

Coffee County Libraries
Manchester, Tennessee

Audit Report

June 30, 2010

**Coffee County Libraries
Manchester, Tennessee
Audit Report
June 30, 2010**

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Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Introductory Section - Unaudited
June 30, 2010

Coffee County Library Board Members

Kathy Rose, Chairman
Tullahoma, TN

Roy Hendrix
Manchester, TN

Dr. Michael Bradley, Vice-Chairman
Tullahoma, TN

Patricia Freeze
Manchester, TN

Patricia Rogers
Tullahoma, TN

Susan Myers
Hillsboro, TN

Martha Bradley
Tullahoma, TN

Ann Stevenson
Manchester, TN

Jerry Spurlin
Tullahoma, TN

Deanna Lawson
Manchester, TN

Library Directors

Sherryl Roberts
Manchester, TN

Susan Stovall
Tullahoma, TN

COFFEE COUNTY PUBLIC LIBRARIES
Manchester, Tennessee

Management's Discussion and Analysis
June 30, 2010

As management of the Coffee County Public Libraries, I offer readers of the Coffee County Libraries' financial statements this narrative overview and analysis of the financial activities of the Coffee County Public Libraries for the fiscal year ended June 30, 2010.

Overview of the Financial Statements:

This Management Discussion and Analysis document introduces the Libraries' basic financial statements. The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Government-Wide Financial Statements) provide information about the financial activities as a whole and illustrate the longer-term view of the Coffee County Public Libraries' finances. The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Fund (Fund Financial Statements) tell how these services were financed in the short term as well as what remains for future spending. Fund Financial Statements also report the operations in more detail than the Government-Wide Financial Statements by providing information about the most significant funds. This report also contains other supplementary information in addition to the basic financial statements themselves.

Our auditors have provided assurance in their independent auditors' report that the Basic Financial Statements are fairly stated. The auditors, regarding the Required Supplemental Information and the Supplemental Information are providing varying degrees of assurance. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the other parts in the Financial Section.

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the Coffee County Libraries' performance.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, assets in the amount of \$1,147,769.40 of the Coffee County Public Libraries exceeded liabilities by \$1,139,358.81. Approximately 65% of the Coffee County Public Libraries' net assets reflect its investment in capital assets (e.g., equipment), less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending.

The balance in unrestricted net assets is affected by two factors: 1) resources expended, over time, by the Coffee County Public Libraries to acquire capital assets from sources other than internally generated funds (i.e., debt), and 2) required depreciation on assets being included in the statement of net assets for the first time.

Financial Analysis of the Government's Funds

As noted earlier, the Coffee County Public Libraries use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending as the end of the fiscal year.

As of June 30, 2010, the General Funds' unreserved, undesignated balance of \$397,868.75 showed an increase of \$8,870.31 over June 30, 2009.

During the year ended June 30, 2010 the Libraries had total revenue of \$1,006,437.16 of which \$878,325.00 was contributions from Coffee County, \$11,000 from the City of Manchester and \$10,400 from the City of Tullahoma. The Libraries also had total monetary expenditures in the amount of \$997,566.85.

Capital Assets and Debt Administration

The Coffee County Public Libraries' investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$741,500.06 (net of accumulated depreciation). The decrease in capital assets for the year end 2010 was \$6,837.97.

At the end of the fiscal year, the Coffee County Libraries had \$8,400.59 in liabilities, none of which was long-term debt.

Requests for Information

This financial report is designed to provide a general overview of the Coffee County Public Libraries' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Coffee County Public Libraries, 1005 Hillsboro Blvd., Manchester, TN 37355

BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

300 SOUTH JEFFERSON STREET, SUITE A, WINCHESTER, TN 37398

Office: 931-967-0611

Fax: 931-967-4784

www.brkcpa.com

Members of American Institute of
Certified Public Accountants,
Tennessee Society of CPA's,
Association of Government Accountants

