

**TIPTON COUNTY LIBRARY**



**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

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## **INTRODUCTORY SECTION**

**TIPTON COUNTY LIBRARY  
LIBRARY OFFICIALS  
JUNE 30, 2010**

Director

Susan Cheairs

Board of Directors

Nancy Harris, Chairman

Patsy Fee

Ben Little

Jim Novotny

Dwight Stanton

Dianne Winbush

Robert M. Wooten, Jr.

**FINANCIAL SECTION**

## **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, 2010, 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, 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 the General Fund of the Tipton County Library, Tipton County, Tennessee as of June 30, 2010, and the changes in financial position thereof and the respective budgetary comparison for the General Fund 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 September 2, 2010, 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 should be considered in assessing the results of our audit.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tipton County Library's financial statements as a whole. The introductory section and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules are the responsibility of management and were 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Whitcomb Jenkins & Davis, PLLC". The signature is written in dark ink and is positioned in the lower right quadrant of the page.

September 2, 2010

## **FINANCIAL STATEMENTS**

**TIPTON COUNTY LIBRARY  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash .....	\$ 106,769
Capital assets, net of accumulated depreciation .....	<u>88,550</u>
<b>TOTAL ASSETS</b> .....	<u><u>\$ 195,319</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts payable .....	<u>\$ 1,095</u>
<b>TOTAL LIABILITIES</b> .....	<u>1,095</u>
<b>NET ASSETS</b>	
Invested in capital assets .....	88,550
Unrestricted .....	<u>105,674</u>
<b>TOTAL NET ASSETS</b> .....	<u>194,224</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b> .....	<u><u>\$ 195,319</u></u>

See notes to financial statements

**TIPTON COUNTY LIBRARY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

		<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
<u>PROGRAM ACTIVITIES</u>	<u>EXPENSES</u>	<u>OPERATING</u>	<u>CAPITAL</u>	<u>GOVERNMENTAL</u>
Governmental activities .....	Charges for services .....	Grants and contributions .....	Grants and contributions .....	Activities .....
Public library .....	\$ 179,176	\$ 16,215	\$ 1,900	\$ (161,061)
<b>TOTAL GOVERNMENTAL ACTIVITIES .....</b>	<u>179,176</u>	<u>16,215</u>	<u>1,900</u>	<u>(161,061)</u>
<b>GENERAL REVENUES</b>	<b>GENERAL REVENUES</b>			
Intergovernmental revenues .....	Intergovernmental revenues .....	80,000		
Investment earnings .....	Investment earnings .....	151		
Miscellaneous .....	Miscellaneous .....	2,623		
<b>TRANSFERS .....</b>	<b>TRANSFERS .....</b>	<u>82,000</u>		
	<b>TOTAL GENERAL REVENUES AND TRANSFERS .....</b>	<u>164,774</u>		
	<b>CHANGE IN NET ASSETS .....</b>	3,713		
	<b>NET ASSETS</b>			
	Balance at July 1, 2009 .....	<u>190,511</u>		
	Balance at June 30, 2010 .....	<u>\$ 194,224</u>		

See notes to financial statements

**TIPTON COUNTY LIBRARY  
BALANCE SHEET - GOVERNMENTAL FUND  
JUNE 30, 2010**

	<u>GOVERNMENTAL FUND - GENERAL FUND</u>
<b>ASSETS</b>	
Cash .....	\$ <u>106,769</u>
<b>TOTAL ASSETS</b> .....	\$ <u><u>106,769</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable .....	\$ <u>1,095</u>
<b>TOTAL LIABILITIES</b> .....	<u>1,095</u>
<b>FUND BALANCE</b>	
Fund balance - unreserved	
Designated for capital improvements and maintenance .....	53,698
Undesignated .....	<u>51,976</u>
<b>TOTAL FUND BALANCE</b> .....	<u>105,674</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b> .....	\$ <u><u>106,769</u></u>

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, 2010**

	<u>TOTAL GOVERNMENTAL FUND</u>
<b>TOTAL FUND BALANCE -</b>	
<b>TOTAL GOVERNMENTAL FUND .....</b>	<b>\$ 105,674</b>
 <b>AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet. ....	<u>88,550</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES .....</b>	<b>\$ <u>194,224</u></b>

See notes to financial statements

**TIPTON COUNTY LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2010**

**REVENUES**

Intergovernmental revenues	
City of Covington, Tennessee .....	\$ 80,000
State of Tennessee .....	<u>1,900</u>
	<u>81,900</u>
Miscellaneous	
Interest income .....	151
Memorials .....	1,525
Book fines and sales .....	16,215
Other .....	<u>1,646</u>
	<u>19,537</u>
<b>TOTAL REVENUES .....</b>	<b><u>101,437</u></b>

