

**LAUDERDALE COUNTY LIBRARY FUND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**LAUDERDALE COUNTY LIBRARY FUND  
BOARD OF TRUSTEES  
FOR THE YEAR ENDED JUNE 30, 2009**

William A. Klutts—Chairman  
Bette Anthony  
Bettie Davis  
Frances Fitzhugh  
Carolyn Pilcher  
Susan Scott  
Bill Williams

**ASSOCIATE TRUSTEES**

Harold Evans  
Carrie Fullen  
Eddie Evans  
Billie Morris

## MARTHA CRITES

*Certified Public Accountant*

115 South Front • Halls, TN 38040

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### 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, 2009 which collectively comprise the Library's basic financial statements and the respective budgetary comparison 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, 2009, 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, 2009, and the respective change in financial position and the respective budgetary comparison 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 December 15, 2009, 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.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

*Martha Crites, CPA*

Halls, Tennessee  
December 15, 2009

# LAUDERDALE COUNTY LIBRARY

120 Lafayette St.  
Ripley, TN 38063-1321

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Lauderdale County Library Fund's financial performance provides an overview of the Fund's financial activities for the fiscal year ended June 30, 2009. Management encourages readers to consider the information presented here in conjunction with the Fund's financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the Lauderdale County Library Fund exceeded its liabilities at June 30, 2009 by \$1,116,318. Of this amount, \$135,663 is unrestricted and may be used to meet the Fund's ongoing obligations to citizens and creditors.
- The Fund's total net assets decreased by \$17,836 (1.6 percent) during the year.

### 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, and 4) other required supplementary information in addition to the financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Fund's finances, in a manner similar to private-sector business. The Library has only one fund.

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. 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 information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused compensated absences).

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statement provides detailed information about the Library Fund as a whole. The Library Fund has only one fund.

*Government Funds:* Government funds are used to account for essentially the same functions reported as governmental activities in the financial statements. However, unlike the government-

wide statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

**Other Information.** In addition to the financial statements and accompanying notes, this report also presents budgetary information.

#### 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 end of the most recent fiscal year, the assets of the Lauderdale County Library Fund exceeded its liabilities by \$1,116,318.

The largest portion of the Library Fund's assets, \$694,760 (61.81 percent) reflects investments made on behalf of the Fund. The majority of these investments are to be used to expand the Library's facilities at a future date. The Fund has invested \$392,332 (34.90 percent) in capital assets, land, buildings, books, furniture and fixtures. There is no debt related to these capital assets. The Lauderdale Library Fund uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

	<b>Net Assets</b>	
	<b>2009</b>	<b>2008</b>
Current assets	\$ 731,744	\$ 726,070
Fixed assets	<u>392,332</u>	<u>408,724</u>
Total assets	<u>\$1,124,076</u>	<u>\$1,134,794</u>
Total liabilities (current)	\$ 7,758	\$ 640
Net assets		
Invested in fixed assets	392,332	408,724
Restricted	588,323	577,437
Unrestricted	<u>135,663</u>	<u>147,993</u>
Total liabilities and net assets	<u>\$1,124,076</u>	<u>\$1,134,794</u>

### Changes in Net Assets

	2009	2008
Program revenues		
Charges for services	\$ 3,640	\$ 3,483
Operating grants and contributions	23,034	35,430
General revenues		
Payments from Lauderdale County	98,855	96,973
Investment earnings	<u>10,971</u>	<u>37,452</u>
Total Revenues	\$ 136,500	\$ 173,338
Program expenses	<u>154,336</u>	<u>137,332</u>
Decrease in net assets	\$( 17,836)	\$ 36,006
Net assets at beginning of period	<u>1,134,154</u>	<u>1,098,148</u>
Net assets at end of period	<u>\$1,116,318</u>	<u>\$1,134,154</u>

### BUDGETARY HIGHLIGHTS

The difference between the original budget and the final operations was \$(1,444). Expenses were less than anticipated by \$896. The operating budget was not amended during the fiscal year. The budgetary differences not expected to have a significant effect on future liquidity.

### CAPTIAL ASSETS

At June 30, 2009, the Library Fund had invested \$392,332 in capital assets. In the year ended June 30, 2009, capital investments increased by \$6,781.

