

**INDEPENDENT
ACCOUNTANT'S AUDIT REPORT**

**SOUTHERN PRAIRIE
LIBRARY SYSTEM**

JUNE 30, 2016

BY



Southern Prairie Library System

Altus, Oklahoma

Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Southern Prairie Library System
Altus, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the blended component unit, each major fund, and the aggregate remaining fund information of Southern Prairie Library System (the System), Altus, Oklahoma, as of and for the year ended June 30, 2016, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 modified cash basis financial position of the governmental activities, the blended component unit, each major fund, and the aggregate remaining fund information of the System as of June 30, 2016, and the respective changes in modified cash basis financial position, and thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The budgetary comparison information on pages 22-23 and supplementary grant schedules, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplemental schedules and information was subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The System has not presented the management's discussion and analysis that the *Governmental Accounting Standards Board* has determined is necessary to supplement, although not required to be a part of, the basic financial statements. Our opinion is not modified with respect to this omission.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016, on our consideration of the 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 the System's internal control over financial reporting and compliance.

Furrh and Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

August 31, 2016

Southern Prairie Library System

Altus, Oklahoma

Statement of Net Position

(Modified Cash Basis)

June 30, 2016

ASSETS

	<u>Governmental Activities</u>
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 1,067,786
Total Current Assets	1,067,786
<u>Other Assets</u>	
Fixed Assets	320,976
Accumulated Depreciation	(248,966)
Other Assets	29,904
Total Other Assets	101,914
Total Assets	\$ 1,169,700

LIABILITIES & NET POSITION

<u>Liabilities</u>	
Payroll Liabilities	\$ 447
Total Liabilities	447
<u>Net Position</u>	
Invested in Capital Assets, Net of Debt	72,010
Restricted	0
Unrestricted	1,097,243
Total Net Position	1,169,253
Total Liabilities & Net Position	\$ 1,169,700

Please see accompanying notes to the financial statements.

Southern Prairie Library System

Altus, Oklahoma

Balance Sheet

(Modified Cash Basis)

Governmental Funds

June 30, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Great Plains Literacy Council</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Petty Cash	\$ 268	\$ 0	\$ 0	\$ 268
Cash - First State Bank	941,836	0	0	941,836
Cash - National Bank of Commerce	38,725	0	17,375	56,100
Cash - Great Plains National Bank	17,417	0	0	17,417
Cash - Stockmans Bank	12,119	0	0	12,119
Cash - Midfirst Bank CD	6,468	0	0	6,468
Cash - First National Bank	0	40,046	0	40,046
Stock - Principal Financial Group	23,436	0	0	23,436
Total Assets	<u>\$ 1,040,269</u>	<u>\$ 40,046</u>	<u>\$ 17,375</u>	<u>\$ 1,097,690</u>
<u>Liabilities</u>				
Payroll Liabilities	\$ 447	\$ 0	\$ 0	\$ 447
Total Liabilities	<u>447</u>	<u>0</u>	<u>0</u>	<u>447</u>
<u>Fund Balance</u>				
Nonspendable	0	0	0	0
Restricted	0	0	0	0
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	1,039,822	40,046	17,375	1,097,243
Total Fund Balance	<u>1,039,822</u>	<u>40,046</u>	<u>17,375</u>	<u>1,097,243</u>
Total Liabilities and Fund Balance	<u>\$ 1,040,269</u>	<u>\$ 40,046</u>	<u>\$ 17,375</u>	

Please see accompanying notes to the financial statements.

Southern Prairie Library System
Altus, Oklahoma
Balance Sheet
(Modified Cash Basis)
Governmental Funds
June 30, 2016

Fund Balances	\$ 1,097,243
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:	
Capital Assets Used by Governmental Activities of \$320,976	
Net of Accumulated Depreciation of \$248,966 are not financial resources and, therefore, are not reported in the funds.	72,010
Net Position of Governmental Activities	\$ 1,169,253

Please see accompanying notes to the financial statements.