**EXPENDITURES**

Salaries .....	103,507
Employee taxes and benefits .....	13,921
Supplies .....	4,811
Repair and maintenance .....	3,036
Utilities and telephone .....	9,361
Insurance .....	3,142
Professional fees .....	4,300
Miscellaneous .....	5,126
Capital outlay	
Library collections .....	22,869
Equipment and leasehold improvements .....	<u>9,479</u>
<b>TOTAL EXPENDITURES .....</b>	<b><u>179,552</u></b>

**EXCESS OF REVENUES OVER  
(UNDER) EXPENDITURES .....** (78,115)

**OTHER FINANCING SOURCES**

Transfer in - Tipton County, Tennessee .....	<u>82,000</u>
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**EXCESS OF REVENUES AND OTHER FINANCING  
SOURCES OVER EXPENDITURES .....** 3,885

**FUND BALANCE**

Balance at July 1, 2009 .....	<u>101,789</u>
Balance at June 30, 2010 .....	<u>\$ 105,674</u>

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, 2010**

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND ..... \$ 3,885**

**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 .....	32,348
Depreciation expense .....	(31,972)

Governmental funds report proceeds from capital asset disposals as revenues. However, the statement of activities reports the gain/loss on capital asset disposals

Disposal proceeds. ....	(397)
Loss on disposal. ....	<u>(151)</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES ..... \$ 3,713**

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, 2010**

	GENERAL FUND		
	BUDGETED AMOUNTS		
	ORIGINAL	FINAL BUDGET	ACTUAL
<b>REVENUES</b>			
Intergovernmental revenues			
City of Covington, Tennessee .....	\$ 80,000	\$ 80,000	\$ 80,000
State of Tennessee .....	-	-	1,900
	<u>80,000</u>	<u>80,000</u>	<u>81,900</u>
Miscellaneous			
Interest income .....	-	-	151
Memorials .....	-	-	1,525
Book fines and sales .....	2,000	2,000	16,215
Other .....	-	-	1,646
	<u>2,000</u>	<u>2,000</u>	<u>19,537</u>
<b>TOTAL REVENUES</b> .....	<u>82,000</u>	<u>82,000</u>	<u>101,437</u>
<b>EXPENDITURES</b>			
Salaries .....	99,400	99,400	103,507
Employee taxes and benefits .....	13,200	13,200	13,921
Supplies .....	4,000	4,000	4,811
Repair and maintenance .....	6,000	6,000	3,036
Utilities and telephone .....	10,000	10,000	9,361
Insurance .....	6,000	6,000	3,142
Travel .....	2,000	2,000	-
Professional fees .....	-	-	4,300
Miscellaneous .....	6,000	6,000	5,126
Capital outlay			
Library collections .....	22,400	22,400	22,869
Equipment and leasehold improvements .....	1,000	1,000	9,479
<b>TOTAL EXPENDITURES</b> .....	<u>170,000</u>	<u>170,000</u>	<u>179,552</u>
<b>EXCESS OF REVENUES</b>			
<b>(UNDER) EXPENDITURES</b> .....	(88,000)	(88,000)	(78,115)
<b>OTHER FINANCING SOURCES</b>			
Transfer in - Tipton County, Tennessee .....	<u>82,000</u>	<u>82,000</u>	<u>82,000</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b> .....	(6,000)	(6,000)	3,885
<b>FUND BALANCE</b>			
Balance at July 1, 2009 .....	<u>101,789</u>	<u>101,789</u>	<u>101,789</u>
Balance at June 30, 2010 .....	<u>\$ 95,789</u>	<u>\$ 95,789</u>	<u>\$ 105,674</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  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**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 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

**TIPTON COUNTY LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

(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, which is prepared at the object expenditure level, 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, 2010**

**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. The Library does not have a formal capitalization policy, but generally only assets with an individual cost of at least \$250 and an estimated useful life in excess of one year are capitalized. 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
Leasehold improvements.....	10 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. The Library elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

**NOTE 2 - DEPOSITS**

The bank balances of deposits as of June 30, 2010 were entirely insured by federal depository insurance.

