

TIPTON COUNTY LIBRARY



**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Tipton County Library
Covington, Tennessee

We have audited the accompanying financial statements of the governmental activities and the general fund of the Tipton County Library, Tipton County, Tennessee as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the Tipton County Library. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the financial statements of the Tipton County Library, Tipton County, Tennessee, are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the aggregate remaining fund information of Tipton County that is attributable to the transactions of the Tipton County Library. They do not purport to, and do not, present fairly the financial position of Tipton County, Tennessee, as of June 30, 2008, 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 the general fund of the Tipton County Library, Tipton County, Tennessee as of June 30, 2008, 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*, we have also issued our report dated August 22, 2008, on our consideration of the Tipton 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 important for assessing the results of our audit.

The Tipton County Library, Tipton County, Tennessee has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tipton County Library's basic financial statements. The schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Whitehorn Jahulley & Co, PLLC

August 22, 2008

FINANCIAL STATEMENTS

**TIPTON COUNTY LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 101,820
Capital assets, net of accumulated depreciation	<u>90,134</u>
TOTAL ASSETS	<u><u>\$ 191,954</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	<u>\$ 5,369</u>
TOTAL LIABILITIES	<u>5,369</u>
 NET ASSETS	
Invested in capital assets	90,134
Unrestricted	<u>96,451</u>
TOTAL NET ASSETS	<u>186,585</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 191,954</u></u>

See notes to financial statements

**TIPTON COUNTY LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
PROGRAM ACTIVITIES					
Governmental activities					
Public library	\$ 161,147	\$ 13,456	\$ 5,000	\$ 15,251	\$ (127,440)
TOTAL GOVERNMENTAL ACTIVITIES	<u>161,147</u>	<u>13,456</u>	<u>5,000</u>	<u>15,251</u>	<u>(127,440)</u>
GENERAL REVENUES					
Intergovernmental revenues					\$ 76,500
Investment earnings					137
Miscellaneous					3,672
TRANSFERS					<u>77,500</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>157,809</u>
CHANGE IN ASSETS					30,369
NET ASSETS					
Balance at July 1, 2007					<u>156,216</u>
Balance at June 30, 2008					<u>\$ 186,585</u>

See notes to financial statements

**TIPTON COUNTY LIBRARY
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2008**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash	\$ 101,820
TOTAL ASSETS	\$ 101,820
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 5,369
TOTAL LIABILITIES	5,369
FUND BALANCE	
Fund balance - unreserved	
Designated for capital improvements and maintenance	55,130
Undesignated	41,321
TOTAL FUND BALANCE	96,451
TOTAL LIABILITIES AND FUND BALANCE	\$ 101,820

See notes to financial statements

**TIPTON COUNTY LIBRARY
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>TOTAL GOVERNMENTAL FUND</u>
TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$ 96,451
 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 governmental fund balance sheet.	<u>90,134</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 186,585</u>

See notes to financial statements

TIPTON COUNTY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2008

	GENERAL FUND		
	BUDGETED AMOUNTS		ACTUAL
	ORIGINAL	FINAL BUDGET	
REVENUES			
Intergovernmental revenues			
City of Covington, Tennessee	\$ 76,500	\$ 76,500	\$ 76,500
State of Tennessee	-	8,000	8,225
	<u>76,500</u>	<u>84,500</u>	<u>84,725</u>
Miscellaneous			
Interest income	-	-	137
Memorials	-	-	3,272
Book fines and sales	2,000	12,000	13,456
Private grant	-	12,000	12,026
Other	-	-	400
	<u>2,000</u>	<u>24,000</u>	<u>29,291</u>
TOTAL REVENUES	<u>78,500</u>	<u>108,500</u>	<u>114,016</u>
EXPENDITURES			
Salaries	95,586	95,586	90,410
Employee taxes and benefits	12,914	12,914	11,814
Supplies	2,000	2,000	5,718
Repair and maintenance	3,000	3,000	3,146
Utilities and telephone	9,000	9,000	6,989
Insurance	5,000	5,000	5,420
Travel	1,500	1,500	-
Professional fees	-	-	3,675
Miscellaneous	2,000	2,000	3,332
Capital outlay			
Library collections	22,000	22,000	20,912
Equipment and fixtures	3,000	33,000	33,449
TOTAL EXPENDITURES	<u>156,000</u>	<u>186,000</u>	<u>184,865</u>
EXCESS OF REVENUES OVER			
(UNDER) EXPENDITURES	(77,500)	(77,500)	(70,849)
OTHER FINANCING SOURCES			
Operating transfer in - Tipton			
County, Tennessee	<u>77,500</u>	<u>77,500</u>	<u>77,500</u>
EXCESS OF REVENUES AND OTHER			
FINANCING SOURCES			
OVER (UNDER) EXPENDITURES	-	-	6,651
FUND BALANCE			
Balance at July 1, 2007	<u>89,800</u>	<u>89,800</u>	<u>89,800</u>
Balance at June 30, 2008	<u>\$ 89,800</u>	<u>\$ 89,800</u>	<u>\$ 96,451</u>

