

**LINEBAUGH PUBLIC LIBRARY SYSTEM
MURFREESBORO, TENNESSEE
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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Independent Auditors' Report

To the Board of Directors of the Linebaugh Public Library System
Murfreesboro, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities the discretely presented component unit, and the major fund of the Linebaugh Public Library System (the "System"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System'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 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 statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the discretely presented component unit, and the major fund of the Linebaugh Public Library System, as of June 30, 2015, and the respective changes in financial position 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's discussion and analysis on pages 5-7, the Schedule of changes in the net pension liability (asset) and related ratios presented on page 22 and the Schedule of contributions on page 23 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the Linebaugh Public Library System'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 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 Linebaugh Public Library System's internal control over financial reporting and compliance.

Dempsey Vantrease + Folli PLLC

November 30, 2015
Murfreesboro, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Linebaugh Public Library System's (Library) financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2015. This should be read in conjunction with the Library's financial statements which begin on page 8.

FINANCIAL HIGHLIGHTS

The Library's program and other revenues were about the same as the prior year.

- The Library's net position increased by \$147,172 for the year compared to \$133,293 last year
- The expenses for the year were \$2.54 million compared to \$2.49 million in the prior year.

USING THIS REPORT

This report consists of the following financial statements: the statement of net position, statement of activities and the fund financial statements. The statement of net position and statement of activities provide information about the Library's finances as a whole, whereas the fund financial statements provide more detail information about the Library's operations.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements include the statement of net position and the statement of activities and report the operations of the Library as a whole using accounting methods similar to those used by private companies. These two statements report the Library's net position and how it changed. Net position, which is the difference between assets and liabilities, are one way to measure the Library's financial health. Over time, increases or decreases in the Library's net position is one indicator of whether its financial health is improving or deteriorating. Other factors should also be considered such as the overall financial health of Rutherford County, the City of Smyrna, the City of Eagleville and the City of Murfreesboro since these entities primarily support the Library. Also included in the government-wide statements is a component unit, the Linebaugh Library Foundation ("the foundation"), which is a separate, tax exempt entity that supports the Library.

FUND FINANCIAL STATEMENTS

The Library has one fund which is its General Fund. This fund only focuses on cash and other assets that can be easily converted to cash. The fund statements include a reconciliation of the difference between the fund statements and the government-wide statements.

FINANCIAL ANALYSIS

A condensed statement of the Library's net position excluding the foundation is shown in Table 1 below.

Table 1
Net Position

	2015	2014
Cash and investments	\$ 1,486,343	\$ 1,419,012
Capital assets	867,043	911,448
Net pension asset	291,846	38,274
Other	34,108	5,848
	<u>2,679,340</u>	<u>2,374,582</u>
Deferred outflows related to pensions	61,090	-
Other liabilities	(97,885)	(102,506)
Deferred inflows related to pensions	(223,297)	-
Net position:		
Invested in capital assets	867,043	911,448
Unrestricted	1,552,206	1,360,629
	<u>\$ 2,419,249</u>	<u>\$ 2,272,077</u>

Net position for the year increased by \$147,172. The unrestricted net position give a good indication of the assets available for future operations. The net pension asset relates to the Library adopting the provisions of Governmental Accounting Standards Board Statement 68 related to pension accounting. The net pension asset is the amount by which the pension plan's assets exceed the present value of accrued benefits earned by employees and gives a good indication that the Library's pension plan is well funded.

A condensed statement of the Library's statement of activities is shown in Table 2 below.