Independent Auditors' Report

Board of Directors
Coffee County Library Board
Manchester, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund of the Manchester Public and Lannom Memorial Libraries (a part of the primary government of Coffee County, Tennessee) as of and for the year ended June 30, 2010, which collectively comprise the Libraries' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Libraries' 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 misstatements. 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 the 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 on Note 2, the financial statements present only the Manchester Public and Lannom Memorial Libraries and do not purport to, and do not, present fairly the financial position of Coffee 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 respective financial position of the governmental activities and each major fund of the Manchester Public and Lannom Memorial Libraries as of June 30, 2010, and the respective 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*, we have also issued our report dated December 6, 2010, on our consideration of the Manchester Public and Lannom Memorial Libraries' 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedules of Revenues and Expenditures-Budget and Actual on pages i through ii and 14 through 15 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. We 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 of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Coffee County Library Board. The introductory section on page a is presented for additional analysis and is not a required part of the financial statements of Coffee County Library Board. We have not subjected the introductory section information to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it or provide any assurance on it. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bean, Rhoton & Kelley, PLLC
December 6, 2010

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Combining Government-Wide Statement of Net Assets
June 30, 2010

	<u>Manchester Public Library</u>	<u>Lannom Memorial Public Library</u>	<u>Total Governmental Funds</u>
ASSETS			
Current assets:			
Cash and cash investments	\$ 176,166.18	\$ 230,103.16	\$ 406,269.34
Total current assets	<u>176,166.18</u>	<u>230,103.16</u>	<u>406,269.34</u>
Non-current assets:			
Capital assets			
Land	4,750.00	3,300.00	8,050.00
Other fixed assets, net of depreciation	<u>321,840.73</u>	<u>411,609.33</u>	<u>733,450.06</u>
Total non-current assets	<u>326,590.73</u>	<u>414,909.33</u>	<u>741,500.06</u>
Total assets	<u><u>502,756.91</u></u>	<u><u>645,012.49</u></u>	<u><u>1,147,769.40</u></u>
LIABILITIES			
Accounts payable	<u>2,944.66</u>	<u>5,455.93</u>	<u>8,400.59</u>
Total liabilities	<u>2,944.66</u>	<u>5,455.93</u>	<u>8,400.59</u>
NET ASSETS			
Invested in capital assets	326,590.73	414,909.33	741,500.06
Unrestricted	<u>173,221.52</u>	<u>224,647.23</u>	<u>397,868.75</u>
Total net assets	<u><u>\$ 499,812.25</u></u>	<u><u>\$ 639,556.56</u></u>	<u><u>\$ 1,139,368.81</u></u>

Notes to the financial statements are an integral part of the financial statement.

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Combining Government-Wide Statement of Activities
For the year ended June 30, 2010