Note: The budgetary basis of accounting is the same as the accounting basis used for fund reporting purposes.

See notes to financial statements

**TIPTON COUNTY LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

NET CHANGE IN FUND BALANCES - GENERAL FUND \$ 6,651

**AMOUNTS REPORTED FOR GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF ACTIVITIES
ARE DIFFERENT BECAUSE:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays capitalized	54,361
Depreciation expense	<u>(30,643)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 30,369

See notes to financial statements

**TIPTON COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY - The Tipton County Library (Library) is governed by a board of directors appointed by the Mayor of Tipton County, Tennessee. Based on criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board (GASB #14), there are no organizations requiring consideration for inclusion in the Library's financial reporting entity.

Under criteria in GASB #14, the Library is determined to be a fund of Tipton County, Tennessee (County), and is included in the financial statements of the County as a special revenue fund. The Library has elected to present its financial statements as a department of the County.

The Library's operating budget is funded by contributions from the City of Covington, Tennessee (City) and operating transfers from the County. In addition, the Library is located in a building owned by the City. The Library is not charged any rent for use of the building. Capital improvements are funded by federal and state grants, contributions by the City, and operating transfers from the County.

BASIS OF PRESENTATION - The accounting and reporting policies of the Library conform to accounting principles generally accepted in the United States applicable to governmental units. Generally accepted accounting principles are defined as those principles prescribed by the GASB.

The Library also presents fund financial statements for all funds relevant to operations of the Library.

The Library's accounts are organized and operated on the basis of fund types. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The Library's financial activities reported in the accompanying financial statements are classified into one fund type (*Governmental*):

General Fund - used to account for all resources.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING - Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements of net assets and activities are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources

TIPTON COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred. The types of transactions reported as program revenues for the Library are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual: i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

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 Library before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Library has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets/balance sheet and revenue is recognized.

BUDGETS, BUDGETARY ACCOUNTING, AND ENCUMBRANCES - The budget of the Library is approved by the Tipton County Commission. The budget is adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the year. Encumbrance accounting is not used since it is not legally required.

DEPOSITS - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. Although the Library has not formally adopted a policy regarding collateralization of deposits, the Library follows collateralization requirements of State statutes.

INVESTMENTS - Statutes authorize the Library to invest in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee local government investment pool, certificates of deposit at State and federally chartered banks and savings and loan associations, money market funds approved by the State director of local finance, and Tipton County's bonds and notes. The Library has not adopted a formal investment policy that limits its interest rate or credit risk.

**TIPTON COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CAPITAL ASSETS - Capital assets, which includes equipment, fixtures, and library collection, are reported in the statement of net assets. All capital assets are valued at historical cost. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Equipment and fixtures	5-10 years
Library collection	5 years

NET ASSETS - Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 - DEPOSITS

The bank balances of deposits as of June 30, 2008 were entirely insured by federal depository insurance.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>BALANCE AT JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AT JUNE 30, 2008</u>
Library collection (books and audio-visual materials)	\$ 140,264	\$ 20,912	\$ (15,495)	\$ 145,681
Equipment and fixtures	<u>60,440</u>	<u>33,449</u>	<u>(19,991)</u>	<u>73,898</u>
Total assets	<u>200,704</u>	<u>54,361</u>	<u>(35,486)</u>	<u>219,579</u>
Less accumulated depreciation				
Library collection (books and audio-visual materials)	(82,771)	(24,018)	15,495	(91,294)
Equipment and fixtures	<u>(51,517)</u>	<u>(6,625)</u>	<u>19,991</u>	<u>(38,151)</u>
Total accumulated depreciation	<u>(134,288)</u>	<u>(30,643)</u>	<u>35,486</u>	<u>(129,445)</u>
Net capital assets	<u>\$ 66,416</u>	<u>\$ 23,718</u>	<u>\$ -</u>	<u>\$ 90,134</u>

**TIPTON COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 3 - CAPITAL ASSETS - CONTINUED

The City allows the Library to use the building without the payment of rent. Depreciation expense of \$30,643 was charged to governmental activities - public library.

