

**PUTNAM COUNTY LIBRARY
JUNE 30, 2013**

**TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT**

PUTNAM COUNTY LIBRARY
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**PUTNAM COUNTY LIBRARY
ROSTER OF THOSE CHARGED WITH GOVERNANCE
AND MANAGEMENT OFFICIALS
JUNE 30, 2013**

Sue Pogue, Chairman

Alma Anderson, Vice Chairman

Larry Garrett, Secretary/Treasurer

Beth Thompson, Director

Leigh Flatt, Director

Joe Albrecht, Director

Laura Clemons, Director

Clay Robertson, Executive Director

TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT

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To the Board of Directors of the
Putnam County Library
Cookeville, Tennessee

Report on the Financial Statements

I have audited the accompanying governmental activities and the major fund financial statements of Putnam County Library, a joint venture between the City of Cookeville and Putnam County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Putnam County Library's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Putnam County Library, a joint venture between the City of Cookeville and Putnam County, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion be presented to supplement the basic financial statements. Such information, although not a part of the basic financials 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 historic context.

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. The auditor's opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Putnam County Library's basic financial statements. The list of management and those charged with governance on pages 1 and the Schedule of Budget to Actual on page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The list of management and those charged with governance and the Schedule of Budget to Actual is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the list of management and those charged with governance and the Schedule of Budget to Actual is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 31, 2014 on my consideration of Putnam County Library's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Putnam County Library's internal control over financial reporting and compliance.

July 31, 2014
Cookeville, Tennessee

Tamara L. Beckman, CPA

**PUTNAM COUNTY LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2013**

Assets

Current Assets

| | | |
|-----------------------------|------------------|---------------|
| Cash in Bank | \$ 195,287.25 | |
| Prepaid expenses | <u>22,452.40</u> | |
| <u>Total Current Assets</u> | | \$ 217,739.65 |

Capital Assets

| | | |
|-------------------------------|-----------------------|-------------------|
| Library Collection | 1,244,000.37 | |
| Building Improvements | 466,262.83 | |
| Library Equipment | 139,456.67 | |
| Computer Equipment | 138,710.49 | |
| Furniture & Fixtures | 39,381.96 | |
| Less Accumulated Depreciation | <u>(1,447,819.27)</u> | |
| <u>Total Capital Assets</u> | | <u>579,993.05</u> |

| | | |
|--------------|--|----------------------|
| Total Assets | | <u>\$ 797,732.70</u> |
|--------------|--|----------------------|

Liabilities and Net Assets

Liabilities

| | | |
|---------------------------------|---------------|--------------------|
| Accounts Payable | 71.75 | |
| Retirement Payable | 1,473.98 | |
| Insurance Payable | 235.37 | |
| Prepaid Legal Employee Payable | 155.40 | |
| Other Employee Benefits Payable | 1,597.70 | |
| Compensated Absences Payable | 3,882.81 | |
| Sales Tax Payable | <u>207.00</u> | |
| <u>Total Liabilities</u> | | <u>\$ 7,624.01</u> |

Net Assets

| | | |
|-----------------------------------|-------------------|-------------------|
| Invested in Capital Assets | 579,993.05 | |
| Temporarily Restricted Net Assets | 23,216.99 | |
| Unrestricted Net Assets | <u>186,898.65</u> | |
| <u>Total Net Assets</u> | | <u>790,108.69</u> |

| | | |
|--------------------------------|--|----------------------|
| Total Liabilities & Net Assets | | <u>\$ 797,732.70</u> |
|--------------------------------|--|----------------------|

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**PUTNAM COUNTY LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Expenses

| | | |
|----------------------------|-------------------|---------------|
| Salaries, Wages & Benefits | \$ 578,832.66 | |
| Supplies | 30,734.77 | |
| Periodicals | 3,883.69 | |
| Library Resources | 34,439.36 | |
| Equipment Purchases | 2,508.04 | |
| Software | 30,855.27 | |
| Computer Expense | 9,546.92 | |
| Equipment Rental | 4,824.00 | |
| Professional Fees | 7,332.29 | |
| Communications & Utilities | 41,217.23 | |
| Repairs & Maintenance | 20,631.39 | |
| Performers & Storytellers | 300.26 | |
| Insurance | 2,009.00 | |
| Collection Agency Fees | 3,066.80 | |
| Travel | 2,683.53 | |
| Depreciation Expense | <u>106,619.43</u> | |
| Total Expenses | | \$ 879,484.64 |