Southern Prairie Library System

Altus, Oklahoma

Statement of Revenue, Expenditures, and Changes in Fund Balance

(Modified Cash Basis)

Governmental Funds

Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Great Plains Literacy Council	Total Governmental Funds
<u>Revenue</u>				
Property Taxes	\$ 630,563	\$ 0	0	\$ 630,563
State Aid	18,288	0	0	18,288
Charges for Services	8,852	0	0	8,852
Grant Revenue - State	8,710	0	45,341	54,051
Miscellaneous Revenue	4,294	0	250	4,544
Interest and Dividend Income	2,934	59	0	2,993
Contributions	287	3,697	1,157	5,141
Grant Revenue - Private	0	0	10,000	10,000
Total Revenue	673,928	3,756	56,748	734,432
<u>Expenditures</u>				
Salaries and Wages	339,422	0	7,364	346,786
Direct Grant Expenditures-Private	167,978	0	3,013	170,991
Informational Materials	112,179	0	0	112,179
Payroll Taxes and Insurance	93,885	0	380	94,265
Contract Services	20,384	0	0	20,384
Program Expense	16,342	120	0	16,462
Supplies	15,508	520	125	16,153
Equipment Expense	12,205	0	0	12,205
Revaluation	9,874	0	0	9,874
Telephone	9,857	0	0	9,857

Please see accompanying notes to the financial statements.

Southern Prairie Library System

Altus, Oklahoma

Statement of Revenue, Expenditures, and Changes in Fund Balance

(Modified Cash Basis)

Governmental Funds

Year Ended June 30, 2016

<u>Expenditures, cont.</u>	General Fund	Other Governmental Funds	Great Plains Literacy Council	Total Governmental Funds
Capital Outlay	\$ 7,400	\$ 0	\$ 0	\$ 7,400
Direct Grant Expenditures-State	6,934	0	37,977	44,911
Insurance and Bond	6,623	0	387	7,010
Travel	3,982	0	0	3,982
Postage and Freight	3,715	114	180	4,009
Miscellaneous and Other Expense	2,351	2,805	0	5,156
Automobile Expense	1,002	0	0	1,002
Dues and Subscriptions	405	0	204	609
Total Expenditures	830,046	3,559	49,630	883,235
Revenue Over (Under) Expenditures	(156,118)	197	7,118	(148,803)
Fund Balance, June 30, 2015	1,195,940	39,849	10,257	1,246,046
Fund Balance, June 30, 2016	\$ 1,039,822	\$ 40,046	\$ 17,375	\$ 1,097,243

Please see accompanying notes to the financial statements.

Southern Prairie Library System

Altus, Oklahoma

Statement of Revenue, Expenditures, and Changes in Fund Balance

(Modified Cash Basis)

Governmental Funds

Year Ended June 30, 2016

<u>Reconciliation to Statement of Activities</u>	
Net Changes in Fund Balance - Total Governmental Funds	\$ (148,803)
Government Funds report Capital Outlay as expenditures while Governmental Activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital Assets Purchases and Capitalized Depreciation Expense	7,400
	<u>(29,505)</u>
Change in Net Assets of Governmental Activities	<u>\$ (170,908)</u>

Please see accompanying notes to the financial statements.

Southern Prairie Library System

Altus, Oklahoma

Combining Balance Sheet

(Modified Cash Basis)

Special Revenue Funds

June 30, 2016

	<u>Special Acquisition Fund</u>	<u>Plant Replacement Fund</u>	<u>Total Special Revenue Funds</u>
<u>Assets</u>			
Cash - First National Bank	\$ 38,778	\$ 1,268	\$ 40,046
Total Assets	<u>\$ 38,778</u>	<u>\$ 1,268</u>	<u>\$ 40,046</u>
<u>Liabilities and Fund Balance</u>			
Liabilities	\$ 0	\$ 0	\$ 0
Fund Balance			
Unrestricted	38,778	1,268	40,046
Total Liabilities and Fund Balance	<u>\$ 38,778</u>	<u>\$ 1,268</u>	<u>\$ 40,046</u>

Please see accompanying notes to the financial statements.