NOTE 4 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All insurable risks of loss are covered under commercial insurance policies. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There was no significant reduction in the amount of coverage provided during this year.

NOTE 5 - RETIREMENT PLAN

Plan Description

Employees of Tipton County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). 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 the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 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 the performance of duty. Members joining the system 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 in state statute found in Title 8, Chapter 34 - 37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Tipton County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us/tcrs/PS/.

**TIPTON COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 5 - RETIREMENT PLAN - CONTINUED

Funding Policy

Tipton County requires employees to contribute 5.0 percent earnable compensation.

Tipton County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 9.51% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Tipton County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost and Trend Information

For the year ending June 30, 2008, the Library's annual pension cost was \$1,951. Further information regarding annual pension cost and trend information of the Library is not available since the Library information is included in the calculations for Tipton County General as a whole and is not separately identifiable.

SCHEDULES

**TIPTON COUNTY LIBRARY
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2008**

<u>GRANTOR/PROGRAM TITLE</u>	<u>GRANTOR'S NUMBER</u>	<u>(RECEIVABLE) DEFERRED BALANCE AT JULY 1, 2007</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>(RECEIVABLE) DEFERRED BALANCE AT JUNE 30, 2008</u>
<u>CASH AWARDS</u>					
Tennessee State Library and Archives					
State Library Program (Technology Grants)	N/A	\$ 2,000	\$ -	\$ (2,000)	\$ -
State Library Program (Technology Grants)	N/A	<u>-</u>	<u>1,225</u>	<u>(1,225)</u>	<u>-</u>
		<u>2,000</u>	<u>1,225</u>	<u>(3,225)</u>	<u>-</u>
 Tennessee Secretary of State					
Community Enhancement Grant	N/A	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
		<u>\$ 2,000</u>	<u>\$ 6,225</u>	<u>\$ (8,225)</u>	<u>\$ -</u>

TIPTON COUNTY LIBRARY
SCHEDULE OF SALARIES AND OFFICIAL
BONDS OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2008

<u>OFFICIAL</u>	<u>SALARY</u>	<u>OFFICIAL BOND</u>
Director	<u>\$ 24,342</u>	<u>\$ 85,000</u>

**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***

The Board of Directors
Tipton County Library
Covington, Tennessee

We have audited the financial statements of the governmental activities and the general fund of the Tipton County Library, Tipton County, Tennessee as of and for the year ended June 30, 2008, and have issued our report thereon dated August 22, 2008. 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 Tipton County Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tipton County Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tipton County 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Tipton County Library's ability to initiate, authorize,

record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Tipton County Library's financial statements that is more than inconsequential will not be prevented or detected by the Tipton County Library's internal control. We consider the deficiencies described in the accompanying schedule of findings (items No. 2003-01, 2007-01, and 2007-02) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Tipton County Library's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider No. 2003-01, 2007-01, and 2007-02 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Tipton County 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Tipton County Library's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit Tipton County Library's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in blue ink that reads "William J. Schuler & Co., PLLC". The signature is written in a cursive style.

August 22, 2008

**TIPTON COUNTY LIBRARY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008**

SIGNIFICANT DEFICIENCIES

Item No. 2003-01: Segregation of Duties

Condition: Due to the small size of the entity, there is inadequate segregation of duties between the accounting, treasury and custody functions in the following areas.

Checks are received in the mail by the receptionist or director. The checks are then turned over to the bookkeeper for depositing. However, no listing or other record of the checks is made by the receptionist or director.

When checks are submitted to the director for countersigning, the related supporting documentation does not accompany the checks.

Criteria: In order to adequately protect assets, the same individual should not have custody of particular assets, along with being responsible for recording transactions related to those assets.

Effect: An individual who performs both of the above-described duties has the opportunity to conceal any theft or misappropriation of assets.

