

ACCOUNTANT'S AUDIT REPORT
WESTERN PLAINS LIBRARY SYSTEM

JUNE 30, 2014

BY



Western Plains Library System
Clinton, Oklahoma
Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Western Plains Library System
Clinton, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of Western Plains Library System (the System), as of and for the year ended June 30, 2014, 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 statements 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 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, 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 statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Western Plains Library System, as of June 30, 2014, 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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require the budgetary comparison information on pages 22 and 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Plains Library System's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were 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 combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



FURRH
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2014, on our consideration of the Western Plains 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* and should be considered in assessing the results of our audit.

Furrh and Associates, PC

FURRH & **A**SSOCIATES, PC

Lawton, Oklahoma

August 13, 2014

Western Plains Library System

Clinton, Oklahoma

Statement of Net Assets

June 30, 2014

	<u>Governmental Activities</u>	<u>Enterprise Activities</u>	<u>Total</u>
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 938,038	\$ 2,496	\$ 940,534
Investments	160,661	0	160,661
Ad Valorem Tax Receivable	257,710	0	257,710
Accts Receivable-Library Board	946	0	946
Prepaid Equipment Maintenance	1,390	0	1,390
Prepaid Insurance	17,226	0	17,226
Prepaid Subscriptions	24,775	0	24,775
Inventory	0	2,757	2,757
	<hr/>	<hr/>	<hr/>
Total Current Assets	1,400,746	5,253	1,405,999
<u>Other Assets</u>			
Fixed Assets, net of Accum Depreciation	1,137,488	0	1,137,488
	<hr/>	<hr/>	<hr/>
Total Other Assets	1,137,488	0	1,137,488
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 2,538,234	\$ 5,253	\$ 2,543,487
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities</u>			
Accounts Payable	\$ 9,104	\$ 0	\$ 9,104
Unpaid Compensated Absences	47,915	0	47,915
Accrued Payroll	21,219	0	21,219
Payroll Liabilities	9,622	0	9,622
	<hr/>	<hr/>	<hr/>
Total Liabilities	87,860	0	87,860
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	1,137,488	0	1,137,488
Restricted	0	5,253	5,253
Assigned	323,000	0	323,000
Unassigned	989,886	0	989,886
	<hr/>	<hr/>	<hr/>
Total Net Assets	2,450,374	5,253	2,455,627
	<hr/>	<hr/>	<hr/>
Total Net Assets and Liabilities	\$ 2,538,234	\$ 5,253	\$ 2,543,487
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Statement of Activities
Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary Government						
Governmental Activities:						
Operating Expenses	\$ 455,653	\$ 49,902	\$ 0	\$ (389,108)	\$ 0	\$ (389,108)
Personnel Services	994,247	0	0	(994,247)	0	(994,247)
Informational Materials	335,330	0	0	(335,330)	0	(335,330)
Public & Technical Services	48,305	0	0	(48,305)	0	(48,305)
Total Governmental Activities	1,833,535	49,902	0	(1,766,990)	0	(1,766,990)
Business Type Activities:						
Sales	2,318	0	0		264	264
Total Business Type Activities	2,318	0	0			
Total Primary Government	\$ 1,835,853	\$ 49,902	\$ 0	(1,766,990)	264	(1,766,726)
General Revenue						
Ad Valorem Tax				1,927,604	0	1,927,604
Interest				2,630	0	2,630
Miscellaneous				3,443	0	3,443
Donations				2,647	0	2,647
Transfers				(590)	590	0
Total General Revenue				1,935,734	590	1,936,324
Change in Net Assets				168,744	854	169,598
Net Assets, June 30, 2013				2,281,630	4,399	2,286,029
Net Assets, June 30, 2014				\$ 2,450,374	\$ 5,253	\$ 2,455,627

Please see accompanying notes to the financial statements.