	Manchester Public Library	Lannom Memorial Public Library	Total Governmental Funds	Function /Program:	
				Program	Administration
Expenses:					
Salaries, wages and benefits	241,317.22	257,192.16	\$ 498,509.38	\$ 74,776.41	\$ 423,732.97
Periodicals	2,559.31	1,865.15	4,424.46	4,424.46	0.00
Utilities	25,555.08	24,125.55	49,680.63	0.00	49,680.63
Insurance	36,883.27	33,620.22	70,503.49	0.00	70,503.49
Supplies	17,960.87	13,139.78	31,100.65	4,665.10	26,435.55
Small equipment	18,386.30	33,990.30	52,376.60	0.00	52,376.60
Postage	1,522.85	2,719.40	4,242.25	636.34	3,605.91
Professional fees	2,325.00	2,325.00	4,650.00	0.00	4,650.00
Depreciation	70,035.83	64,585.93	134,621.76	0.00	134,621.76
Travel	941.08	1,044.70	1,985.78	0.00	1,985.78
Printing	2,323.23	66.05	2,389.28	2,389.28	0.00
Program expense	0.00	1,856.49	1,856.49	1,856.49	0.00
Taxes and licenses	17,258.67	18,161.16	35,419.83	5,312.97	30,106.86
Software and support	19,724.59	21,568.49	41,293.08	0.00	41,293.08
Copier, fax machine, reader printer	13,448.44	2,321.42	15,769.86	2,365.48	13,404.38
Miscellaneous expenses	5,960.14	10,686.58	16,646.72	0.00	16,646.72
Janitorial services	5,752.17	6,120.00	11,872.17	0.00	11,872.17
Maintenance and repairs	6,478.60	6,888.96	13,367.56	2,005.13	11,362.43
Total expenses	<u>488,432.65</u>	<u>502,277.34</u>	<u>990,709.99</u>	<u>98,431.66</u>	<u>892,278.33</u>
Program Specific Operating Grants and Contributions:					
Contributions from City	11,000.00	10,400.00	21,400.00		
Contributions from County	437,982.00	440,343.00	878,325.00		
Donations and memorials	6,781.82	6,296.06	13,077.88		
Total program specific operating revenues	<u>455,763.82</u>	<u>457,039.06</u>	<u>912,802.88</u>		
Program Specific Capital Grants and Contributions:					
Grants	2,000.00	5,200.00	7,200.00		
Total program specific capital revenues	<u>2,000.00</u>	<u>5,200.00</u>	<u>7,200.00</u>		
Program Revenues - Charges for Services					
Operational income	28,302.65	34,717.33	63,019.98		
Miscellaneous revenue	10,470.97	7,849.29	18,320.26		
Total charges for services	<u>38,773.62</u>	<u>42,566.62</u>	<u>81,340.24</u>		
General Revenues:					
Interest income	3,530.02	1,564.02	5,094.04		
Total general revenues	<u>3,530.02</u>	<u>1,564.02</u>	<u>5,094.04</u>		
Total revenues	<u>500,067.46</u>	<u>506,369.70</u>	<u>1,006,437.16</u>		
Change in net assets	11,634.81	4,092.36	15,727.17		
Net assets - June 30, 2009			<u>1,123,641.64</u>		
Net assets - June 30, 2010			<u>\$ 1,139,368.81</u>		

Notes to the financial statements are an integral part of the financial statements.

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Combining Governmental Funds Balance Sheet
June 30, 2010

	<u>Manchester Public Library</u>	<u>Lannom Memorial Public Library</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ <u>176,166.18</u>	\$ <u>230,103.16</u>	\$ <u>406,269.34</u>
Total assets	\$ <u><u>176,166.18</u></u>	\$ <u><u>230,103.16</u></u>	\$ <u><u>406,269.34</u></u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ <u>2,944.66</u>	\$ <u>5,455.93</u>	\$ <u>8,400.59</u>
Total liabilities	<u>2,944.66</u>	<u>5,455.93</u>	<u>8,400.59</u>
Fund balances:			
Unreserved	<u>173,221.52</u>	<u>224,647.23</u>	<u>397,868.75</u>
Total fund balances	<u>173,221.52</u>	<u>224,647.23</u>	<u>397,868.75</u>
Total liabilities and fund balances	\$ <u><u>176,166.18</u></u>	\$ <u><u>230,103.16</u></u>	\$ <u><u>406,269.34</u></u>

Notes to the financial statements are an integral part of the financial statements.

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2009

Total fund balances per fund financial statements \$ 397,868.75

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. These assets consist of:

Land	\$	8,050.00	
Buildings		1,405,297.01	
Equipment		77,993.00	
Other fixed assets		942,392.80	
Accumulated depreciation		<u>(1,692,232.75)</u>	
			<u>741,500.06</u>

Net assets of governmental activity \$ 1,139,368.81

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Combining Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund
Balance
For the year ended June 30, 2010