Program Revenues

| | | |
|------------------------|---------------|-------------------|
| City of Cookeville | 325,000.00 | |
| City of Monterey | 35,214.00 | |
| City of Baxter | 15,430.00 | |
| City of Algood | 11,700.00 | |
| Putnam County | 440,353.96 | |
| Gifts & Grants | 35,195.14 | |
| Fines & Copies | 33,032.97 | |
| Miscellaneous | <u>192.18</u> | |
| Total Program Revenues | | <u>896,118.25</u> |

Net (Expense) Revenue 16,633.61

General Revenue

| | |
|------------------------------------|----------------------|
| Interest Income | <u>402.13</u> |
| Change in Net Assets | 17,035.74 |
| Beginning Net Assets, July 1, 2012 | <u>773,072.95</u> |
| Ending Net Assets, June 30, 2013 | <u>\$ 790,108.69</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**PUTNAM COUNTY LIBRARY
BALANCE SHEET
JUNE 30, 2013**

Assets

| | |
|------------------|------------------|
| Cash in Bank | \$ 195,287.25 |
| Prepaid Expenses | <u>22,452.40</u> |

Total Assets \$ 217,739.65

Liabilities & Fund Balance

Liabilities

| | |
|---------------------------------|---------------|
| Accounts Payable | \$ 71.75 |
| Retirement Payable | 1,473.98 |
| Insurance Payable | 235.37 |
| Prepaid Legal Employee Payable | 155.40 |
| Other Employee Benefits Payable | 1,597.70 |
| Compensated Absences Payable | 3,882.81 |
| Sales Tax Payable | <u>207.00</u> |

Total Liabilities \$ 7,624.01

Fund Balance

| | |
|------------|-------------------|
| Restricted | 20,516.26 |
| Assigned | 2,700.73 |
| Unassigned | <u>186,898.65</u> |

Total Fund Balance 210,115.64

Total Liabilities & Fund Balance \$ 217,739.65

**PUTNAM COUNTY LIBRARY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2013**

Fund Balance-Balance Sheet \$ 210,115.64

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 funds.

| | | |
|--------------------------------|-----------------------|-------------------|
| Governmental Capital Assets | \$ 2,027,812.32 | |
| Less: Accumulated Depreciation | <u>(1,447,819.27)</u> | |
| | | <u>579,993.05</u> |

Net Assets of Governmental Activities \$ 790,108.69

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**PUTNAM COUNTY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013**

Revenues & Other Services

| | | | |
|-----------------------|----|------------|------------|
| City of Cookeville | \$ | 325,000.00 | |
| City of Monterey | | 35,214.00 | |
| City of Baxter | | 15,430.00 | |
| City of Algood | | 11,700.00 | |
| Putnam County | | 440,353.96 | |
| Gifts & Grants | | 35,195.14 | |
| Copies, fines & dues | | 33,032.97 | |
| Interest | | 402.13 | |
| Miscellaneous | | 192.18 | |
| <u>Total Revenues</u> | | | 896,520.38 |

Expenditures

| | | | |
|----------------------------|--|------------|------------|
| Salaries, Wages & Benefits | | 578,832.66 | |
| Library Materials | | 98,979.90 | |
| Supplies | | 30,734.77 | |
| Equipment Purchase | | 2,508.04 | |
| Software | | 30,855.27 | |
| Computer Expense | | 16,946.92 | |
| Equipment Rental | | 4,824.00 | |
| Professional Fees | | 7,332.29 | |
| Communication & Utilities | | 41,217.23 | |
| Repairs & Maintenance | | 47,631.39 | |
| Performers & Storytellers | | 300.26 | |
| Insurance | | 2,009.00 | |
| Collection Agency Fees | | 3,066.80 | |
| Travel | | 2,683.53 | |
| <u>Total Expenditures</u> | | | 867,922.06 |

| | | | |
|--------------------------------|--|--|---------------|
| Excess Revenue | | | |
| over Expenditures | | | 28,598.32 |
| Fund Balance Beginning of Year | | | 181,517.32 |
| Fund Balance at End of Year | | | \$ 210,115.64 |