Western Plains Library System

Clinton, Oklahoma

Balance Sheet

Governmental Funds

June 30, 2014

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Petty Cash	\$ 50	\$ 0	\$ 50
Cash - Mid First Bank, Weatherford	2,496	0	2,496
Cash - Mid First Bank, Weatherford	10,362	0	10,362
Cash - MidFirst Bank, Weatherford	878,901	0	878,901
Cash - Oklahoma Bank & Trust, Clinton	31,851	10,209	42,060
Cash - First Bank and Trust, Clinton	0	4,169	4,169
CD - Security State	60,580	0	60,580
CD - Bank of the West	100,081	0	100,081
Ad Valorem Tax Receivable	257,710	0	257,710
Accts Receivable-Library Board	400	546	946
Prepaid Equipment Maint.	1,390	0	1,390
Prepaid Insurance	17,226	0	17,226
Prepaid Subscriptions	24,775	0	24,775
Fixed Assets	1,804,276	0	1,804,276
Accumulated Depreciation	(1,804,276)	0	(1,804,276)
Total Assets	\$ 1,385,822	\$ 14,924	\$ 1,400,746
<u>Liabilities</u>			
Accounts Payable	\$ 9,104	\$ 0	\$ 9,104
Unpaid Compensated Absences	47,915	0	47,915
Accrued Payroll	21,219	0	21,219
Payroll Liabilities	9,622	0	9,622
Total Liabilities	87,860	0	87,860
<u>Fund Balance</u>			
Restricted	0	0	0
Committed	0	0	0
Assigned	323,000	0	323,000
Unassigned	974,962	14,924	989,886
Total Fund Balance	1,297,962	14,924	1,312,886
Total Liabilities and Fund Balance	\$ 1,385,822	\$ 14,924	\$ 1,400,746

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2014

Net Assets	\$ 1,312,886
Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital Assets Used by Governmental Activities of \$1,804,276	
Net of Accumulated Depreciation of \$666,788 are not financial resources and, therefore, are not reported in the funds.	<u>1,137,488</u>
Net Assets of Governmental Activities	<u><u>\$ 2,450,374</u></u>

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>			
Ad Valorem Tax Revenue	\$ 1,927,604	\$ 0	\$ 1,927,604
State Aid	48,335	0	48,335
Branch Library Income	15,410	0	15,410
Interest Income	2,591	39	2,630
Miscellaneous Revenue	3,398	45	3,443
Collection Income	1,233	0	1,233
State Grants	1,567	0	1,567
Donations	0	2,647	2,647
Total Revenue	<u>2,000,138</u>	<u>2,731</u>	<u>2,002,869</u>
<u>Expenditures</u>			
Personnel Services			
Salaries and Wages	791,745	0	791,745
Employee Insurance	108,150	0	108,150
Payroll Taxes	62,791	0	62,791
Retirement Costs	31,561	0	31,561
Total Personnel Services	<u>994,247</u>	<u>0</u>	<u>994,247</u>
Informational Materials			
Books	154,491	3,804	158,295
Databases	52,736	0	52,736
Downloadables	65,414	0	65,414
Audio Books	31,613	0	31,613
DVDs	20,418	0	20,418
Magazines	3,678	0	3,678
Newspapers	2,631	0	2,631
Microfilm	545	0	545
Total Informational Materials	<u>331,526</u>	<u>3,804</u>	<u>335,330</u>
Public and Technical Services			
Programming Fees & Supplies	35,356	0	35,356
Technical Services	12,949	0	12,949
Total Public & Technical Services	<u>48,305</u>	<u>0</u>	<u>48,305</u>
Operating Expenses			
Internet Access	80,523	0	80,523
Professional Consulting	27,976	0	27,976
Building Maintenance	26,068	0	26,068