Recommendation: A listing of mail receipts should be made by the receptionist or director prior to turning such receipts over to the bookkeeper. The person who makes the entry on the listing should initial and date the entry on the list.

Supporting documentation should accompany the checks submitted to the director for countersignature. Although supporting invoices are being cancelled to prevent duplicate payment, we believe it would be an improvement to obtain a cancellation stamp containing spaces for "approved for payment", "date paid" and "check number". The bookkeeper could fill in the check number and date of payment, then the director should initial in the "approved for payment" space. If you did not want to utilize such a stamp, it would be acceptable for the director to initial below the bookkeeper's present entries for "date paid" and "check number".

Management response: We will implement the recommendations.

Item No. 2007-01: Adjustment of General Ledger Account Balances and Preparation of Financial Statements

Condition: The Library does not have an employee or member of management that possesses the skills and knowledge to apply generally accepted accounting principles in maintaining the general ledger on the modified accrual basis of accounting or in preparing its financial statements.

**TIPTON COUNTY LIBRARY
SCHEDULE OF FINDINGS - CONTINUED
YEAR ENDED JUNE 30, 2008**

SIGNIFICANT DEFICIENCIES - CONTINUED

Item No. 2007-01: Adjustment of General Ledger Account Balances and Preparation of Financial Statements - Continued

Criteria: Certain liability account balances require year end adjustments to reflect the correct liability amount. In addition, the Library is responsible for internal controls extending through the financial statement preparation process.

Effect: Necessary year end audit adjustments are proposed by the auditor. In addition, the auditor drafts the annual financial statements. However, the auditor cannot be considered part of your internal control system.

Recommendation: Consideration should be given to retaining a qualified individual to assist in the adjustment of the year end general ledger account balances and in the review of the drafts of the annual financial statements.

Management response: We believe the cost to correct this deficiency would exceed the benefits to be derived. As such, we will continue to rely on the auditor to propose year end adjustments and to draft the annual financial statements.

Item No. 2007-02: Signatures on Checks

Condition: Although Library policy requires checks of \$300 or more to be countersigned, we noted several checks above this amount contained only one signature.

Criteria: Having checks signed by two authorized officials is an internal control feature that can serve as a preventative measure against unauthorized or fraudulent disbursements.

Effect: There is an increased risk of unauthorized or fraudulent disbursements when checks are signed by only one official.

Recommendation: All checks should be countersigned by two officials, with both signatures occurring only when all supporting documentation is available for review by the check signer.

Management response: Many of the above referenced checks represented monthly payroll tax deposits. We thought those checks did not require countersignatures. The other checks bearing only one signature were an oversight on our part. We will take precautions to insure all checks of \$300 or more are countersigned.

**TIPTON COUNTY LIBRARY
STATUS OF PRIOR YEARS' FINDINGS
YEAR ENDED JUNE 30, 2008**

ITEMS NOT CORRECTED

Item No. 2003-01 was not completely corrected and has been reworded and repeated.

Item No. 2007-01

Item No. 2007-02 was not completely corrected and has been reworded and repeated.

TIPTON COUNTY LIBRARY

**REPORT TO THOSE CHARGED WITH GOVERNANCE
YEAR ENDED JUNE 30, 2008**

REPORT TO THOSE CHARGED WITH GOVERNANCE

August 22, 2008

To the Board of Directors
Tipton County Library
Covington, Tennessee

We have audited the financial statements of the governmental activities and the general fund of the Tipton County Library, Tipton County, Tennessee for the year ended June 30, 2008, and have issued our report thereon dated August 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our audit contract dated June 4, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Tipton County Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Tipton County Library's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Tipton County Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciable lives of capital assets is based on the estimated useful lives of the respective assets and past history and uses of similar items. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole. The following material misstatements detected as a result of audit procedures were corrected by management.

- (1) Beginning fund balance was corrected for a prior year adjusting entry that was posted incorrectly.
- (2) Accounts payable as of year end were recorded.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 22, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Tipton County Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Whitson Jenkins & Co., PLLC

Entry #	Status	Account/Co	Description	Debit	Credit
AJE 2	Not Posted	301	FUND BALANCE	576.42	
		511	SALARIES		576.42
			POTENTIAL MISSTATEMENT IN SALARIES DUE TO DIFFERENCE BETWEEN ADJUSTED G/L AND PAYROLL TAX RETURNS		
TOTALS				576.42	576.42