	Manchester Public Library	Lannom Memorial Public Library	Total Governmental Funds
REVENUES			
Coffee County	\$ 437,982.00	\$ 440,343.00	\$ 878,325.00
City of Manchester	11,000.00	0.00	11,000.00
City of Tullahoma	0.00	10,400.00	10,400.00
Memorials and gifts	6,781.82	6,296.06	13,077.88
Fines, fees and miscellaneous	40,773.62	47,766.62	88,540.24
Interest	3,530.02	1,564.02	5,094.04
Total revenues	<u>500,067.46</u>	<u>506,369.70</u>	<u>1,006,437.16</u>
EXPENDITURES			
Salaries, wages and benefits	241,317.22	257,192.16	498,509.38
Periodicals	2,559.31	1,865.15	4,424.46
Utilities	25,555.08	24,125.55	49,680.63
Insurance	36,883.27	33,620.22	70,503.49
Supplies	17,960.87	13,139.78	31,100.65
Small equipment	18,386.30	33,990.30	52,376.60
Postage	1,522.85	2,719.40	4,242.25
Professional fees	2,325.00	2,325.00	4,650.00
Capital outlay	78,607.12	62,871.50	141,478.62
Travel	941.08	1,044.70	1,985.78
Printing	2,323.23	66.05	2,389.28
Program expense	0.00	1,856.49	1,856.49
Taxes and licenses	17,258.67	18,161.16	35,419.83
Software and support	19,724.59	21,568.49	41,293.08
Copier, fax machine, reader printer	13,448.44	2,321.42	15,769.86
Miscellaneous expenses	5,960.14	10,686.58	16,646.72
Janitorial services	5,752.17	6,120.00	11,872.17
Maintenance and repairs	6,478.60	6,888.96	13,367.56
Total expenditures	<u>497,003.94</u>	<u>500,562.91</u>	<u>997,566.85</u>
Net change in fund balance	<u>3,063.52</u>	<u>5,806.79</u>	<u>8,870.31</u>
Fund balance - beginning of year	<u>170,158.00</u>	<u>218,840.44</u>	<u>388,998.44</u>
Fund balance - end of year	<u>\$ 173,221.52</u>	<u>\$ 224,647.23</u>	<u>\$ 397,868.75</u>

Notes to the financial statements are an integral part of the financial statement.

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 8,870.31

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Acquisition of capital assets	141,478.62
Depreciation expense	<u>(134,621.76)</u>

Change in net assets of governmental activities	\$ <u><u>15,727.17</u></u>
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Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Notes to Financial Statements
June 30, 2010

(1) Organization and Reporting Entity

The Coffee County Library Board is a part of the primary government of Coffee County, Tennessee. This board does not have separate legal standing from the primary government of Coffee County Tennessee. The board was organized to administer the affairs of the Coffee County Libraries. This board is made up of seven members appointed by the Coffee County Board of Commissioners; four members from the Manchester area who act as a committee to administer the affairs of the Manchester Public Library on a monthly basis, and three members from the Tullahoma area who act as a committee to administer the affairs of the Lannom Memorial Public Library on a monthly basis. Board members are appointed for three-year terms and are eligible to serve two consecutive terms. Then, members must stay off the Board for one year before being eligible to be reappointed to the board. Each library committee has one member's term expiring each year. Every third year (beginning with 1998), the terms of two members from the Manchester committee expire. The Coffee County Library Board submits a line item budget to the Coffee County Board of Commissioners who set county appropriations to the library systems. Allocation from the primary government is the major source of revenue for the Coffee County Libraries.

(2) Summary of Significant Accounting Policies

A. Basis of Presentation

The Coffee County Library Board's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Library Board as a whole.

The statement of net assets presents the financial condition of the governmental activities of the Library Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Libraries' governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program. Revenues which are not classified as program revenues are presented as general revenues of the Libraries, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Libraries.

Fund Financial Statements

A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and the results of a specific governmental activity. The Coffee County Library Board maintains only a governmental type of fund, referred to as the General Fund. The General Fund is the operating fund of the Libraries and it is used to account for all financial transactions.

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Notes to Financial Statements
June 30, 2010
(Continued)

(2) Summary of Significant Accounting Policies - continued

B. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting revenues are recognized when they become measurable and available as net current assets and expenditures are generally recognized when the liability is incurred.

C. Manchester Public and Lannom Memorial Library funds

The financial statements present only the Manchester Public and Lannom Memorial Libraries of Coffee County, Tennessee, as of June 30, 2010. These financial statements are in no way intended to represent the government wide financial position of Coffee County, Tennessee for the year then ended in conformity with accounting principles generally accepted in the United States of America.

D. Capital Assets and Depreciation

Capital assets are reported in both the government-wide statement of net assets and in the financial statements of the general fund. The Libraries follow the capitalization policy set adopted by Coffee County. The valuation basis for capital assets is historical cost. The capitalization threshold for an individual item is \$5,000. Depreciation of capital assets is computed and recorded by the straight-line method. The estimated useful life of buildings is 40 years, improvements are 15 years, furnishings are 5 years, office equipment is 10 years, audio visual media is 3 years, and books are divided into paperbacks which have a useful life of 2 years and hardbound books with a useful life of 7 years.