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>			
Professional Development	\$ 30,337	\$ 0	\$ 30,337
Insurance	33,554	0	33,554
Vehicle Expense	19,969	0	19,969
Contingency Expense	16,669	0	16,669
Computer Expense	10,773	0	10,773
Equipment Expense	18,292	0	18,292
Advertising & Marketing	21,333	0	21,333
Staff Development	21,671	0	21,671
Utilities	12,208	0	12,208
Supplies	15,732	0	15,732
Postage and Freight	9,942	0	9,942
Human Resources Expense	7,592	0	7,592
Travel	8,939	0	8,939
Collection Agency	4,472	0	4,472
Furniture Expense	3,937	0	3,937
Miscellaneous Expense	2,617	0	2,617
Banking Service Fees	831	102	933
Grant Expenses	1,567	0	1,567
Rent	924	0	924
Capital Outlay (Depreciation)	88,824	0	88,824
Total Operating Expenses	<u>464,750</u>	<u>102</u>	<u>464,852</u>
Total Expenditures	1,838,828	3,906	1,842,734
Revenue Over (Under) Expenditures	161,310	(1,175)	160,135
Fund Balance, June 30, 2013	<u>1,132,134</u>	<u>16,099</u>	<u>1,148,233</u>
Fund Balance, June 30, 2014	<u>\$ 1,293,444</u>	<u>\$ 14,924</u>	<u>\$ 1,308,368</u>

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Enterprise Fund
Statement of Net Assets
Year Ended June 30, 2014

Assets

Current Assets:

Cash - MidFirst Bank, Weatherford	\$	2,496
Inventory		<u>2,757</u>

Total Current Assets		\$ 5,253
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Noncurrent Assets:

Capital Assets		0
Accumulated Depreciation		<u>0</u>

Total Noncurrent Assets		<u>0</u>
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Total Assets		<u><u>\$ 5,253</u></u>
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Liabilities

Unearned Revenue	\$	<u>0</u>
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Total Liabilities		\$ 0
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Net Assets

Restricted		<u>5,253</u>
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Total Net Assets		<u>5,253</u>
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Total Net Assets and Liabilities		<u><u>\$ 5,253</u></u>
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Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Enterprise Fund
Statement of Revenue, Expense, and Changes in Fund Net Assets
Year Ended June 30, 2014

<u>Operating Revenue</u>		
Sales	\$	2,582
 <u>Operating Expense</u>		
Cost of Inventory		<u>2,318</u>
Net Operating Income (Loss)	\$	264
 <u>Non Operating Revenue (Expense)</u>		
Transfers from WPLS		<u>590</u>
Net Nonoperating Revenue/Expense		<u>590</u>
Net Revenue (Loss)		854
Total Net Assets, June 30, 2013		<u>4,399</u>
Total Net Assets, June 30, 2014	\$	<u><u>5,253</u></u>

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2014

<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 2,582
Payments to Suppliers	<u>(2,177)</u>
Net Cash Provided by Operating Activities	405
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers from Western Plains	<u>590</u>
Net Cash Provided (Used) by Noncapital Financing Activities	590
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital Assets Purchased	0
Capital Assets Sold	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	0
<u>Cash Flows from Investing Activities</u>	
Interest Income	<u>0</u>
Net Cash Provided by Investing Activities	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	995
Cash and Cash Equivalents - June 30, 2013	<u>1,501</u>
Cash and Cash Equivalents - June 30, 2014	<u><u>\$ 2,496</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 264
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities	
Decrease in Inventory	<u>141</u>
Net Cash Provided by Operating Activities	<u><u>\$ 405</u></u>

Please see accompanying notes to the financial statements.

Western Plains Library System

Clinton, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

The Western Plains Library System (the System) is a multi-county quasi-governmental organization under Title 65 (Multi-County Act) of the Oklahoma Statutes. The System is governed by a board of trustees appointed by the county commissioners of Custer, Dewey, Roger Mills, and Washita Counties, and by all cities in the four counties with populations of 2,000 or more. Presently, there are the following cities, Clinton, Weatherford, Cordell, Taloga, and Cheyenne, Oklahoma, that are represented on the board of trustees.

For financial reporting purposes, the System includes all funds, agencies, boards, commissions and authorities that are controlled by or dependent on the System's executive or legislative branches. Control by or dependence on the System was determined on the basis of oversight responsibility, scope of public service, and special financing relationships. Oversight responsibility includes financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The Western Plains Library System keeps its records and prepares its financial statements on the accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available.) "Measurable" means the amount of the transaction can be determined; and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Purchases of all materials and supplies are charged to operations in the period in which purchases are made. Amounts of inventories on hand are not considered material and are not included in the financial statements.