**PUTNAM COUNTY LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

| | |
|---|--------------|
| Net Change in Fund Balance – Statement of Revenues, Expenditures & Changes in Fund Balance | \$ 28,598.32 |
|---|--------------|

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those
assets is depreciated over their estimated useful lives

| | | |
|--|---------------------|-------------------------|
| Expenditures for Capital Assets | \$ 95,056.85 | |
| Less: Current Year Depreciation | <u>(106,619.43)</u> | |
| | | <u>(11,562.58)</u> |
| Change in Net Assets - Statement of Activities | | <u>\$ 17,035.74</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

PUTNAM COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies

The Putnam County Library is a joint venture between Putnam County, Tennessee and the City of Cookeville, Tennessee. The fund financial statements of the Putnam County Library have been prepared on the modified accrual basis of accounting, which records expenditures when incurred and revenues when measurable and available to finance expenditures of the period. The Library's records are maintained on the cash receipts and disbursements method and converted to the modified accrual basis at year-end. Under the modified accrual method, the measurement focus is on expenditures, which are measurable and are recorded when the related liability is incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Government-wide Financial Statements

The Government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report the governmental activities of the Putnam County Library. The governmental activities are reported on the economic resources measurement focus on the accrual basis of accounting for inclusion into the financial statements of Putnam County Government.

Fund Financial Statements

To ensure observance of limitations and restrictions placed on the use of resources available to the Library, the accounts of the Library are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. The fund financial statements report using current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Library considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, and then unrestricted resources as needed.

Capital Assets and Depreciation

The Putnam County Library's property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. The capital assets are also reported in the fund financial statements as expenditures in the current year. Donated assets are stated at fair value on the date donated. The Putnam County Library generally capitalizes assets with a cost of over \$300 and which have a useful life of more than one year.

Program Revenues

Program Revenues include donations from the City of Algood, the City of Baxter, the City of Cookeville, and Putnam County, as well as grants and donations from other organizations. Fines and fees collected are also considered program revenues.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. All capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

| | |
|--|-------------|
| Collections of Books and A/V Materials | 5 Years |
| Improvements | 10-20 Years |
| Furniture, Machinery & Equipment | 5-10 Years |

Contributed Facilities

The Library occupies, without charge, buildings, which are owned by other governmental units. The estimated fair rental value of the premises was not readily determinable. Omission of this support and related rent expense has no effect on the net assets as presented in the financial statements

Collections and Books

The cost value of the library's book collections have been capitalized and accumulated depreciation adjusted accordingly based on the year the books were purchased using the group depreciation method. This method groups similar assets within a collection with similar estimated useful lives together for purposes of capitalization and recording of depreciation expense.

Note 2 – Pension Plans:

The Putnam County Library, as a joint venture of Putnam County and the City of Cookeville, TN participated in the Tennessee Consolidated Retirement System. The TCRS provides retirement benefits as well as death and disability benefits. Aggregate actuarial information can be found in the Comprehensive Annual Financial Report of Putnam County, Tennessee; copies of which are available through the County Executive office. The TCRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or by calling (615) 741-7063.

Note 3 – Cash and Cash Equivalents:

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The organization's cash at June 30, 2013 was maintained as follows: The Board of Trustees' Fund was invested in an interest-bearing account. The memorial fund was maintained in an interest bearing checking account and Monterey, Algood and Baxter funds are held in a checking account.

Note 4 – Prepaid Expenses

Prepaid expenses record payments to vendors that benefit the future reporting periods and are reported on the consumption basis.

Note 5 – Concentration of Credit Risk

The Library receives a substantial amount of its support from local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library’s programs and activities.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Library’s deposits may not be returned or the Library will not be able to recover collateral securities in the possession of an outside party. The Library’s policy is to have coverage by the Government Collateralization Pool for any amount over the FDIC insured limit of \$250,000.

Note 6 – Compensated Absences

Full time employees earn sick and annual leave based on length of employment. On July 1, 2006, the Library adopted the policy that all annual leave must be taken by June 30 of each year. Therefore, no liability has been recorded for annual leave. Three days bereavement leave is given to each employee for immediate family members’ death. Annual sick leave is calculated at \$50 per day as mandated by the Board of Directors.

Note 7 – Risk Financing and Related Insurance Issues:

The Library provides health insurance coverage to their employees through Blue Cross/Blue Shield.