Southern Prairie Library System

Altus, Oklahoma

Combining Statement of Revenue, Expenditures, and Changes in Fund Balance

(Modified Cash Basis)

Special Revenue Funds

Year Ended June 30, 2016

	<u>Revenue</u>	<u>Special Acquisition Fund</u>	<u>Plant Replacement Fund</u>	<u>Total Special Revenue Funds</u>
Contributions	\$ 3,697	\$ 0	\$ 0	\$ 3,697
Interest Income	58	1	1	59
Total Revenue	3,755	1	1	3,756
	<u>Expenditures</u>			
Miscellaneous	2,805	0	0	2,805
Supplies	520	0	0	520
Program Expense	120	0	0	120
Postage and Delivery	114	0	0	114
Total Expenditures	3,559	0	0	3,559
<u>Revenue Over (Under) Expenditures</u>	196	1	1	197
<u>Fund Balance, June 30, 2015</u>		1,266		39,849
<u>Fund Balance, June 30, 2016</u>	\$ 38,779	\$ 1,267		\$ 40,046

Please see accompanying notes to the financial statements.

Southern Prairie Library System

Altus, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

The Southern Prairie 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 Jackson and Harmon Counties, and by all cities in the two counties with populations of 2,000 or more. Presently, there are only two cities, Altus and Hollis, 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.

Based on an overall evaluation of the foregoing criteria, the Great Plains Literacy Council Fund is included in the System's annual report as a blended component unit. The Great Plains Literacy Council, Inc. is a corporation recognized under section 501(c)3 of the Internal Revenue Code as a tax exempt nonprofit corporation. The System is the beneficiary of the Great Plains Literacy Council Fund, which is designated to the support of the literacy programs provided by the System. Management of the Great Plains Literacy Council Fund is delegated by its board of directors to the System's management.

The Southern Prairie Library System keeps its records and prepares its financial statements on the modified cash basis of accounting. Revenues and the related assets are recognized when received, and expenditures are recognized when paid. This method of accounting is permitted under the laws of State of Oklahoma, but is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The System has elected not to follow generally accepted accounting principles and to continue to prepare its financial statements on the modified cash basis of accounting.

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.

Southern Prairie Library System

Altus, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2016

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.

At the end of the fiscal year, the books are held open until checks were issued for all purchases or encumbrances for the year.

The System provides no pension or retirement benefits to its employees. Therefore, no pension accounting information is included in the financial statements.

The nature and amounts of adjustments necessary to reconcile the differences between the basis used to account for actual revenues and expenditures and accounting principles generally accepted in the United States of America cannot readily be determined.

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 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. Special Acquisition Fund
- b. Plant Replacement Fund

Component Unit – Great Plains Literacy Council

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.

Southern Prairie Library System

Altus, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2016

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 not 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.

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:

Herring Bank - Checking	\$	941,836
First National Bank - Acquisitions Savings		38,778
National Bank of Commerce - Money Market		38,725
Great Plains National Bank - Money Market		17,417
National Bank of Commerce - GPLC checking		17,375
Stockmans Bank - Checking		12,119
First National Bank - Replacement Savings		1,268
Petty Cash		228
Cash - Change Fund		40
	\$	<u>1,067,786</u>

Southern Prairie Library System

Altus, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2016

The cash on deposit with the Herring Bank of Altus, Oklahoma, is not only covered by F.D.I.C. insurance (up to \$250,000.00) but also a collateral pledge of \$1,200,000.00 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.
- B. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- C. Uncollateralized.

	<u>A</u>	<u>B</u>	<u>C</u>	<u>Total</u>
Cash	<u>\$ 1,067,518</u>	<u>\$ 0</u>	<u>\$ 268</u>	<u>\$ 1,067,786</u>

Note 5 – Investments

The System invests \$6,468 in a Certificate of Deposit at the MidFirst Bank in Altus, Oklahoma. The interest rate on this investment is 1.045%. The interest pays at maturity. The maturity date is February 27, 2017.

The System owns 1,116 shares of Principal Financial Group stock. This stock was acquired in October 2001 when Principal Financial Group changed from a mutual company to a stock company. The value of the stock at acquisition was approximately \$23,436 with a market value of \$45,879 at June 30, 2016.

Note 6 – 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 \$1,500 per unit.