The preparation of the 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.

The System is a multi-county quasi-governmental organization under the laws of the State of Oklahoma. As a municipality (a political sub-division of the State of Oklahoma), the System is exempt from federal and state income taxes.

Note 2 – Fund Accounting

The accounts of the System are organized on a basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the financial statements and are

Western Plains Library System
Clinton, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2014

classified as governmental, proprietary, and fiduciary fund types. The following fund types are used by the System.

Governmental Fund Types

General Fund – The general fund is the primary operating fund of the System. It is used to account for all financial resources except those required to be accounted for in another fund. All general operating revenues not restricted as to use are recorded in the general fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue resources that are legally or administratively restricted to expenditures for specific purposes. The System's current special revenue funds include:

- a. Memorial Fund
- b. Friends of the Library Fund
- c. Honor Fund

According to GASB 54, fund balances in the Governmental Funds are to be properly reported within one of the fund balance categories list below.

1. Nonspendable – Nonspendable funds are associated with inventories, prepaid assets, and long term receivables.
2. Restricted – Restricted funds are associated with amounts that only can be spent for specific purposes as stipulated by the bylaws, granting agencies, or enabling legislation.
3. Committed – Committed funds are associated with amounts that only can be spent for specific purposes as determined by a formal action of the Board of Trustees.
4. Assigned – Assigned funds are associated with amounts that can be spent for specific purposes but do meet the criteria to be classified as restricted or committed.
5. Unassigned – An unassigned fund is the residual classification for the System's general fund and includes all spendable amounts not contained in the other classifications.

Proprietary Fund Types

Enterprise Fund – The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises.

Fund balances in the Proprietary Funds are to be properly reported within one of the fund balance categories list below.

Western Plains Library System

Clinton, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2014

1. Invested in Capital Assets, Net of Related Debt – These funds are associated with capital assets minus any notes payable.
2. Restricted – Restricted funds are associated with amounts that only can be spent for specific purposes.
3. Unrestricted – An unrestricted fund is the residual classification for the System’s enterprise fund and includes all amounts not contained in the other classifications.

Note 3 – Budgetary Accounting

The System’s budgetary accounting procedures are discussed in the notes to the supplemental information.

Note 4 – Cash and Cash Equivalents

Cash and cash equivalents include the following accounts:

General Fund		
Petty Cash	\$	50
MidFirst Bank		2,496
MidFirst Bank		10,362
Oklahoma Bank and Trust		31,851
MidFirst Bank		878,901
Memorial Fund		
Oklahoma Bank and Trust		8,804
Friends of The Library Fund		
First Bank and Trust		4,169
Honor Fund		
Oklahoma Bank and Trust		1,405
	\$	<u>938,038</u>

The cash on deposit with the MidFirst Bank of Clinton, Oklahoma, is not only covered by F.D.I.C. insurance (up to \$250,000.00) but also a collateral pledge of \$975,000.00 to cover deposits in excess of the F.D.I.C. coverage.

The System’s cash, deposits, and investments are classified in the following categories:

- A. Insured or collateralized with securities held by the entity or by its agent in the entity’s name.

Western Plains Library System
Clinton, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2014

- B. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- C. Uncollateralized.

	A	B	C	Total
Cash	\$ 937,988	\$ 0	\$ 50	\$ 938,038

Note 5 – Investments

The System invests \$100,000 in a Certificate of Deposit at the Bank of the West in Clinton, Oklahoma. The interest rate on this investment is 0.35%. The interest pays at maturity. The maturity date is October 07, 2014.

The System also invests \$60,000 in a Certificate of Deposit at the Security State Bank in Cheyenne, Oklahoma. The interest rate on this investment is 0.50%. The interest pays at quarterly. The maturity date is July 10, 2014.

Note 6 – Ad Valorem Taxes Receivable

Roger Mills and Custer County owes the System majority of the outstanding ad valorem taxes. Several major industries in those two counties claim an ad valorem manufacturer exemption. The State of Oklahoma will reimburse the counties for the industries that claim this exemption. Roger Mills County and Custer County have a policy of not passing along the ad valorem taxes for these industries until they receive the money from the State. Both counties expect to be able to pass the 2013/2014 funds to the System in the 2014/2015 fiscal year.