The Library’s risks of loss relating to property, general liability, and workers’ compensation are covered by the county through a self-insurance program and by the purchase of commercial insurance to cover losses in excess of certain limits. The Library made no claims that exceeded these limits in any of the prior three fiscal years.

Note 9 – Property, Plant, and Equipment

The following is a schedule of equipment and depreciation at June 30, 2013:

| <u>Assets</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Method</u> | <u>Life</u> | <u>Depreciation Expense 6/30/13</u> |
|-----------------------|-----------------------|-------------------------------------|---------------|-------------|---|
| Computer Equip | 138,710.49 | 120,449.66 | SL | 3-5 | 11,220.63 |
| Library Equipment | 139,456.67 | 128,302.40 | SL | 5-7 | 3,073.29 |
| Furniture/Fixtures | 39,381.96 | 30,042.10 | SL | 5-7 | 3,731.45 |
| Building Improvements | 466,262.83 | 76,480.21 | SL | 10-39 | 13,374.13 |
| Library Collection | <u>1,244,000.37</u> | <u>1,092,544.90</u> | SL | 5 | <u>75,219.93</u> |
| Total | <u>\$2,027,812.32</u> | <u>\$1,447,819.27</u> | | | <u>\$ 106,619.43</u> |

| | <u>Balance</u> 7/01/12 | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> 6/30/13 |
|-----------------------|---------------------------|---------------------|------------------------------|---------------------------|
| Computer Equip | \$ 131,310.49 | \$ 7,400.00 | <\$ -0- > | \$ 138,710.49 |
| Library Equipment | 139,456.67 | -0- | < -0- > | 139,456.67 |
| Furniture/Fixtures | 38,202.00 | 1,179.96 | < -0- > | 39,381.96 |
| Building Improvements | 439,262.83 | 27,000.00 | < -0- > | 466,262.83 |
| Library Collection | <u>1,212,243.58</u> | <u>59,476.89</u> | <u>< 27,720.10 ></u> | <u>1,244,000.37</u> |
| Total | <u>\$1,960,475.57</u> | <u>\$ 95,056.85</u> | <u><\$ 27,720.10 ></u> | <u>\$ 2,027,812.32</u> |

Additional information can be found in the Comprehensive Annual Financial Report of Putnam County, Tennessee, copies of which are available through the County Executive office.

Note 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets consists of the following:

| | |
|----------------------|---------------------|
| Board Reserve | \$ 2,700.73 |
| Memorials | 1,874.19 |
| Cookeville Expansion | 5,383.92 |
| Gifts & Grants | <u>13,258.15</u> |
| Total | <u>\$ 23,216.99</u> |

Note 11 - Fund Balances

- Restricted Fund Balance
 - Fund balances reported as restricted are the result of externally imposed restrictions placed upon certain resources accounted for in the restricted funds.
 - When restricted and unrestricted funds are available, it is the Library’s policy to use restricted fund balances, then assigned fund balances, and then unassigned fund balances.
- Assigned Fund Balance
 - Amounts that are constrained by the library’s intent to be used for specific purposes are reflected as assigned in the accompanying financial statements.
 - These amount have been Assigned by the Board of Directors in carrying out the Library’s operations.
- Unassigned Fund Balance
 - This classification represents fund balance that is not restricted and has not been assigned to specific purposes within the Library fund.
 - When both assigned and unassigned resources are available for use, it is the Library’s policy to use assigned resources first, then unassigned resources as they are needed.

