Library Fund and do not purport to, and do not, present fairly the financial position and results of operations of Lauderdale County, Tennessee as of June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lauderdale County Library Fund, a separately reported special revenue fund of Lauderdale County, Tennessee, as of June 30, 2011, and the respective change 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 a report dated September 1, 2011 on my consideration of Lauderdale County Library Fund's internal control over financial reporting and my 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 my 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 my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis included within these financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Martha Crites, CPA*

Halls, Tennessee  
September 1, 2011

**LAUDERDALE COUNTY LIBRARY FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Total Assets	<u>\$ 0</u>
<b>LIABILITIES</b>	
Total Liabilities	<u>\$ 0</u>
<b>NET ASSETS</b>	
Total Net Assets	<u>\$ 0</u>
Total Liabilities and Net Assets	<u>\$ 0</u>

See accountant's report and accompanying notes to financial statements.

**LAUDERDALE COUNTY LIBRARY FUND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Government activities					
Cultural and recreation	\$ (149)	\$ 1,095	\$ 0	\$ 0	\$ 1,244
		General revenues			
					\$ (1,149,244)
					<u>31</u>
					<u>\$ (1,149,213)</u>
					\$ (1,147,969)
					<u>1,147,969</u>
					<u>\$ 0</u>

See accountant's report and accompanying notes to financial statements.

**LAUDERDALE COUNTY LIBRARY FUND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

**ASSETS**

Total Assets \$ 0

**LIABILITIES AND FUND BALANCE**

Total Liabilities \$ 0

**FUND BALANCE**

Total Fund Balance \$ 0

Total Liabilities and Fund Balance \$ 0

See accountant's report and accompanying notes to financial statements.

**LAUDERDALE COUNTY LIBRARY FUND  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>REVENUES</b>		
Investment income		\$ 31
Miscellaneous		<u>1,095</u>
Total Revenues		\$ 1,126
<b>EXPENDITURES</b>		
Insurance		\$ (149)
Total Expenditures		<u>\$ (149)</u>
Excess of Revenues over Expenditures		<u>\$ 1,275</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers to other funds		<u>\$ (745,910)</u>
Net Change in Fund Balance		\$ (744,635)
Fund balance--June 30, 2010		<u>744,635</u>
Fund balance--June 30, 2011		<u>\$ 0</u>

See accountant's report and accompanying notes to financial statements.

**LAUDERDALE COUNTY LIBRARY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<b>RECEIPTS</b>			
Contributions and Investment Income	\$ 0	\$ 31	\$ 31
Other	<u>0</u>	<u>1,095</u>	<u>1,095</u>
Total	\$ 0	\$ 1,126	\$ 1,126
<b>EXPENDITURES</b>			
Insurance	<u>\$ 0</u>	<u>\$ (149)</u>	<u>\$ 149</u>
Total	<u>\$ 0</u>	<u>(149)</u>	<u>149</u>
Excess of Receipts over Expenditures	\$ 0	\$ 1,275	\$ 1,275
Fund Equity--July 1, 2010	744,635	744,635	0
Transfer of funds to Lauderdale County	<u>(744,635)</u>	<u>(745,910)</u>	<u>1,275</u>
Fund Equity--June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,275</u>

See accountant's report and accompanying notes to financial statements.

**LAUDERDALE COUNTY LIBRARY FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Lauderdale County Library Fund accounts for its financial position and results of operations in accordance with generally accepted accounting principles applicable to governmental units.

1. **Fund Type.** The Library was a special revenue fund of Lauderdale County, Tennessee, which is issued to record the general operations of the Library. Due to a recent change in accounting standards the Library Fund's budget and operations were incorporated as a department of the Lauderdale County General Fund as of June 30, 2011.
2. **Reporting Entity.** These financial statements are limited to the assets, liabilities, fund balance, and results of operations of the Lauderdale County Library Fund. They are not intended to present the assets, liabilities, fund balances and results of operations of Lauderdale County taken as a whole. The County Commission of Lauderdale County appoints the board of trustees of the Lauderdale County Library Fund. The criteria of control or dependence is used to determine which activities are included in the Library Fund's financial statements.
3. **Government-wide and fund financial statements.** The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Library Fund. Government activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

4. **Measurement focus, basis of accounting, and financial statement presentation.** The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**LAUDERDALE COUNTY LIBRARY FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Library Fund receives cash.

The Library reports the following major governmental fund:

The general fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided; 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

5. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principals 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.