(3) Pension Plan

The employees of the Coffee County Library Board are covered under the plan covering employees of Coffee County. The Coffee County Government unit pays for this plan.

(4) Insurance

The Coffee County Library is covered by the County for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and environmental. Settled claims have not exceeded commercial coverage in the past three fiscal years, and there are currently no pending lawsuits.

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Notes to Financial Statements
June 30, 2010
(Continued)

(5) Bank Deposits

The libraries are authorized to invest in the following types of securities and indebtedness, in accordance with governing statutes:

- (1) Bonds, notes, treasury bills or similar types of indebtedness to the United States.
- (2) Non-convertible debt including Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Student Loan Marketing Association.
- (3) Other obligations not specified above which provide guaranteed principal and interest by the United States or any of its agencies.
- (4) Repurchase agreements which involve obligations of the United States or its agencies provided the term of the repurchase agreement does not extend beyond the maturity date of the obligation and the market value of the security exceeds the cost of the security.
- (5) Money market funds invested in any of the aforementioned securities.

The carrying amount of total cash deposits (including petty cash) at June 30, 2010, is \$406,269.34. With the exception of petty cash, all cash deposits were entirely covered by federal depository insurance or by collateral held by the Libraries' custodial banks in the Libraries' name.

(6) Commitments and Contingencies

Both the Coffee County Manchester Public Library and the Tullahoma Lannom Memorial Library participate in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent the libraries have not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinions of both the Coffee County Manchester Public Library and the Tullahoma Lannom Memorial Library, there are no significant contingent liabilities relating to the compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Notes to Financial Statements
June 30, 2010
(Continued)

(7) Capital Assets

Changes in capital assets are summarized by major classifications for the year ended June 30, 2010, as follows:

	<u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
Land	\$ 8,050.00	\$ 0.00	\$ 0.00	\$ 8,050.00
Buildings and improvement	1,405,297.01	0.00	0.00	1,405,297.01
Furniture & office equipment	67,783.00	10,210.00	0.00	77,993.00
Other fixed assets	<u>811,124.18</u>	<u>131,268.62</u>	<u>0.00</u>	<u>942,392.80</u>
 Total assets	 <u>2,292,254.19</u>	 <u>141,478.62</u>	 <u>0.00</u>	 <u>2,433,732.81</u>
 Less: accumulated depreciation				
Buildings and improvements	(764,848.60)	(15,886.79)	0.00	(780,735.39)
Furniture & office equipment	(65,179.00)	(1,021.00)	0.00	(66,200.00)
Other fixed assets	<u>(727,583.39)</u>	<u>(117,713.97)</u>	<u>0.00</u>	<u>(845,297.36)</u>
 Total accumulated depreciation	 <u>(1,557,610.99)</u>	 <u>(134,621.76)</u>	 <u>0.00</u>	 <u>(1,692,232.75)</u>
 Capital assets, net	 <u>\$ 734,643.20</u>	 <u>\$ 6,856.86</u>	 <u>\$ 0.00</u>	 <u>\$ 741,500.06</u>

Required Supplemental Information

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Schedule of Revenues and Expenditures-
Appropriated and Unappropriated Funds-Budget
and Actual - Manchester Public Library - Cash
Basis
For the Year Ended June 30, 2010

