

**PUTNAM COUNTY LIBRARY
JUNE 30, 2015**

**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, 2015**

Sue Pogue, Chairman

Alma Anderson, Vice Chairman

Larry Garrett, Secretary/Treasurer

Leigh Flatt, Director

Joe Albrecht, Director

Beth Thompson, Director

Laura Clemons, Director

Patricia Lawrence, Director

Alicia Eldridge, Director

Clay Robertson, Executive Director

TAMARA L. BECKMAN, CPA
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To the Board of Directors of the
Putnam County Library
Cookeville, Tennessee

INDEPENDENT AUDITOR'S REPORT

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, 2015, 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, 2015, 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 15 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 December 27, 2015 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.

December 27, 2015
Cookeville, Tennessee

Tamara L. Beckman, CPA

**PUTNAM COUNTY LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2015**

Assets

Current Assets

Cash in Bank	\$ 307,900.37	
Prepaid expenses	<u>23,486.19</u>	
<u>Total Current Assets</u>		\$ 331,386.56

Capital Assets

Library Collection	1,237,770.06	
Building Improvements	466,262.83	
Library Equipment	147,876.37	
Computer Equipment	165,239.04	
Furniture & Fixtures	48,575.17	
Less Accumulated Depreciation	<u>(1,482,054.19)</u>	
<u>Total Capital Assets</u>		<u>583,669.28</u>

Total Assets		<u>\$ 915,055.84</u>
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Liabilities and Net Position

Liabilities

Accounts Payable	-	
Retirement Payable	17,468.72	
Insurance Payable	-	
Prepaid Legal Employee Payable	-	
Other Employee Benefits Payable	41.07	
Compensated Absences Payable	11,717.90	
Sales Tax Payable	<u>-</u>	
<u>Total Liabilities</u>		<u>\$ 29,227.69</u>

Net Position

Investment in Capital Assets	583,669.28	
Temporarily Restricted Net Position	54,742.91	
Unrestricted Net Position	<u>247,415.96</u>	
<u>Total Net Position</u>		<u>885,828.15</u>

Total Liabilities & Net Position		<u>\$ 915,055.84</u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**PUTNAM COUNTY LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Expenses

Salaries, Wages & Benefits	\$ 578,067.57	
Supplies	32,019.97	
Periodicals	4,084.58	
Library Resources	19,068.56	
Postage & Printing	2,900.91	
Equipment Purchases	2,500.00	
Software	21,803.86	
Computer Expense	6,254.91	
Professional Fees	6,515.50	
Communications & Utilities	50,046.44	
Repairs & Maintenance	8,873.64	
Performers & Storytellers	359.99	
Programming	1,172.51	
Insurance	614.00	
Collection Agency Fees	2,804.30	
Travel	3,433.63	
Depreciation Expense	<u>102,875.38</u>	
Total Expenses		\$ 843,395.75

Program Revenues

City of Cookeville	325,000.00	
City of Monterey	35,214.00	
City of Baxter	15,892.90	
City of Algood	11,700.00	
Putnam County	445,145.00	
State of TN	9,999.99	
Gifts & Grants	52,603.41	
Fines & Copies	34,864.60	
Miscellaneous	<u>595.03</u>	
Total Program Revenues		<u>931,014.93</u>

Net (Expense) Revenue 87,619.18

General Revenue

Interest Income	<u>209.66</u>
Change in Net Position	87,828.84
Beginning Net Position, July 1, 2014	797,999.31
Prior Period Adjustment	<u>-</u>
Ending Net Position, June 30, 2015	<u><u>\$ 885,828.15</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**PUTNAM COUNTY LIBRARY
BALANCE SHEET
JUNE 30, 2015**

Assets

Cash in Bank	\$ 307,900.37
Prepaid Expenses	<u>23,486.19</u>

Total Assets \$ 331,386.56

Liabilities & Fund Balance

Liabilities

Accounts Payable	\$ -
Retirement Payable	17,468.72
Insurance Payable	-
Prepaid Legal Employee Payable	-
Other Employee Benefits Payable	41.07
Compensated Absences Payable	11,717.90
Sales Tax Payable	<u>-</u>

Total Liabilities \$ 29,227.69

Fund Balance

Nonspendable - Prepaid	23,486.19
Restricted	54,742.91
Assigned	2,613.73
Unassigned	<u>221,316.04</u>

Total Fund Balance 302,158.87

Total Liabilities & Fund Balance \$ 331,386.56

**PUTNAM COUNTY LIBRARY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2015**

Fund Balance-Balance Sheet \$ 302,158.87

Amounts reported for governmental activities in the Statement of Net Position 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	\$ 2,065,723.47	
Less: Accumulated Depreciation	<u>(1,482,054.19)</u>	
		<u>583,669.28</u>

Net Position of Governmental Activities \$ 885,828.15

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, 2015**

Revenues & Other Services

City of Cookeville	\$ 325,000.00	
City of Monterey	35,214.00	
City of Baxter	15,892.90	
City of Algood	11,700.00	
Putnam County	445,145.00	
State of TN	9,999.99	
Gifts & Grants	52,603.41	
Copies, fines & dues	34,864.60	
Interest	209.66	
Miscellaneous	<u>595.03</u>	
<u>Total Revenues</u>		931,224.59

Expenditures

Salaries, Wages & Benefits	578,067.57	
Library Materials	117,385.21	
Supplies	32,019.97	
Postage & Printing	2,900.91	
Equipment Purchase	2,500.00	
Software	21,803.86	
Computer Expense	32,783.46	
Professional Fees	6,515.50	
Communication & Utilities	50,046.44	
Repairs & Maintenance	18,066.85	
Performers & Storytellers	359.99	
Programming	1,172.51	
Insurance	614.00	
Collection Agency Fees	2,804.30	
Travel	<u>3,433.63</u>	
<u>Total Expenditures</u>		<u>870,474.20</u>