### FUTURE PROJECTIONS

The primary goals of the Lauderdale County Library Fund are to continue providing quality library services to the public and to double the available library space. The existing library building was designed with future expansion in mind. The Board plans to accumulate the funds necessary for the building expansion, thus eliminating the need to incur debt.

### 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

**LAUDERDALE COUNTY LIBRARY FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

		<b>Governmental Activities</b>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 36,984	
Investments	<u>694,760</u>	
Total Current Assets		\$ 731,744
Fixed Assets		
Land	\$ 7,800	
Construction in progress	20,191	
Building	452,978	
Books	66,992	
Furniture, fixtures and equipment	<u>89,170</u>	
Total	\$ 637,131	
Less accumulated depreciation	<u>244,799</u>	
Total Fixed Assets		<u>392,332</u>
Total Assets		<u>\$ 1,124,076</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accrued compensation		\$ 7,758
Total Liabilities		\$ 7,758
<b>NET ASSETS</b>		
Invested in fixed assets	\$ 392,332	
Unrestricted	135,663	
Restricted		
Rice Fund	25,000	
Morris Fund	13,901	
Palmer Fund	316,687	
Fitzhugh Fund	116,091	
Drake Fund	<u>116,644</u>	
Total Net Assets		<u>1,116,318</u>
Total Liabilities and Net Assets		<u>\$ 1,124,076</u>

The accompanying notes are an integral part of these financial statements.

**LAUDERDALE COUNTY LIBRARY FUND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Revenues				Net (Expense) Revenue and Change in Net Assets
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Government activities					
Cultural and recreation	\$ 154,336	\$ 3,640	\$ 23,034	\$ -	\$ (127,662)
			General revenues		
			Payments from Lauderdale County		\$ 98,855
			Investment earnings		<u>10,971</u>
			Total General Revenues		<u>\$ 109,826</u>
			Change in Net Assets		\$ (17,836)
			Net Assets, Beginning		<u>1,134,154</u>
			Net Assets, Ending		<u>\$ 1,116,318</u>

The accompanying notes are an integral part of these financial statements.

**LAUDERDALE COUNTY LIBRARY FUND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

**ASSETS**

Cash	\$ 36,984	
Investments	<u>694,760</u>	
Total Assets		<u>\$ 731,744</u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accrued payroll benefits	<u>\$ 7,758</u>	
Total Liabilities		<u>\$ 7,758</u>

**FUND BALANCE**

Reserve for Rice Fund	\$ 25,000	
Reserve for Morris Fund	13,901	
Reserve for Palmer Fund	316,687	
Reserve for Drake Fund	116,644	
Reserve for Fitzhugh Fund	116,091	
Unreserved	<u>135,663</u>	
Total Fund Balance		<u>723,986</u>

Total Liabilities and Fund Balance		<u>\$ 731,744</u>
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Total Fund Balance		<u>\$ 723,986</u>
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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 funds		<u>392,332</u>
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Net Assets of Governmental Activities		<u>\$ 1,116,318</u>
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The accompanying notes are an integral part of these financial statements.

**LAUDERDALE COUNTY LIBRARY FUND  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

**REVENUES**

Grants--City of Ripley	\$	15,000
Contributions		6,034
Grants		2,000
Investment income		10,971
Miscellaneous		<u>3,640</u>
Total Revenues	\$	<u>37,645</u>

**EXPENDITURES**

Salaries	\$	79,985
Accounting		2,285
Books		4,545
Office equipment		2,236
Employee benefits		11,935
Insurance		4,688
Maintenance and repairs		10,327
Payroll taxes		5,628
Supplies		3,603
Telephone		2,589
Utilities		<u>10,123</u>
Total Expenditures	\$	<u>137,944</u>

Excess of Revenues over Expenditures (100,299)

**OTHER FINANCING SOURCES (USES)**

Operating transfers from other funds	\$	<u>98,855</u>
Net Change in Fund Balance	\$	(1,444)
Fund balance--June 30, 2008		<u>725,430</u>
Fund balance--June 30, 2009	\$	<u>723,986</u>

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

Net Change in Fund Balance \$ (1,444)

Governmental funds report capital outlays as expenditures. However in the statement of net assets, the cost of these assets is capitalized and they are depreciated over their useful lives and reported as depreciation expense in the statement of activities.

Capital outlays reported as expenditure in the fund financial statement		6,781
Depreciation is reported in the government-wide financial statements		<u>(23,173)</u>

Change in net assets of governmental activities \$ (17,836)

The accompanying notes are an integral part of these financial statements.