**PUTNAM COUNTY LIBRARY
(A SPECIAL REVENUE FUND OF PUTNAM COUNTY)
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

| | Original <u>Budget</u> | Amended <u>Budget</u> | <u>Actual</u> |
|------------------------------------|---------------------------|--------------------------|----------------------|
| <u>Revenues</u> | | | |
| City of Cookeville | \$ 325,000.00 | \$ 325,000.00 | \$ 325,000.00 |
| City of Monterey | 35,214.00 | 35,214.00 | 35,214.00 |
| City of Baxter | 15,430.00 | 15,430.00 | 15,430.00 |
| City of Algood | 11,700.00 | 11,700.00 | 11,700.00 |
| Putnam County | 430,750.00 | 430,750.00 | 440,353.96 |
| Fines & Copies | 33,000.00 | 33,000.00 | 33,032.97 |
| Gifts & Grants | 35,000.00 | 35,000.00 | 35,195.14 |
| Interest | 354.73 | 354.73 | 402.13 |
| Miscellaneous | <u>240.54</u> | <u>240.54</u> | <u>192.18</u> |
| Total Revenue | 886,689.27 | 886,689.27 | 896,520.38 |
| <u>Expenditures</u> | | | |
| Salaries, Wages & Benefits | 580,000.00 | 580,000.00 | 578,832.66 |
| Library Materials | 100,000.00 | 100,000.00 | 98,979.90 |
| Supplies & Software | 61,500.00 | 61,500.00 | 61,590.04 |
| Computer Expense | 18,000.00 | 18,000.00 | 16,946.92 |
| Professional Fees | 7,500.00 | 7,500.00 | 7,332.29 |
| Communication & Utilities | 42,000.00 | 42,000.00 | 41,217.23 |
| Repairs & Maintenance | 50,000.00 | 50,000.00 | 47,631.39 |
| Equipment Purchase | 3,000.00 | 3,000.00 | 2,508.04 |
| Equipment Rental | 5,000.00 | 5,000.00 | 4,824.00 |
| Performers & Storytellers | 1,000.00 | 1,000.00 | 300.26 |
| Insurance | 2,393.00 | 2,393.00 | 2,009.00 |
| Collection Agency Fees | 3,546.80 | 3,546.80 | 3,066.80 |
| Travel | 3,000.00 | 3,000.00 | 2,683.53 |
| Miscellaneous | <u>34.19</u> | <u>34.19</u> | <u>-</u> |
| Total Expenditures | <u>876,973.99</u> | <u>876,973.99</u> | <u>867,922.06</u> |
| Excess of Revenues & Other Sources | 9,715.28 | 9,715.28 | 28,598.32 |
| Fund Balance, beginning of year | <u>181,517.32</u> | <u>181,517.32</u> | <u>181,517.32</u> |
| Fund Balance, end of year | <u>\$ 191,232.60</u> | <u>\$ 191,232.60</u> | <u>\$ 210,115.64</u> |

* This schedule is prepared on the modified accrual basis of accounting. There are no actual expenses which exceeded allocations for the year ended June 30, 2013.

PUTNAM COUNTY LIBRARY
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE A - Budgeting, Budgetary Control, and Budgetary Reporting

An annual budget using the modified accrual basis of accounting is prepared and adopted each year. The budget for the year ended June 30, 2013 was approved by the board and the Putnam County Commission before the fiscal year began. Certain changes in expenditure allocations of the budget were addressed and approved by the Board of Trustees. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor or grantor, thus the Board of Trustees may reapply budgeted resources from one use to another without special approval for unrestricted funds.

TAMARA L. BECKMAN
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of the
Putnam County Library
Cookeville, Tennessee

I have audited, in accordance with the 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, the governmental funds and the major fund of Putnam County Library, a component unit of Putnam County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Putnam County Library's basic financial statements, and have issued my report thereon dated July 31, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Putnam County Library's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Putnam County Library's internal control. Accordingly, I do not express an opinion on the effectiveness of the Putnam County Library's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I

consider to be material weaknesses. However, as discussed below, I identified a certain deficiency in internal control over financial report, described in the accompanying schedule of findings and recommendations as item 13-1 that I consider to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

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

Purpose of Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Putnam County Library's response to the findings identified in my audit is described in the accompanying schedule of findings and recommendations. I did not audit the Library's response and, accordingly, I express no opinion on it.

July 31, 2014
Cookeville, Tennessee

Tamara L. Beckman, CPA

**PUTNAM COUNTY LIBRARY
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2013**

Finding 13-1

A lack of segregation of duties was noted.

Recommendation

The same individual should not perform the following duties: receiving cash, making bank deposits, maintaining the accounting records and reconciling bank accounts. In addition, these duties should also not be performed by the same individual: preparing purchase authorizations, approving purchase authorizations, receiving goods or services, approving payment, preparing checks, signing checks and preparing bank reconciliations.

Director's Response:

The Putnam County Library acknowledges the importance of segregation of duties. Transactions are segregated to the extent possible with the personnel available.

Auditor's Note:

Due to the small size of the entity and lack of personnel, total segregation of duties is not feasible. However, it was noted that the Library segregates the duties to the extent possible.