Southern Prairie Library System

Altus, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2016

Current year changes in fixed assets were as follows:

	<u>Property, Plant and Equipment</u>	<u>Accumulated Depreciation</u>
Balance as of 07/01/2015	\$ 313,576	\$ 219,461
Additions	7,400	29,505
Disposals	<u>0</u>	<u>0</u>
Balance as of 06/30/2016	<u>\$ 320,976</u>	<u>\$ 248,966</u>

Note 7 – Compensated Absences

Due to the accounting method chosen by the System, modified cash basis, the compensated absences liability is not recorded on the financial statements. The accrued liability for compensated employee absences as of June 30, 2016, totals \$35,849, which includes earned but unused vacation leave.

Note 8 – Tax Revenues

Approximately 86% 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 Jackson and Harmon counties. Approximately 75% of the ad valorem tax revenues were received in December 2015 and January 2016. Property tax revenues are recognized when received.

Note 9 – 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
- Business Liability & Personal Property

Southern Prairie Library System
Altus, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2016

Note 10 – Related Party Transactions

The cities of Altus and Hollis, Oklahoma, provide financial support to the Southern Prairie 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 11 – 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.

Note 12 – Grant Revenues

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

Southern Prairie Library System		
	Grant Receipts	Grant Expenditures
Children's Reading Charitable Trust 2015 Grant	\$ 0	\$ 167,978
Oklahoma Department of Libraries Contract No. F-15-205	0	5,434
Oklahoma Humanities Council Project Y15.087	6,750	6,750
Oklahoma Arts Council Project No. 2015-3585-5595	1,085	0
Project No. 2016-3639-5650	875	0
Project ID 4014-6295 FY2016	0	1,500
Total	\$ 8,710	\$ 181,662

Southern Prairie Library System

Altus, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2016

Great Plains Literacy Council

	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
Oklahoma Department of Libraries		
Contract No. F-08-139	\$ 2,500	\$ 2,500
Contract No. F-15-032	0	1,438
Contract No. F-15-074	0	1,792
Contract No. F-16-006	17,500	15,805
Contract No. F-16-020	9,500	9,611
Contract No. F-16-076	10,000	6,894
Oklahoma Literacy Coalition		
Tinker Federal Credit Union	1,500	50
C. Watson Rural OK Comm. Foundation		
Adult Literacy	<u>10,000</u>	<u>3,013</u>
Total	<u>\$ 51,000</u>	<u>\$ 41,103</u>

Note 13 – Subsequent Events

Subsequent events were evaluated through August 31, 2016, which is the date the financial statements were available to be issued.



**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
Southern Plains Library System
Altus, 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 modified cash basis financial statements of the governmental activities, the blended component unit, each major fund, and the aggregate remaining fund information of the Southern Prairie Library System (the System), Altus, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated August 31, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Furrh and Associates, PC

FURRH & **A**SSOCIATES, PC

Lawton, Oklahoma

August 31, 2016

Southern Plains Library System

Altus, Oklahoma

General Fund

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

(Modified Cash Basis)

Year Ended June 30, 2016

	Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Property Taxes	\$ 563,621	\$ 630,563	\$ (66,942)
State Aid	16,443	18,288	(1,845)
Miscellaneous Revenue	13,500	4,294	9,206
Charges for Services	8,500	8,852	(352)
Grant Revenue - State	0	8,710	(8,710)
Interest and Dividend Income	0	2,934	(2,934)
Contributions	0	287	(287)
Total Revenue	602,064	673,928	(71,864)
<u>Expenditures</u>			
Salaries and Wages	\$ 360,050	\$ 339,422	\$ 20,628
Direct Grant Expenditures - Private	189,052	167,978	21,074
Informational Materials	150,000	112,179	37,821
Payroll Taxes and Insurance	99,904	93,885	6,019
Contract Services	33,000	20,384	12,616
Capital Outlay	25,000	7,400	17,600
Equipment Expense	20,800	12,205	8,595
Supplies	17,500	15,508	1,992
Telephone	15,100	9,857	5,243
Revaluation	11,500	9,874	1,626
Program Expense	10,000	16,342	(6,342)
Insurance and Bond	8,700	6,623	2,077
Travel	6,000	3,982	2,018
Automobile Expense	6,000	1,002	4,998
Postage and Freight	5,000	3,715	1,285
Miscellaneous and Other Expense	3,000	2,351	649
Dues and Subscriptions	0	405	(405)
Direct Grant Expenditures - State	0	6,934	(6,934)
Total Expenditures	960,606	830,046	130,560
<u>Revenue Over (Under) Expenditures</u>	\$ (358,542)	\$ (156,118)	\$ (202,424)
<u>Fund Balance, June 30, 2015</u>	1,195,940	1,195,940	0
<u>Fund Balance, June 30, 2016</u>	\$ 837,398	\$ 1,039,822	\$ (202,424)