Note 7 – Prepaid Expenses

Prepaid expense includes the unamortized portion of the annual expense for the following:

Prepaid Equipment Maintenance Contract	\$ 1,390
Prepaid Insurance	17,226
Prepaid Subscriptions	24,775
Total	\$ 43,391

Western Plains Library System
Clinton, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2014

Note 8 – Fixed Assets

All capital assets acquired prior to June 30, 2004 were considered to be fully depreciated. All fixed assets acquired before June 30, 2004 were valued at historical cost or estimated historical cost if actual historical cost was not available. Amounts were recorded for fixed asset purchases, for control purposes, with a corresponding amount recorded in the accumulated depreciation account. Donated assets were valued at their estimated fair market value as of the date donated. The System has adopted a capitalization policy of not recording, for depreciation purposes, items costing less than \$500 per unit.

Current year changes in fixed assets were as follows:

	Property, Plant and Equipment	Accumulated Depreciation
Balance as of 07/01/2013	\$ 1,789,077	\$ 656,000
Additions	88,824	84,413
Disposals	(73,625)	(73,625)
Balance as of 06/30/2014	<u>\$ 1,804,276</u>	<u>\$ 666,788</u>

Note 9 – Accrued Payroll and Compensated Absences

The System accrues a payroll liability and a liability for vacation pay or other compensated absences. The cost is recognized when a claim is made for the accrued compensation by the employee. The amount of earned unpaid compensated absences liability at June 30, 2014 was approximately \$47,915. The amount of earned unpaid compensation at June 30, 2014 was \$21,219.

Note 10 – Reserve Fund Balance

The governing Board has set aside a portion of the fund balance as an equipment replacement reserve. The reserve fund balance as of June 30, 2014 was as follows:

Vehicle Replacement	\$ 108,000
Computer Reserve	\$ 100,000
Building Maintenance	\$ 50,000
Equipment	\$ 25,000
Branch Carpet Reserve	\$ 40,000

Western Plains Library System
Clinton, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2014

The restrictions for vehicle replacement, building maintenance, equipment, branch carpet reserve and computer reserve are imposed by the Board of Trustees action only; consequently, the restrictions may be rescinded by action of the Board.

Note 11 – Tax Revenues

Approximately 86.82% of the total revenue of the library system for the current year was received from ad valorem taxes from a special tax levy voted by the citizens of Custer, Dewey, Roger Mills, and Washita counties. Approximately 62.48% of the ad valorem tax revenues were received in December 2013 and January 2014.

<u>Ad Valorem Tax Revenue</u>	
Custer County	\$ 874,465
Dewey County	282,331
Roger Mills County	268,404
Washita County	<u>244,694</u>
Total	<u>\$ 1,669,894</u>

Note 12 – Insurance Coverage

The System maintains the following insurance coverage as protection against possible loss contingencies:

- Commercial Automobile Coverage
 - Liability
 - Uninsured Motorists
 - Comprehensive and Collision
- Workers Compensation
- Employer Liability
- Position Fidelity Bond

Note 13 – Grant Revenues

Following is a summary of the grant receipts and disbursements during the year:

	Grant Receipts	Grant Expenditures
Oklahoma Department of Libraries		
PLA Conference	\$ 1,567	\$ 1,567
Total	\$ 1,567	\$ 1,567

Western Plains Library System
Clinton, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2014

Note 14 – Retirement Plan

In January 2006, the System adopted a SEP/457 combination retirement plan with Waddell and Reed Financial Services. The plan is flexible as to the amount of contribution for the employers and employees. The employer can determine the percentage of salaries to contribute on an annual basis. Contributions are optional by the employees; however, the employee must be 18 years old to qualify for participation in the plan, must have completed one year of service, and must have earned at least \$500 during the preceding year. Currently, the employer is paying 5% of the employee salary to the plan. The previous plan employee accounts were rolled over into the new plan.

Total pension cost for the current year and the previous two years.