Table 2
Changes in Net Position

	2015	2014
Program revenues	\$ 136,273	\$ 131,210
Local government support	2,489,177	2,378,209
Other revenues	90,914	115,754
	<u>2,716,364</u>	<u>2,625,173</u>
Expenses:		
Payroll and benefits	1,604,362	1,626,218
Periodicals	7,906	9,350
Occupancy	256,687	236,933
Fund transfers	32,858	-
Depreciation	433,601	443,641
Other costs	233,778	175,738
	<u>2,569,192</u>	<u>2,491,880</u>
Increase in net position	<u>\$ 147,172</u>	<u>\$ 133,293</u>

The increase in revenues is primarily related to the Library receiving additional government funding compared to the previous fiscal year. Expenses overall are very comparable to the prior year. During the year the Library adopted the new pension accounting standards as required by the Governmental Accounting Standards Board. This change reduced pension expense by approximately \$91,000. If this change had not occurred the caption above "Payroll and benefits" would have been \$91,000 more.

CAPITAL ASSETS

At the end of the fiscal year the Library had \$867,043 investment in capital assets. It should be noted that the Library does not own its facilities in Smyrna, Murfreesboro, or Eagleville. They are owned jointly by Rutherford County and/or the respective cities. Capital asset additions in the current year were approximately \$389,000 which primarily represents books purchased or donated to the library.

NEXT YEAR'S ACTIVITIES

Management expects next year operations to be consistent with the 2015 fiscal year with an approximate 5% increase in funding for FY2016.

LINEBAUGH PUBLIC LIBRARY SYSTEM

STATEMENT OF NET POSITION

June 30, 2015

	Primary Fund	Component Unit- Linebaugh Library Foundation
ASSETS		
Cash and cash equivalents	\$ 1,171,175	\$ -
Investments	315,169	167,283
Prepaid expenses	34,108	-
Net pension asset	291,846	
Capital assets, net of accumulated depreciation	867,043	-
Total Assets	<u>2,679,341</u>	<u>167,283</u>
DEFERRED OUTFLOWS RELATED TO PENSIONS	<u>61,090</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 2,740,431</u>	<u>\$ 167,283</u>
LIABILITIES		
Accounts payable	\$ 3,816	\$ -
Withheld payroll liabilities	882	-
Accrued vacation	93,187	-
TOTAL LIABILITIES	<u>97,885</u>	<u>-</u>
DEFERRED INFLOWS RELATED TO PENSIONS	<u>223,297</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	321,182	
NET POSITION		
Investment in capital assets	867,043	-
Unrestricted	1,552,206	121,211
Restricted for grant or other purposes	-	46,072
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 2,740,431</u>	<u>\$ 167,283</u>

See notes to financial statements.

LINEBAUGH PUBLIC LIBRARY SYSTEM

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Primary Governmental Fund	Component Unit- Linebaugh Library Foundation
Expenses:		
Payroll and benefits	\$ 1,604,362	\$ -
Periodicals	7,906	-
Occupancy costs	256,687	-
Depreciation	433,601	-
Other operating costs	233,778	10,413
Total program expenses	2,536,334	10,413
Program Revenues	136,273	-
Net program expense	2,400,061	10,413
General Revenues:		
Local government support	2,489,177	-
Interest	4,195	17
Donated Books	68,239	-
Grant income	11,172	-
Miscellaneous public support	7,308	1,500
Total general revenues	2,580,091	1,517
Fund transfer	(32,858)	32,858
Change in net position	147,172	23,962
Net position at beginning of year	2,233,803	143,321
Restatement of net pension liability	38,274	-
Net position, beginning of year as revised	2,272,077	143,321
Net position at end of year	\$ 2,419,249	\$ 167,283

See notes to financial statements.

LINEBAUGH PUBLIC LIBRARY SYSTEM
GOVERNMENTAL FUND BALANCE SHEET

June 30, 2015

ASSETS

Cash and cash equivalents	\$	1,171,175
Investments		315,169
Prepaid items		34,108
Total assets	\$	1,520,452

LIABILITIES AND FUND BALANCES

Accounts payable	\$	3,816
Withheld payroll liabilities		882
		4,698
Fund balance		
Non spendable		34,108
Unassigned		1,481,646
		1,515,754
Total liabilities and fund balance	\$	1,520,452

Reconciliation of Governmental Fund Balance to Net Position in Statement of Activities:

Governmental Fund Balance	\$	1,515,754
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Amounts reported for governmental activities in the statement of net assets are different because:

Certain assets are not current financial resources in governmental funds, but are instead reported in the statement of net position

Capital assets, net of depreciation		867,043
Net pension asset		291,846
Deferred outflows related to pensions		61,090

All liabilities are reported in the statement of net position, however, if they are not due in the current period they are not recorded in the governmental funds

Accrued vacation pay		(93,187)
Deferred inflows related to pensions		(223,297)

	\$	2,419,249
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See notes to financial statements.