Excess Revenue		
over Expenditures		60,750.39
Fund Balance Beginning of Year		241,408.48
Prior Period Adjustment		-
Fund Balance at End of Year		<u>\$ 302,158.87</u>

**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, 2015**

Net Change in Fund Balance – Statement of Revenues, Expenditures & Changes in Fund Balance	\$ 60,750.39
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Amounts reported for governmental activities in the Statement of Net Position
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	\$ 129,953.83	
Less: Current Year Depreciation	<u>(102,875.38)</u>	
		<u>27,078.45</u>

Change in Net Position - Statement of Activities	\$ <u>87,828.84</u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

PUTNAM COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 Position 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.

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 position 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, 2015 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 January 18, 2011, the Library adopted the policy that 12 days of annual leave may be carried over at the end of the year. Accumulated leave may not exceed 30 days. 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. Total Accrued Compensated Absences at June 30, 2015 was \$11,717.90.

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, 2015:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Method</u>	<u>Life</u>	<u>Depreciation Expense 6/30/15</u>
Computer Equip	165,239.04	133,905.19	SL	3-5	7,855.64
Library Equipment	147,876.37	134,518.37	SL	5-7	3,142.68
Furniture/Fixtures	48,575.17	36,309.74	SL	5-7	2,608.27
Building Improvements	466,262.83	107,066.47	SL	10-39	15,211.20
Library Collection	<u>1,237,770.06</u>	<u>1,070,254.42</u>	SL	5	<u>74,057.59</u>
Total	<u>\$2,065,723.47</u>	<u>\$1,482,054.19</u>			<u>\$ 102,875.38</u>

	Balance <u>7/01/14</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/15</u>
Computer Equip	\$ 138,710.49	\$ 26,528.55	<\$ -0- >	\$ 165,239.04
Library Equipment	139,456.67	8,419.70	< -0- >	147,876.37
Furniture/Fixtures	39,381.96	9,193.21	< -0- >	48,575.17
Building Improvements	466,262.83	-0-	< -0- >	466,262.83
Library Collection	<u>1,261,713.87</u>	<u>85,812.37</u>	<u>< 109,756.18></u>	<u>1,237,770.06</u>
Total	<u>\$2,045,525.82</u>	<u>\$129,953.83</u>	<u><\$109,756.18></u>	<u>\$ 2,065,723.47</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 – Subsequent Events

The Board has evaluated subsequent events through December 27, 2015, the date in which the financial statements were available to be issued.

Note 11 – Temporarily Restricted Net Position

Temporarily restricted net position consists of the following:

Board Reserve	\$ 2,613.73
Memorials	31,977.87
Cookeville Expansion	5,383.92
Gifts & Grants	<u>17,381.12</u>
Total	<u>\$ 57,356.64</u>

Note 12 - 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
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	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	15,892.90	15,892.90	15,892.90
City of Algood	11,700.00	11,700.00	11,700.00
Putnam County	445,145.00	445,145.00	445,145.00
State of TN	-	5,500.00	9,999.99
Fines & Copies	31,935.00	34,642.60	34,864.60
Gifts & Grants	35,000.00	35,000.00	52,603.41
Interest	-	209.66	209.66
Miscellaneous	<u>375.00</u>	<u>595.03</u>	<u>595.03</u>
Total Revenue	900,261.90	908,899.19	931,224.59
 <u>Expenditures</u>			
Salaries, Wages & Benefits	634,350.44	580,059.64	578,067.57
Library Materials	99,690.00	118,032.88	117,385.21
Supplies	25,000.00	32,716.47	32,019.97
Software	21,000.00	21,345.82	21,803.86
Postage & Printing	5,485.00	2,900.91	2,900.91
Computer Expense	18,000.00	33,533.54	32,783.46
Professional Fees	4,715.00	6,515.50	6,515.50
Communication & Utilities	46,415.00	50,190.54	50,046.44
Repairs & Maintenance	26,870.00	18,729.54	18,066.85
Equipment Purchase	2,500.00	2,500.00	2,500.00
Equipment Rental	-	-	-
Performers & Storytellers	800.00	359.99	359.99
Programming	1,200.00	1,538.85	1,172.51
Insurance	2,485.00	614.00	614.00
Collection Agency Fees	-	2,804.30	2,804.30
Travel	3,300.00	3,433.63	3,433.63
Miscellaneous	<u>1,115.00</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>892,925.44</u>	<u>875,275.61</u>	<u>870,474.20</u>
Excess of Revenues & Other Sources	7,336.46	33,623.58	60,750.39
Fund Balance, beginning of year	241,408.48	241,408.48	241,408.48
Prior Period Adjustment	-	-	-
Fund Balance, end of year	<u>\$ 248,744.94</u>	<u>\$ 275,032.06</u>	<u>\$ 302,158.87</u>

PUTNAM COUNTY LIBRARY
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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, 2015 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, CPA
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S 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 activities and the major fund of Putnam County Library, a joint venture of Putnam County and the City of Cookeville, as of and for the year ended June 30, 2015, 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 December 27, 2015.

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. Material weaknesses and significant deficiencies may exist that have not been identified. 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 2015-01 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 Findings

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.

December 27, 2015
Cookeville, Tennessee

Tamara L. Beckman, CPA

**PUTNAM COUNTY LIBRARY
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2015**

Finding 2015-01

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.