**LAUDERDALE COUNTY LIBRARY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<b>RECEIPTS</b>			
Operating transfers-Lauderdale County	\$ 98,855	\$ 98,855	\$ -
Grants--City of Ripley	20,000	15,000	5,000
Contributions and Investment Income	18,984	19,005	21
Other	<u>1,001</u>	<u>3,640</u>	<u>2,639</u>
Total	\$ 138,840	\$ 136,500	(2,340)
<b>EXPENDITURES</b>			
Salaries	\$ 73,440	\$ 79,985	\$ (6,545)
Accounting	2,250	2,285	(35)
Insurance	7,193	4,688	2,505
Books	3,500	4,545	(1,045)
Office equipment	-	2,236	(2,236)
Maintenance and repairs	14,000	10,327	3,673
Employee insurance	12,589	11,935	654
Payroll taxes	5,618	5,628	(10)
Supplies	3,600	3,603	(3)
Telephone	4,650	2,589	2,061
Utilities	<u>12,000</u>	<u>10,123</u>	<u>1,877</u>
Total	<u>138,840</u>	<u>137,944</u>	<u>896</u>
Excess of Receipts over Expenditures	\$ -	\$ (1,444)	\$ (1,444)
Fund Equity--July 1, 2008	<u>725,430</u>	<u>725,430</u>	<u>-</u>
Fund Equity--June 30, 2009	<u>\$ 725,430</u>	<u>\$ 723,986</u>	<u>\$ (1,444)</u>

The accompanying notes are an integral part of these financial statements.

**LAUDERDALE COUNTY LIBRARY FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**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 is a special revenue fund of Lauderdale County, Tennessee, which is issued to record the general operations of the Library.
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.

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

**LAUDERDALE COUNTY LIBRARY FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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

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. **Capital Assets.** Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets that have an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Building	40 years
Books	7 years
Furniture and fixtures	5-10 years

6. **Compensated absences.** Full time employees have the option of accruing sick leave and vacation pay for use in future periods.
7. **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. CASH AND INVESTMENTS**

Cash, which is stated at cost, consist of the following:

Cash on hand	\$ 1,319
Cash in bank	<u>35,665</u>
Total Cash	<u>\$ 36,984</u>

**LAUDERDALE COUNTY LIBRARY FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 2. CASH AND INVESTMENTS** (continued) .

All monies are deposited in banks fully insured by the Federal Deposit Insurance Corporation (FDIC) and are in the name of Lauderdale County Library Fund.

Surplus funds may be invested in securities. State statutes authorize the Library Fund to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

**Custodial Credit Risk of Investment.** Custodial credit risk is the risk that, in the event of failure of the counterparty, the Library Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At year end, the Fund's investments were subject to custodial credit risk due to one or more of the following:

- Investments were book-entry only in the name of the Fund and were fully insured
- Investments were part of a mutual fund

**Interest Rate Risk.** Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At year end, the average maturities of investments are as follows:

<b>Investment</b>	<b>Fair Value</b>	<b>Average Maturity</b>
Cash	\$ 441,957	N/A
U.S. government or agency bond or note	160,869	15 years
Certificates of deposit	91,934	3 years

**Credit risk.** In compliance with State law, the Fund's investment policy limits investments in commercial paper to the top two rating issued by nationally recognized statistical rating organizations. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<b>Investment</b>	<b>Fair Value</b>	<b>Rating</b>	<b>Organization</b>
Cash	\$ 441,957	Not rated	
U.S government or agency bond or note	160,869	Not rated	
Certificates of deposit	91,934	Not rated	

**Concentration of credit risk.** Not more than 9 percent of the investments are invested in any one investment.

**LAUDERDALE COUNTY LIBRARY FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 3. CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2009