LINEBAUGH PUBLIC LIBRARY SYSTEM

STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended June 30, 2015

Revenue	
City funds	\$ 1,191,003
County funds	1,298,175
Gifts and memorials	7,376
Grant income	11,172
Interest income	4,195
Fines and miscellaneous	136,272
Total revenue	<u>2,648,193</u>
Expenditures	
Books purchased	274,757
Salaries	1,285,992
Payroll taxes	102,991
Retirement	61,090
Employee insurance	241,698
Utilities	124,107
Telephone	25,766
Supplies	34,044
Periodicals	7,906
Professional fees	15,655
Repairs and maintenance	105,051
Computer support and maintenance	118,861
Databases	24,352
Insurance	27,529
Miscellaneous	24,563
Postage and freight	4,696
Travel and meetings	994
Professional development	5,492
Collection agency	17,291
Transfer to Library Foundation	32,858
Reading programs	8,333
Total expenditures	<u>2,544,026</u>
Excess revenue over expenditures	104,167
Fund balance - beginning of year	<u>1,411,587</u>
Fund balance - end of year	<u><u>\$ 1,515,754</u></u>

See notes to financial statements.

LINEBAUGH PUBLIC LIBRARY SYSTEM

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Net change in governmental fund balances	\$ 104,167
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds reflect pension expense as paid, however, in the statement of activities, pension expense net of employee contributions is reported as earned	91,365
Governmental funds report capital asset additions as expenditures, however, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital additions	(44,405)
Accrued vacation pay included in statement of activities do not require use of current financial resources and therefore are excluded from expenditures in the governmental funds	<u>(3,955)</u>
Change in net position of governmental activities	<u>\$ 147,172</u>

See notes to financial statements.

**LINEBAUGH PUBLIC LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - The financial statements presented are for the combined operations of Linebaugh Public Library, Murfreesboro, Tennessee; Smyrna Public Library, Smyrna, Tennessee; Myrtle Lord Library, Murfreesboro, Tennessee; and Eagleville Bicentennial Library, Eagleville, Tennessee (effective January 1, 2006). The Linebaugh Public Library System is considered a joint venture between the City of Murfreesboro, Tennessee, and City of Smyrna, Tennessee, and Rutherford County, Tennessee. The Library System is financed primarily by contributions from these entities. The city councils and county commission appoint the Board members. The Linebaugh Public Library Foundation is a legally separate, tax-exempt component unit of the Library System. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Library System in support of its programs. Although the Library System does not control the timing or amount of funds available from the foundation, all funds held by the foundation are for the ultimate benefit of the Library System, and therefore the foundation is considered a component unit of the Library System and is discretely presented in the Library System's financial statements. The foundation does not prepare separate financial statements.

Government Wide and Fund Financial Statements - The government wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Library System as a whole. Individual fund statements are not displayed. The Library System only has governmental fund activities.

The statement of activities reports the expenses of the Library System's program, which is the operation of the public library system in Murfreesboro and Smyrna. Program revenues include fees, fines and grants. General revenues consist primarily of local governmental funding. The fund financial statements are provided for the Library System's governmental funds.

Basis of Accounting/Revenue Recognition - Government wide statements report using economic resources measurement focus and the accrual method of accounting which in general, requires that revenue be recorded when earned and expenses recorded when incurred. Governmental fund statements report using the current financial resources measurement focus and the modified accrual method of accounting. Revenues are recognized when they are measurable and available. The Library considers revenues collected within 60 days of the end of the fiscal year to be available. Expenditures are recorded when the related liability is incurred.