Revenues	2010			Variance- Favorable (Unfavorable)
	Original Budget	Final	Actual	
Allocation from:				
Coffee County	\$ 437,982.00	\$ 437,982.00	\$ 437,982.00	\$ 0.00
City of Manchester	11,000.00	11,000.00	11,000.00	0.00
Other receipts	115,865.95	74,468.79	51,085.46	(23,383.33)
Total Revenues	564,847.95	523,450.79	500,067.46	(23,383.33)
Expenditures				
Salaries and wages	243,771.00	225,888.84	225,735.00	153.84
Payroll taxes	18,648.00	17,104.83	17,258.67	(153.84)
State retirement	17,740.00	15,582.22	15,582.22	0.00
Medical insurance	36,979.00	34,479.00	34,479.00	0.00
Dental insurance	1,954.00	1,651.20	1,651.20	0.00
Unemployment insurance	840.00	753.07	753.07	0.00
Janitorial services	7,200.00	5,752.17	5,752.17	0.00
Maintenance and repairs	6,000.00	6,643.60	6,478.60	165.00
Printing and binding	1,050.00	601.29	2,323.23	(1,721.94)
Audio visuals	22,000.00	19,951.91	21,071.93	(1,120.02)
Books	47,000.00	47,325.19	47,325.19	0.00
Supplies	16,130.00	32,622.30	17,960.87	14,661.43
Periodicals	3,000.00	2,574.26	2,559.31	14.95
Utilities	34,500.00	25,262.19	25,555.08	(292.89)
Improvements	5,200.00	23,537.44	0.00	23,537.44
Computers	5,428.84	0.00	0.00	0.00
Library expenses	6,500.00	12,987.95	10,749.07	2,238.88
Programs	2,000.00	976.52	0.00	976.52
Equipment	38,750.00	27,375.20	42,044.74	(14,669.54)
Miscellaneous expenses	28,157.11	0.00	0.00	0.00
Automation maintenance	18,500.00	14,884.49	14,884.49	0.00
Computer software	3,500.00	7,497.12	4,840.10	2,657.02
Total Expenditures	564,847.95	523,450.79	497,003.94	26,446.85
Excess of Revenues Over Expenditures	\$ 0.00	\$ 0.00	\$ 3,063.52	\$ 3,063.52

Notes to financial statements are an integral part of the financial statements.

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Schedule of Revenues and Expenditures-Appropriated and
Unappropriated Funds-Budget and Actual -
Tullahoma Lannom Memorial Library - Cash Basis
For the Year Ended June 30, 2010

Revenues	2010			Variance- Favorable (Unfavorable)
	Original Budget	Final	Actual	
Allocation from:				
Coffee County	\$ 440,343.00	\$ 440,343.00	\$ 440,343.00	0.00
City of Tullahoma	15,000.00	10,400.00	10,400.00	0.00
Other receipts	49,150.00	49,150.00	55,626.70	6,476.70
Total Revenues	504,493.00	499,893.00	506,369.70	6,476.70
Expenditures				
Salaries and wages	252,798.00	242,387.14	242,387.14	0.00
Payroll taxes	19,339.00	18,161.16	18,161.16	0.00
Medical insurance	31,599.00	31,308.66	31,308.66	0.00
Dental insurance	1,806.00	1,443.36	1,443.36	0.00
Unemployment insurance	1,176.00	868.20	868.20	0.00
State retirement	16,825.00	14,805.02	14,805.02	0.00
Janitorial services	7,500.00	6,120.00	6,120.00	0.00
Maintenance and repairs	4,000.00	6,888.96	6,888.96	0.00
Printing and binding	400.00	66.05	66.05	0.00
Audio visuals	13,000.00	18,110.96	18,727.81	(616.85)
Books	48,000.00	53,365.39	44,143.69	9,221.70
Supplies	10,000.00	12,303.28	15,461.20	(3,157.92)
Periodicals	2,500.00	1,865.15	1,865.15	0.00
Utilities	29,000.00	24,326.98	24,125.55	201.43
Equipment	31,750.00	27,789.41	33,990.30	(6,200.89)
Programs	2,900.00	3,356.49	1,856.49	1,500.00
Library expenses	8,700.00	7,866.30	2,123.40	5,742.90
Miscellaneous expenses	7,700.00	7,700.00	14,652.28	(6,952.28)
Computer support services	11,500.00	15,118.03	15,526.03	(408.00)
Computer software	4,000.00	6,042.46	6,042.46	0.00
Total Expenditures	504,493.00	499,893.00	500,562.91	(669.91)
Excess of Revenues Over Expenditures	\$ 0.00	\$ 0.00	\$ 5,806.79	5,806.79

Notes to financial statements are an integral part of the financial statements.