	6/30/14	6/30/13	6/30/12
Employer Contributions	\$ 30,490	\$ 26,626	\$ 20,745
Employee Contributions	22,529	26,434	16,520
Total	\$ 53,019	\$ 53,060	\$ 37,265

Note 15 – Related Party Transactions

The cities of Clinton, Weatherford, Thomas, Seiling, Cheyenne, Cordell, and Sentinel, Oklahoma, provide financial support to the Western Plains Library System by furnishing buildings and buildings operating expensing, including utilities and building and contents insurance, for the operation of the library. The System is dependent upon this related party support as part of its operational costs.

Note 16 – Contingencies

In the normal course of operations, the System disburses funds from numerous federal and state grant programs. These expenditures are subject to audit and approval by the grantors or their representatives. Such audits could lead to claims for reimbursement of expenditures deemed unallowable under the terms of the grants. Presently, management is unaware of any liability for such expenditures, and in the opinion of management, any such amounts would not be considered material.

Western Plains Library System
Clinton, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2014

Note 17 – Use of FEIN by other Friends of the Library Boards

Western Plains Library System currently has allowed the use of their FEIN by other local advisory boards to open bank accounts using their FEIN number. These accounts are immaterial to the financial statements of Western Plains Library System, so they have not been included in these audited financial statements or supplementary schedules.



**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***

Board of Trustees
Western Plains Library System
Clinton, Oklahoma

We 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 financial statements of the governmental activities and the business-type activities of Western Plains Library System, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Western Plains Library System's basic financial statements, and have issued our report thereon dated August 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Plains 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Plains Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Plains 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 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Plains 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*.

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 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.

Furrh and Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

August 13, 2014

Western Plains Library System

Clinton, Oklahoma

General Fund

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

Year Ended June 30, 2014

	Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Ad Valorem Taxes	\$ 1,850,000	\$ 1,927,604	\$ (77,604)
State Aid	48,000	48,335	(335)
Branch Library Income	12,000	15,410	(3,410)
Interest Income	3,500	2,591	909
Collection Agency Income	1,500	1,233	267
Miscellaneous Income	500	3,398	(2,898)
Grant Revenue	0	1,567	(1,567)
Total Revenue	1,915,500	2,000,138	(84,638)
<u>Expenditures</u>			
Personnel Services			
Salaries and Wages	843,000	791,745	51,255
Employee Insurance	124,000	108,150	15,850
Payroll Taxes	66,500	62,791	3,709
Retirement Costs	33,000	31,561	1,439
Total Personnel Services	1,066,500	994,247	72,253
Informational Materials			
Books	110,000	150,787	(40,787)
Vendor Processing	3,500	3,704	(204)
Downloadables	60,000	65,414	(5,414)
Databases	55,000	52,736	2,264
DVDs	20,000	20,418	(418)
Magazines/Newspapers	8,250	6,309	1,941
Audio Books & Playaway View	40,000	31,613	8,387
Microfilm	800	545	255
Total Informational Materials	297,550	331,526	(33,976)
Public and Technical Services			
Technical Services	13	12,949	(12,936)
Programing Fees & Supplies	28,000	35,356	(7,356)
Total Public and Technical Services	28,013	48,305	(20,292)

Please see accompanying notes to the financial statements.