Governmental Funds - The Library System's accounts for the operation of the System in its General Fund. It is the only fund used by the Library System.

Fund Equity - In the fund financial statements, the Library reports the following components of fund balance: *Nonspendable*- amounts that are not available to be spent or legally or contractually required to remain intact. *Restricted*- amounts that are restricted for certain purposes such as outside parties, and *Unassigned*- all other

LINEBAUGH PUBLIC LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity(continued)

amounts available for any purpose. When expenses are incurred for which restricted and unrestricted sources are available, it is the Library's policy to first apply restricted resources.

Capital Assets and Depreciation – The Library System's capital assets consist primarily of furniture, fixtures, computer equipment, and its book collection. The Library Systems' buildings are owned by their respective city and the county. Capital assets costing \$1,500 or more with a useful life of one year or more are capitalized. The costs of normal repair and maintenance that do not add to the asset value or materially extend useful lives are expensed. Capital assets are depreciated using the straight line method using lives of 7-10 years for furniture and fixtures and 4 years for computer equipment. Books are depreciated using a composite depreciation method over a 5 year period. Works of art and book collections that are held for historical preservation are expensed. Books that are discarded are charged off against the cost of books and accumulated depreciation using the most recent average cost. Donated books are valued at \$20 per book.

Budgeting – The Library System prepares an operating budget which is approved by the Board of Directors. The budget is not legally adopted.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions- For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related pensions, and pension expense, information about the fiduciary net position of the Linebaugh Public Library System's participation in the Public Employee Retirement Plan of the Tennessee consolidated retirement system(TCRS), and additions to and deductions from the Linebaugh Public Library System's fiduciary net position have been determined on the same basis as they were reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

NOTE B - CASH AND INVESTMENTS

The Library's cash deposits are entirely insured through federal depository insurance or the state multiple institution collateral pool. The Library System pools its cash and investments of each branch location. Each branch's portion of a pool is displayed on its respective balance sheet as "pooled cash and cash equivalents". The Library System considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

LINEBAUGH PUBLIC LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE B – CASH AND INVESTMENTS (CONTINUED)

The Library's investments are reported at cost which approximates fair value and consists of the following at June 30, 2015:

Certificate of deposit First Bank, .25%, mature 8/28/16	\$	103,157
Certificate of deposit Heritage South, .55%, mature 12/11/15		104,506
Certificate of deposit Heritage South, .55%, mature 12/11/15		104,506
Certificate of deposit Region's Bank, .05%, mature 12/18/15		3,000
	<u>\$</u>	<u>315,169</u>

Statutes allow the Library to invest in certificates of deposit and the state treasurer's investment pool. Certificates of deposit are fully insured through federal depository insurance.

The Linebaugh Library Foundation's funds are held in a money market account at a local bank and are fully insured through federal depository insurance.

NOTE C – CAPITAL ASSETS

Capital assets changes for the year ended June 30, 2015 were as follows:

	Balance at June 30, 2014	Additions	Disposals	Balance at June 30, 2015
Cost				
Furniture and equipment	\$ 1,042,906	\$ 21,667	\$ -	\$ 1,064,573
Computers and software	610,214	24,532	-	634,746
Vehicles	110,771	-	-	110,771
Books	6,431,010	342,997	(1,021,968)	5,752,039
	<u>\$ 8,194,901</u>	<u>\$ 389,196</u>	<u>\$(1,021,968)</u>	<u>\$ 7,562,129</u>
Accumulated Depreciation				
Furniture and fixtures	\$ 904,219	\$ 43,233	\$ -	\$ 947,452
Computers and software	535,109	37,251	-	572,360
Vehicles	110,771	-	-	110,771
Books	5,733,354	353,117	(1,021,968)	5,064,503
	<u>\$ 7,283,453</u>	<u>\$ 433,601</u>	<u>\$(1,021,968)</u>	<u>\$ 6,695,086</u>