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Notes to Required Supplemental Information
June 30, 2010

1. Budgets and Budgetary Accounting

The Coffee County Libraries are special revenue funds of Coffee County. The County Commission of Coffee County is required by Section 5-9-401, *Tennessee Code Annotated*, to appropriate funds for the libraries. Revenues from City and County allocations are classified as appropriated funds and all other sources of funds are classified as unappropriated funds. Manchester Public Library and Lannom Memorial Public Library prepare a budget for both appropriated and unappropriated funds.

2. Budget Variances

The Libraries' actual expenditures exceeded the amount appropriated. This practice is contrary to state statutes, which require all expenditures be authorized by the governing body.

Other Supplemental Information

Coffee County Libraries
(A Part of the Primary Government of Coffee County, Tennessee)
Other Supplemental Information
For the Year Ended June 30, 2010

Schedule of Expenditures of Federal Awards and State Financial Assistance

Federal Grantor/ Pass - Through Grantor	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred</u>
Institute of Museum and Library Services	45.310	30504-00510	\$ 0.00	\$ 7,200.00	\$ 7,200.00	\$ 0.00
Total Federal Awards			<u>\$ 0.00</u>	<u>\$ 7,200.00</u>	<u>\$ 7,200.00</u>	<u>\$ 0.00</u>

Basis of Presentation:

Note 1: The grant is a cost recovery program for expenses relating to the cost of purchasing computers, software and peripheral devices for use by library patrons and staff.

BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

300 SOUTH JEFFERSON STREET, SUITE A, WINCHESTER, TN 37398

Office: 931-967-0611

Fax: 931-967-4784

www.brkcpa.com

Members of American Institute of
Certified Public Accountants,
Tennessee Society of CPA's,
Association of Government Accountants

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 Directors
Coffee County Library Board
Manchester, Tennessee

We have audited the financial statements of the governmental activities, and each major fund of the Manchester Public and Lannom Memorial Libraries (a part of the primary government of Coffee County, Tennessee), as of and for the year ended June 30, 2010, which collectively comprise the Manchester Public and Lannom Memorial Libraries' basic financial statements and have issued our report thereon dated December 6, 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 Coffee County Libraries' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coffee County Libraries' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Coffee County Libraries' 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described below that we consider to be significant deficiencies in internal control over financial reporting. 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.

Prior Year's Significant Deficiencies:

1. Significant Deficiency:

In our review of disbursements, we found that purchase orders were not always filled out completely. - This problem no longer exists.

Current Year's Significant Deficiencies:

1. Significant Deficiency:
During our review of receipts, in some instances we were unable to reconcile the daily receipt reports with deposits.

Recommendation:

Each daily report should be dated, and the date should be recorded on the corresponding deposit slip. The total on the daily collection report should agree with the total of the corresponding deposit slip. If totals do not agree, a cash over or cash short amount should be included to balance totals. The daily report should be signed.

Board's Comment:

We will correct this issue.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coffee County Libraries' 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 *Governmental Audit Standards* which are listed below.

Prior Year Audit Findings:

1. Finding:
We noted that actual expenditures exceeded the amount appropriated in the budget. This practice is contrary to state statutes, which require all expenditures be authorized by the governing body. –This problem still exists.

Recommendation:

All expenditures should be authorized either in the original budget or an amendment to that budget or in a supplemental appropriation.

Board's Comment:

The budget will be monitored more closely in the future.

2. Finding:
One financial institution account was not interest bearing. – This problem still exists.

Recommendation:

Financial institution accounts should be reviewed annually to ensure that the Libraries' are receiving competitive rates of return on their moneys and the service that is expected.

Board's Comment:

We will correct this issue.

Current Year Audit Findings:

1. Finding:
In our review of financial institution accounts, it was noted that at least one unauthorized signer was listed on a financial account.

Recommendation:

Financial institution accounts should be reviewed annually for correct signatures on file. Only current members of the Board or current employees should be listed on financial accounts as signers.

Board's Comment:

We will correct this problem.

Coffee County Libraries' response to the findings identified in our audit is described above. We did not audit Coffee County Libraries' response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Bean, Rhoton & Kelley". The signature is written in a cursive, flowing style.

Bean, Rhoton & Kelley, PLLC
December 6, 2010