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>BALANCE AT</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AT</u> <u>JUNE 30, 2010</u>
Library collection (books and audio-visual materials) .....	\$ 137,514	\$ 22,869	\$ (24,033)	\$ 136,350
Equipment and fixtures .....	82,806	5,629	(3,687)	84,748
Leasehold improvements .....	-	3,850	-	3,850
Total assets .....	<u>220,320</u>	<u>32,348</u>	<u>(27,720)</u>	<u>224,948</u>

**TIPTON COUNTY LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 3 - CAPITAL ASSETS - CONTINUED**

	<u>BALANCE AT JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AT JUNE 30, 2010</u>
Less accumulated depreciation				
Library collection (books and audio-visual materials) . . . .	\$ (83,904)	\$ (22,474)	\$ 24,033	\$ (82,345)
Equipment and fixtures . . . . .	(47,694)	(9,273)	3,139	(53,828)
Leasehold improvements. . . . .	-	(225)	-	(225)
Total accumulated depreciation . . . . .	<u>(131,598)</u>	<u>(31,972)</u>	<u>27,172</u>	<u>(136,398)</u>
Net capital assets . . . . .	<u>\$ 88,722</u>	<u>\$ 376</u>	<u>\$ (548)</u>	<u>\$ 88,550</u>

The City allows the Library to use the building without the payment of rent. Depreciation expense of \$31,972 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

**TIPTON COUNTY LIBRARY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED JUNE 30, 2010**

**NOTE 5 - RETIREMENT PLAN - CONTINUED**

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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us/tcrs/PS/](http://www.treasury.state.tn.us/tcrs/PS/).

***Funding Policy***

Tipton County requires employees to contribute 5.0 percent of earnable compensation.

Tipton County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 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, Trend Information, and Funded Status and Funding Progress***

For the year ending June 30, 2010, the Library's annual pension cost was \$2,188. Further information regarding annual pension cost, trend information, and funded status and funding progress of the Library is not available since the Library information is included in the calculations for Tipton County as a whole and is not separately identifiable.

**NOTE 6 - SUBSEQUENT EVENT**

Effective July 1, 2010 operations of the Library will be accounted for as a department of the County's general fund. As such, the assets of the Library will be transferred to the County's general fund.

## **SCHEDULES**

**TIPTON COUNTY LIBRARY  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2010**

<u>GRANTOR/PROGRAM TITLE</u>	<u>GRANTOR'S NUMBER</u>	<u>(RECEIVABLE) DEFERRED BALANCE AT JULY 1, 2009</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>(RECEIVABLE) DEFERRED BALANCE AT JUNE 30, 2010</u>
<b><u>CASH AWARDS</u></b>					
Tennessee State Library and Archives State Library Program (Technology Grants) .....	N/A	\$ -	\$ 1,900	\$ 1,900	\$ -

**TIPTON COUNTY LIBRARY  
SCHEDULE OF SALARIES AND OFFICIAL  
BONDS OF PRINCIPAL OFFICIALS  
YEAR ENDED JUNE 30, 2010**

<u>OFFICIAL</u>	<u>SALARY</u>	<u>OFFICIAL BOND</u>
Director	\$ <u>23,509</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, 2010, and have issued our report thereon dated September 2, 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 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 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. We consider the deficiency described in the accompanying Schedule of Findings (Item No. 2007-01) to be a material weakness.

## 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*.

We noted a matter that we reported to management and those charged with governance of Tipton County Library in a separate letter dated September 2, 2010.

Tipton County Library's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit Tipton County Library's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Whitson Jenkins & Davis, PLLC".

September 2, 2010

**TIPTON COUNTY LIBRARY  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010**

**DEFICIENCY IN INTERNAL CONTROL**

**Item No. 2007-01: Preparation of Financial Statements**

*Condition:* The Library does not have an employee or member of management that possesses the skills and knowledge to prepare its annual audited financial statements.

*Criteria:* The Library is responsible for internal controls extending through the financial statement preparation process.

*Effect:* There is a lack of internal control over the preparation of its annual audited financial statements.

*Recommendation:* Consideration should be given to retaining a qualified individual to assist in the review of the draft of the annual audited financial statements.

*Management response:* We believe the cost to correct this deficiency would exceed the benefits to be derived. With the Library operations being incorporated into the County's general fund effective July 1, 2010, we do not anticipate the need for any future separately issued financial statements.

**TIPTON COUNTY LIBRARY  
STATUS OF PRIOR YEARS' FINDINGS  
YEAR ENDED JUNE 30, 2010**

**ITEMS CORRECTED**

The portion of Item No. 2007-01 related to adjustment of general ledger balances was not applicable in the current year.

**ITEMS NOT CORRECTED**

The portion of Item No. 2007-01 related to preparation of financial statements is reported in the Schedule of Findings.