LINEBAUGH PUBLIC LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE D - PENSION PLAN

Plan description

Employees of Linebaugh Public Library System are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**LINEBAUGH PUBLIC LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**

NOTE D - PENSION PLAN (CONTINUED)

Employees covered by benefit terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	27
Active employees	30
	71
	71

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. Linebaugh Public Library System's makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Linebaugh Public Library System were \$61,090 based on a rate of 9.05% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Linebaugh Public Library System's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NET PENSION (ASSET)LIABILITY

Linebaugh Public Library System's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

**LINEBAUGH PUBLIC LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**

NOTE D – PENSION PLAN (CONTINUED)

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33.00%
Developed market intl equity	6.26%	17.00%
Emerging market intl equity	6.40%	5.00%
Private equity and strategic lending	4.61%	8.00%
U.S. fixed income	0.98%	29.00%
Real estate	4.73%	7.00%
Short-term securities	0.00%	1.00%
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

LINEBAUGH PUBLIC LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE D – PENSION PLAN(CONTINUED)

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Linebaugh Public Library System's will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The change in net pension liability reflected in the financial statements for the year end June 30, 2015 is illustrated below based on the measurement date of June 30, 2014 as noted in the preceding paragraph:

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at June 30, 2013	\$ 2,595,524	\$ 2,549,407	\$ 46,117
Changes for the year:			
Service cost	67,335	-	67,335
Interest	196,891	-	196,891
Differences between expected and actual experience	(44,901)	-	(44,901)
Contributions-employer	-	84,391	(84,391)
Contributions-employees	-	46,625	(46,625)
Net investment income	-	427,470	(427,470)
Benefit payments, including refunds of employee contributions	(75,297)	(75,297)	-
Administrative expense	-	(1,198)	1,198
Net changes	<u>144,028</u>	<u>481,991</u>	<u>(337,963)</u>
Balance at June 30, 2014	<u>\$ 2,739,552</u>	<u>\$ 3,031,398</u>	<u>\$ (291,846)</u>

**LINEBAUGH PUBLIC LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**

NOTE D - PENSION PLAN(CONTINUED)

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Linebaugh Public Library System's calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Linebaugh Public Library System 's net pension liability (asset)	\$ 35,087	\$ (291,846)	\$ (567,467)

NOTE E - PENSION EXPENSE (INCOME) AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension expenses

For the year ended June 30, 2015, Linebaugh Public Library System's recognized pension income of \$30,275.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Linebaugh Public Library System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ -	\$ 35,921
Net difference between projected and actual earnings on pension plan investments	-	187,376
Contributions subsequent to the measurement date of June 30, 2014	<u>61,090</u>	<u>-</u>
Total	<u>\$ 61,090</u>	<u>\$ 223,297</u>

LINEBAUGH PUBLIC LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE E - PENSION EXPENSE (INCOME) AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction in pension expense as follows:

Year Ended June 30:	
2016	\$ (55,824)
2017	(55,824)
2018	(55,824)
2019	(55,824)
2020	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2015, Linebaugh Public Library System's had an outstanding payable of \$2,555 for outstanding contributions to the pension plan required at the year ended June 30, 2015.

NOTE F - ACCRUED VACATION

Accrued vacation carryover is based on years of service. An employee working 1-5 years can carryover 30 days, while 5-10 years is 36 days, 10-20 years is 39 days, and 20+ years is 42 days. At June 30, 2015 \$93,187 was accrued for vacation liabilities.

NOTE G - RISK MANAGEMENT

The Library System is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, natural disasters, injuries to employees, etc. The library system carries commercial insurance to cover significant losses. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the last three fiscal years.

NOTE H - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 30, 2015, the date the financial statements were available to be issued.

NOTE I- NEW ACCOUNTING STANDARD

The Library adopted the provisions of GASB No. 68 during the current year. This statement requires governmental organizations to recognize an asset or liability based upon the actuarial present value of accrued pension benefits earned to the actual assets of the pension plan. The adoption of this statement resulted in an increase to beginning net position of \$38,274.