Western Plains Library System

Clinton, Oklahoma

General Fund

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

Year Ended June 30, 2014

	Budget	Actual	(Over) Under Budget
Operating Expenses			
Advertising & Marketing	25,000	21,333	3,667
Banking Service Fees	1,000	831	169
Building Maintenance	25,000	26,068	(1,068)
Computer	12,000	10,773	1,227
Capital Outlay	117,500	88,824	28,676
Collection Agency	5,000	4,472	528
Contingency Expense	18,000	16,669	1,331
Equipment Expense	20,000	18,292	1,708
Furniture Expense	8,000	3,937	4,063
Human Resources Expense	8,500	7,592	908
Insurance	38,000	33,554	4,446
Internet Access	82,000	80,523	1,477
Miscellaneous Expense	2,000	2,617	(617)
Postage and Freight	9,500	9,942	(442)
Professional Consulting	20,000	27,976	(7,976)
Professional Development	30,000	30,337	(337)
Rent Expense	1,000	924	76
Staff Development	23,000	21,671	1,329
Supplies	14,000	15,732	(1,732)
Travel	10,000	8,939	1,061
Utilities	16,000	12,208	3,792
Grant Expenses	0	1,567	(1,567)
Vehicle Expense	22,000	19,969	2,031
Total Operating Expenses	507,500	464,750	42,750
Total Expenditures	1,899,563	1,838,828	60,735
 <u>Revenue Over (Under) Expenditures</u>	 <u>\$ 15,937</u>	 <u>\$ 161,310</u>	 <u>\$ (145,373)</u>
 <u>Fund Balance, June 30, 2013</u>	 <u>0</u>	 <u>1,132,134</u>	 <u>(1,132,134)</u>
 <u>Fund Balance, June 30, 2014</u>	 <u>\$ 15,937</u>	 <u>\$ 1,293,444</u>	 <u>\$ (1,277,507)</u>

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Notes to Required Supplemental Information
Year Ended June 30, 2014

Note 1 - Budgetary Policies

The System's annual operating budget represents appropriations authorized by the governing board and approved by the county governments in accordance with the Oklahoma Statutes.

The System's General Fund budget is limited by law to 90% of the amount of revenue collected in the prior fiscal year plus unreserved fund balances. The legal level of control is the expenditure category. It is the System's policy that all appropriations lapse at the end of the fiscal year.

The System prepares an annual operating budget for its General Fund. The System does not prepare an operating budget for its Special Revenue Funds. Specific grant funds operated within the General Fund and the Special revenue Funds are operated under budgets required by the grant documents. The System prepares its annual operating budget on the accrual basis of accounting.

Western Plains Library System
Clinton, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Memorial Fund	Friends of the Library Fund	Honor Fund	Total
<u>Assets</u>				
Cash and Cash Equivalents	\$ 8,804	\$ 4,169	\$ 1,405	\$ 14,378
Accounts Receivable	0	546	0	546
Total Assets	\$ 8,804	\$ 4,715	\$ 1,405	\$ 14,924
<u>Liabilities and Fund Balance</u>				
Fund Balance	8,804	4,715	1,405	14,924
Unreserved				
Total Liabilities and Fund Balance	\$ 8,804	\$ 4,715	\$ 1,405	\$ 14,924

Please see accompanying notes to the financial statements.

Western Plains Library System

Clinton, Oklahoma

Combining Statement of Revenue, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended June 30, 2014

<u>Revenue</u>	<u>Memorial Fund</u>	<u>Friends of the Library Fund</u>	<u>Honor Fund</u>	<u>Total</u>
Donations and Fund Raising	\$ 2,647	\$ 0	\$ 0	\$ 2,647
Board Dues	0	45	0	45
Interest Income	39	0	0	39
Total Revenue	2,686	45	0	2,731
<u>Expenditures</u>				
Books	3,804	0	0	3,804
Bank Service Charges	0	30	72	102
Total Expenditures	3,804	30	72	3,906
<u>Revenue Over (Under) Expenditures</u>	<u>(1,118)</u>	<u>15</u>	<u>(72)</u>	<u>(1,175)</u>
<u>Fund Balance, June 30, 2013</u>	<u>9,922</u>	<u>4,700</u>	<u>1,477</u>	<u>16,099</u>
<u>Fund Balance, June 30, 2014</u>	<u>\$ 8,804</u>	<u>\$ 4,715</u>	<u>\$ 1,405</u>	<u>\$ 14,924</u>

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Oklahoma Department of Libraries-PLA Conference Grant
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2014

	Budget	Total	(Over) Under Budget
<u>Revenue</u>			
State Grant	\$ 1,567	\$ 1,567	\$ 0
Total Income	1,567	1,567	0
<u>Expenditures</u>			
Travel Expenses	1,567	1,567	0
Total Expenditures	1,567	1,567	0
<u>Revenue Over (Under) Expenditures</u>	\$ 0	\$ 0	\$ 0

Please see accompanying notes to the financial statements.