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated--				
Land	\$ 7,800	\$ 0	\$ 0	\$ 7,800
Construction in progress	<u>20,191</u>	<u>0</u>	<u>0</u>	<u>20,191</u>
Capital assets not being depreciated, net	27,991	0	0	27,991
Capital assets being depreciated--				
Building	452,978	0	0	452,978
Books	62,447	4,545	0	66,992
Furniture and fixtures	<u>86,934</u>	<u>2,236</u>	<u>0</u>	<u>89,170</u>
Subtotal	\$ 602,359	\$ 6,781	\$ 0	\$ 609,140
Less accumulated depreciation				
Building	101,919	11,324	0	113,243
Books	45,699	6,393	0	52,092
Furniture and fixtures	<u>74,008</u>	<u>5,456</u>	<u>0</u>	<u>79,464</u>
Subtotal	<u>221,626</u>	<u>23,173</u>	<u>0</u>	<u>244,799</u>
Capital assets being depreciated, net	<u>380,733</u>	<u>( 16,392)</u>	<u>0</u>	<u>364,341</u>
Capital assets, net	<u>\$ 408,724</u>	<u>\$(16,392)</u>	<u>\$ 0</u>	<u>\$ 392,332</u>

Depreciation expense of \$23,173 was charged to the cultural and recreation governmental activity.

**NOTE 4. RESERVED FUNDS**

- A. Rice Fund. Principal bequest from the will of Lucie L. Rice for \$25,000. Principal is restricted perpetually. Use of income is restricted to no more than half of the income in any one year for operating expense.
- B. Morris Fund. Restricted for the purchase of children's books and historical fiction. The fund maintains a current balance of \$13,901.
- C. Palmer Fund. The library received ten thousand dollars in the year ended June 30, 2000 from Mrs. Jack Palmer. In 2005, Dorothy Palmer bequeathed an additional \$270,000 to this fund. These monies are restricted for capital purchases. The current balance is \$316,687.
- D. Drake Fund. Monies received from the Drake Estate. The monies are restricted for the purchase of English and American literature. The balance in the fund at June 30, 2009 is \$116,644.

**LAUDERDALE COUNTY LIBRARY FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 4. RESERVED FUNDS (continued)**

E. Fitzhugh Fund. In 2007, Mr. and Mrs. Jim Fitzhugh gave \$100,000 for the purpose of library expansion. The balance at June 30, 2009 is \$116,091.

Funds are not segregated. However expenditures from these funds are designated within the accounting records.

**NOTE 5. REVENUES**

The library is funded by private contributions, operating transfers from Lauderdale County and grants from the City of Ripley General Funds.

**NOTE 6. LEASE**

The Board of Trustees has leased the old Sugar Hill Library Building to the Lauderdale County Chamber of Commerce for a period of ninety-nine years. For all subsequent years, the Library Fund receives \$1 per year. The Chamber of Commerce is to maintain insurance on the building with the Library Fund as the loss payee. The Chamber shall be responsible for all maintenance and upkeep on the building during the lease term.

**NOTE 7. RISK MANAGEMENT**

The Lauderdale County Library Fund is exposed to various risks or losses related to theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Fund purchases commercial insurance to cover all of its insurance needs. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

## **MARTHA CRITES**

*Certified Public Accountant*

115 South Front • Halls, TN 38040

(731) 836-5987

### **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, 2009 and have issued my report dated December 15, 2009. 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.

My consideration of the 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 that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operating 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 Lauderdale County Library Fund'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 Lauderdale County Library Fund's financial statements that is more than inconsequential will not be prevented or detected by the Lauderdale County Library Fund's internal control. I consider the deficiencies described in the accompanying schedule of finding (Finding 2009-01, Finding 2009-02, Finding 2009-03, and Finding 2009-04) to be significant deficiencies in the internal control over financial reporting.

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

My 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 a material weakness. We consider all of the significant deficiencies described above to be material weaknesses.

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 *Governmental 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*

December 15, 2009

**LAUDERDALE COUNTY LIBRARY FUND  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009**

**STATUS OF PRIOR FINDINGS**

- 2008-01 Finding – Expenditures exceed the approved budgeted expenditures. Total expenditures exceeded budgeted amount. See finding 2009-01.
- 2008-02 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. See finding 2009-02.

**CURRENT FINDINGS**

- 2009-01 Finding – Expenditures exceed the approved budgeted expenditures. Total expenditures exceeded budgeted amount.
- Recommendation – I recommend that the Library personnel review the budget near the end of the fiscal year and submit any necessary amendments to the Board for its approval.
- Response – We will consider your suggestion.
- 2009-02 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.
- Recommendation – Additional personnel should be hired or other members of the board of Trustees should be incorporated within the accounting process to allow for greater separation of duties within the accounting process.
- Response – The Library Fund does not have sufficient money to hire additional personnel for accounting purposes.
- 2009-03 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.
- 2009-04 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.

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.