Linebaugh Public Library System

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

For the year ended June 30, 2015

for fiscal year ending June 30, 2015 (year shown is measurement date)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service cost	\$ 67,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	196,891	-	-	-	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(44,901)	-	-	-	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit Payments, including refunds of employee contributions	(75,297)	-	-	-	-	-	-	-	-	-
Net Change in Total Pension Liability (Asset)	144,028									
Total Pension Liability (Asset) - beginning of year	2,595,524									
Total Pension Liability (Asset) - ending of year (a)	\$ 2,739,552									
Plan Fiduciary Net Position										
Contributions - employer	\$ 84,391	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	46,625	-	-	-	-	-	-	-	-	-
Net investment income	427,470	-	-	-	-	-	-	-	-	-
Benefit Payments, including refunds of employee contributions	(75,297)	-	-	-	-	-	-	-	-	-
Administrative expenses	(1,198)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	481,991									
Plan Fiduciary Net Position - beginning of year	2,549,407									
Plan Fiduciary Net Position - ending (b)	3,031,398									
Net Pension Liability (Asset) - ending (a) - (b)	\$ (291,846)	\$ -								
Plan Fiduciary Net Position as a % of the Total Pension Liability	110.65%									
Covered-employee payroll	\$ 932,491									
Net Pension Liability (Asset) as a % of covered-employee payroll	-31.30%									

Linebaugh Public Library System

SCHEDULE OF CONTRIBUTIONS
For the year ended June 30, 2015

for fiscal year ending June 30, 2015

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 84,391	\$ 61,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	84,391	61,090	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll	932,491	862,359								
Contributions as a percentage of covered - employee payroll	9.05%	7.08%								

Notes to the Schedule Relating to the Actuarially Determined Contribution

Employer contributions for the year ended June 30, 2015 are based on the results of the July 1, 2013 actuarial valuation. Accordingly, governmental employers utilize the following notes to the schedule relating to the Actuarially Determined Contributions when presenting 2015. If 2015 is not presented, then a separate set of notes would apply.

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	2 years
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71% based upon age, including inflation, averaging 4.25%
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

SUPPLEMENTAL INFORMATION

To the Board of Directors of
The Linebaugh Public Library System

We have audited the financial statements of the Linebaugh Public Library System as of and for the year ended June 30, 2015, and our report thereon dated November 30, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 3-4. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining governmental balance sheets and combining statement of governmental fund revenues, expenditures, and changes in fund balances and the governmental financial statements of the Linebaugh Library Foundation is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Dempsey Vantrease & Follis PLLC

November 30, 2015
Murfreesboro, Tennessee

LINEBAUGH PUBLIC LIBRARY SYSTEM

GOVERNMENTAL FUND BALANCE SHEET BY BRANCH

June 30, 2015

ASSETS

	<u>Murfreesboro</u>	<u>Smyrna</u>	<u>Myrtle Lord</u>	<u>Eagleville</u>	<u>Total</u>
Pooled cash and cash equivalents	\$ 730,276	\$ 354,665	\$ 47,946	\$ 38,288	\$ 1,171,175
Pooled investments	185,950	129,219	-	-	315,169
Prepaid items	32,171	1,698	65	174	34,108
Total assets	<u>\$ 948,397</u>	<u>\$ 485,582</u>	<u>\$ 48,011</u>	<u>\$ 38,462</u>	<u>\$ 1,520,452</u>

LIABILITIES AND FUND BALANCES

Accounts payable	\$ 3,816	\$ -	\$ -	\$ -	\$ 3,816
Withheld payroll liabilities	882	-	-	-	882
	<u>4,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,698</u>
Fund balance					
Non spendable-prepays	32,171	1,698	65	174	34,108
Unassigned	911,528	483,884	47,946	38,288	1,481,646
	<u>943,699</u>	<u>485,582</u>	<u>48,011</u>	<u>38,462</u>	<u>1,515,754</u>
Total liabilities and fund balance	<u>\$ 948,397</u>	<u>\$ 485,582</u>	<u>\$ 48,011</u>	<u>\$ 38,462</u>	<u>\$ 1,520,452</u>