**NOTE 2. CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2011.

	<b>Balance</b>	<b>Increases</b>	<b>Transfers</b>	<b>Balance</b>
Capital assets not being depreciated--				
Land	\$ 7,800	\$ 0	\$ 7,800	\$ 0
Construction in progress	<u>28,640</u>	<u>0</u>	<u>28,640</u>	<u>0</u>
Capital assets not being depreciated, net	36,440	0	36,440	0
Capital assets being depreciated--				
Building	452,978	0	452,978	0
Books	84,651	0	84,651	0
Furniture and fixtures	<u>98,061</u>	<u>0</u>	<u>98,061</u>	<u>0</u>
Subtotal	<u>\$ 635,690</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

All capital assets and related accumulated depreciation at June 30, 2010 were transferred to the Lauderdale County's General Fund effective July 1, 2011.

**LAUDERDALE COUNTY LIBRARY FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 3. TRANSFER OF FUNDS**

Pursuant to the Governmental Accounting Standards Board (GASB) issuing accounting Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Library Fund's budget and operations were incorporated as a department in the County's General Fund beginning with the fiscal year 2010-2011. However, due to the timing of actual transfers, the financial statements as reported reflect transactions that occurred in the fiscal year reported on. As of June 30, 2011, all funds have been transferred to the County's General Fund.

## MARTHA CRITES

*Certified Public Accountant*

115 South Front • Halls, TN 38040

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### 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  
County Mayor of Lauderdale County  
Lauderdale County Library Fund  
Ripley, Tennessee

I have audited the financial statements of the governmental activities and the major fund of Lauderdale County Library Fund, a separately reported special revenue fund of Lauderdale County, Tennessee, as of and for the year ended June 30, 2011 and have issued my report dated September 1, 2011. 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.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lauderdale County Library Fund's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Lauderdale County Library Fund's internal control over financial reporting.

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 a 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.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weakness, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that I consider to be significant deficiencies in internal control

over financial reporting. See findings 2011-01 and 2011-02. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County Library Fund's 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 financial statements amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Lauderdale County Library Fund's management, the Lauderdale County Commissioners, and the Tennessee State Comptroller's Office and other regulatory bodies, and is not intended to be and should not be used by anyone other than those specified parties.

*Martha Crites, CPA*

September 1, 2011

**LAUDERDALE COUNTY LIBRARY FUND  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2011**

**STATUS OF PRIOR FINDINGS**

- 2010-01 Finding – Expenditures exceed the approved budgeted expenditures. Total expenditures exceeded budgeted amount. No budget for year ended June 30, 2011 due to transfer.
- 2010-02 Finding – The Library Fund has insufficient personnel to enable separation of duties within the accounting process. The Librarian maintains the general operating fund while the Chairman of the Board of Trustees maintains the investment accounts and the other checking account. Separation of duties has been improved due to transfer of funds to General Fund.
- 2010-03 Finding – Annual audit adjustments are necessary each year to properly reflect the income and expense of the entity. See finding 2010-01.
- 2010-04 Finding – The Library Fund maintains monthly records so that reasonable operations can be maintained. The Library Fund does not currently employ or utilize the services of a person/firm who possesses the expertise to properly prepare the external audited financial statements and related notes. Although the Library Fund has engaged an accounting firm to prepare such financial statements in connection with the audit, the accounting firm is not a part of the internal control system. See finding 2010-02.
- 2010-05 Finding – By law, the Library Fund is not authorized to spend any funds that are not budgeted by the County Commission. The Fund should submit a detailed line item budget to the County Commission for approval, which should be included in the County's budget document, as required by Section 5-9-401, Tennessee Code Annotated. Cleared through transfer of funds to General Fund.

**CURRENT FINDINGS**

- 2011-01 Finding – Annual audit adjustments are necessary each year to properly reflect the income and expense of the entity.

Recommendation – Additional accounting guidance should be obtained to eliminate the need for annual audit adjustments.

Response – This recommendation shall be taken under advisement.

- 2011-02 Finding – The Library Fund maintains monthly records so that reasonable operations can be maintained. The Library Fund does not currently employ or utilize the services of a person/firm who possesses the expertise to properly prepare the external audited financial statements and related notes. Although the Library Fund has engaged an accounting firm to prepare such financial statements in connection with the audit, the accounting firm is not a part of the internal control system.

**Recommendation** – The Library Fund should employ or utilize the services of a person/firm who possesses the expertise to properly prepare the externally audited financial statements and related notes.

**Response** – The employment or utilization of the services of a person/firm who possesses the expertise to properly prepare the externally audited financial statements and related notes are economically feasible at this time.