LINEBAUGH PUBLIC LIBRARY SYSTEM

STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE BY BRANCH

Year Ended June 30, 2015

	Murfreesboro	Smyrna	Myrtle Lord	Eagleville	Total
Revenue					
City funds	\$ 783,174	\$ 274,540	\$ 106,792	\$ 26,497	\$ 1,191,003
County funds	960,650	298,580	-	38,945	1,298,175
Gifts and memorials	4,210	3,026	100	40	7,376
Grant income	11,172	-	-	-	11,172
Interest income	2,509	1,466	113	107	4,195
Fines and miscellaneous	89,165	42,738	2,841	1,528	136,272
Total revenue	<u>1,850,880</u>	<u>620,350</u>	<u>109,846</u>	<u>67,117</u>	<u>2,648,193</u>
Expenditures					
Books purchased	182,669	75,840	9,664	6,584	274,757
Salaries	924,088	284,970	48,893	28,041	1,285,992
Payroll taxes	75,515	21,911	3,585	1,980	102,991
Retirement	46,154	11,584	1,810	1,542	61,090
Employee insurance	183,105	28,588	22,248	7,757	241,698
Utilities	84,101	38,572	-	1,434	124,107
Telephone	12,379	11,404	1,075	908	25,766
Supplies	26,560	5,569	1,266	649	34,044
Periodicals	4,958	2,153	795	-	7,906
Professional fees	12,505	2,400	375	375	15,655
Repairs and maintenance	81,464	22,717	-	870	105,051
Computer support and maintenance	78,134	27,631	9,070	4,026	118,861
Databases	13,708	6,684	2,979	981	24,352
Insurance	14,125	6,537	5,629	1,238	27,529
Miscellaneous	19,589	2,477	2,180	317	24,563
Postage and freight	3,167	1,500	29	-	4,696
Travel and meetings	866	128	-	-	994
Professional development	3,365	815	1,191	121	5,492
Collection agency	11,239	5,706	250	96	17,291
Transfer to Library Foundation	32,858	-	-	-	32,858
Reading programs	3,452	4,487	294	100	8,333
Total expenditures	<u>1,814,001</u>	<u>561,673</u>	<u>111,333</u>	<u>57,019</u>	<u>2,544,026</u>
Excess revenue over expenditures	36,879	58,677	(1,487)	10,098	104,167
Fund balance - beginning of year	<u>906,820</u>	<u>426,905</u>	<u>49,498</u>	<u>28,364</u>	<u>1,411,587</u>
Fund balance - end of year	<u>\$ 943,699</u>	<u>\$ 485,582</u>	<u>\$ 48,011</u>	<u>\$ 38,462</u>	<u>\$ 1,515,754</u>

LINEBAUGH PUBLIC LIBRARY SYSTEM
GOVERNMENTAL FUND BALANCE SHEET

Linebaugh Library Foundation

June 30, 2015

ASSETS

Investments \$ 167,283

TOTAL ASSETS \$ 167,283

FUND BALANCE

Unassigned \$ 121,211

Restricted for grant or other purposes 46,072

TOTAL FUND BALANCE \$ 167,283

LINEBAUGH PUBLIC LIBRARY SYSTEM

STATEMENT REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

Linebaugh Library Foundation

Year Ended June 30, 2015

Revenues:	
Contributions from public	\$ 1,500
Interest income	17
	<u>1,517</u>
Expenses:	
Professional fees	350
Miscellaneous	13
Library support	10,050
	<u>10,413</u>
Excess of expenses over revenues	(8,896)
Transfer from Linebaugh Library System	<u>32,858</u>
Change in fund balance	23,962
Fund Balance at beginning of year	<u>143,321</u>
Fund Balance at end of year	<u><u>\$ 167,283</u></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***

To the Board of Directors
Linebaugh Public Library System

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit and the major fund of the Linebaugh Public Library System as of and for the year ended June 30, 2015, and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

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

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings (Findings 2015-1, 2015-2, 2015-3) that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Linebaugh Public Library System's financial statements are free from 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*.

Linebaugh Library System's Response to Findings

The Linebaugh Public Library System's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Linebaugh Public Library System's response and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library'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.

Dempsey Vantrease - Folli PLLC

Murfreesboro, Tennessee
November 30, 2015

LINEBAUGH PUBLIC LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

Part I – Summary of Auditor Results

Type of report issue: unqualified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified that are not considered material weakness? Yes

Noncompliance material to financial statements noted: No

Part II – Financial Statement Finding

Finding 2015-1

Criteria: Bank reconciliation, cash disbursements, and bank deposit duties should be segregated.

Condition: Bookkeeper currently prepares all checks and reconciles all accounts and makes the bank deposits.

Cause: Library system does not have enough staff to properly segregate such duties.

Effect: Errors or irregularities could occur and not be discovered in a timely manner.

Recommendation: Management should consider implementing policies to allow for segregation of duties.

Response: We feel that the dual check signing by our treasurer and Library Director mitigates this to a large degree, and the Library Director does receive the bank statement directly and review it each month.

LINEBAUGH PUBLIC LIBRARY SYSTEM

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

June 30, 2015

Finding 2015-2

Criteria: Financial statements should be prepared in accordance with generally accepted accounting principles (GAAP).

Condition: Preparation of financial statements at end of year requires significant assistance from auditor to comply with GAAP.

Cause: Library staff does not have the training or expertise necessary to prepare financial statements in accordance with GAAP.

Effect: Library relies on auditor to adjust year end books to comply with GAAP.

Recommendation: Management should consider putting procedures in place to enable the Library to prepare financial statements in accordance with GAAP.

Response: We do not believe it is practical for us to acquire the necessary expertise to prepare GAAP based financial statements. Our internal statements mainly reflect our cash transactions and are most meaningful to management and the board of directors to assist in operating the library.

LINEBAUGH PUBLIC LIBRARY SYSTEM

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

June 30, 2015

Comments on Prior Audit Findings and Related Resolutions

Finding 2014-1

Criteria: Bank reconciliation duties, cash disbursements and bank deposit duties should be segregated.

Condition: Bookkeeper currently prepares all checks and reconciles all accounts and makes the bank deposits.

Recommendation: Management should consider implementing policies to allow for separation of duties.

Current year update - No changes noted during the current year audit.

Finding 2014-2

Criteria: Financial statements should be prepared in accordance with generally accepted accounting principles (GAAP).

Condition: Preparation of financial statements at end of year requires significant assistance from auditor to comply with GAAP.

Recommendation: Management should consider putting in place procedures to enable the Library to prepare financial statements in accordance with GAAP.

Current year update - No changes noted during the current year audit.

Finding 2014-3

Criteria: Transactions should be supported by appropriate supporting documentation.

Condition: The Library was unable to locate supporting invoices and canceled checks for two of eighteen checks requested for testing of year end accounts payable and two of nineteen repairs and maintenance selections.

Recommendation: Management should consider putting in place procedures to ensure proper record retention and restrict access appropriately to prevent misfiling.

Current year update – The current year audit did not note instances of inadequate supporting documentation.

LINEBAUGH PUBLIC LIBRARY SYSTEM

ROSTER OF OFFICIALS

June 30, 2015

Board of Directors

Christie Lee	Chairman
Gary E. Green	Vice Chairperson
Marilyn Castelli	Treasurer
Suma Clark	Secretary
Ross Spielman	Member
Kari Sostrom	Member
Nell Blankenship	Member
Lisa Trail	Member
Daniel L. Graves	Member
Madelyn Scales Harris	Member
Dicken Kidwell	Member
Marcie Richmond	Member
Andy Rubin	Member
Timothy Bowling	Member

Management

Rita Shacklett	Executive Director
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