Please see accompanying notes to the financial statements.

Southern Plains Library System
Altus, Oklahoma
Notes to Required Supplemental Information
Year Ended June 30, 2016

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 or its blended component unit. Specific grant funds operated within the General Fund, Special Revenue Funds and blended component unit are operated under budgets required by the grant documents. The System prepares its annual operating budget on the modified cash basis of accounting.

The System operated within its budget for the current year.

Southern Prairie Library System
Altus, OK
Children's Reading Charitable Trust
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>				
Grant Income	\$ 494,890	\$ 494,890	\$ 0	\$ 0
Matching Funds	0	0	0	0
 Total Revenue	 494,890	 494,890	 0	 0
<u>Expenditures</u>				
Book Collections	420,000	21,158	162,667	236,175
Children's Programming	36,000	5,287	5,311	25,402
Children's Family Reading Corners	38,890	0	0	38,890
 Total Expenditures	 494,890	 26,445	 167,978	 300,467
 <u>Revenue Over (Under) Expenditures</u>	 <u>\$ 0</u>	 <u>\$ 468,445</u>	 <u>\$ (167,978)</u>	 <u>\$ (300,467)</u>

Contract Period: 02/05/15 - 02/05/18

Please see accompanying notes to the financial statements.

Southern Prairie Library System
Altus, OK
Oklahoma Arts Council
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>				
State Grant	\$ 1,085	\$ 0	\$ 1,085	\$ 0
Matching Funds	390	390	0	0
Total Revenue	1,475	390	1,085	0
<u>Expenditures</u>				
Equipment and Materials	1,475	1,475	0	0
Total Expenditures	1,475	1,475	0	0
Revenue Over (Under) Expenditures	<u>\$ 0</u>	<u>\$ (1,085)</u>	<u>\$ 1,085</u>	<u>\$ 0</u>

Grant No.: FY2015 3585-5595
Heroic Arts I
Contract Period: 07/01/2014 - 06/30/2015

Please see accompanying notes to the financial statements.

Southern Prairie Library System
Altus, OK
Oklahoma Arts Council
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>				
State Grant	\$ 875	\$ 0	\$ 875	\$ 0
Matching Funds	169	169	0	0
Total Revenue	1,044	169	875	0
<u>Expenditures</u>				
Equipment and Materials	1,044	1,044	0	0
Total Expenditures	1,044	1,044	0	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ (875)</u>	<u>\$ 875</u>	<u>\$ 0</u>

Grant No.: FY2016 3639-5650
Heroic Arts II
Contract Period: 07/01/2015 - 06/30/2016

Please see accompanying notes to the financial statements.

Southern Prairie Library System
Altus, OK
Oklahoma Humanities Council
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
State Grant	\$ 7,500	\$ 6,750	\$ 750
Matching Funds	2,500	3,250	(750)
Cost Share Funds	17,218	17,218	0
In Kind Donations	13,245	13,245	0
Total Revenue	40,463	40,463	0
<u>Expenditures</u>			
Program Expense	40,463	40,463	0
Total Expenditures	40,463	40,463	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Project No.: Y15.087

CFDA # 45.129

Oklahoma Chautauqua 2016 In Altus : The Cold War, The Early Years

Contract Period: 02/01/2016 - 07/31/2016

Southern Prairie Library System
Altus, OK
Oklahoma Arts Council
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
State Grant	\$ 1,500	\$ 0	\$ 1,500
Matching Funds	0	0	0
Total Revenue	1,500	0	1,500
<u>Expenditures</u>			
Programming Expenses	1,500	1,500	0
Total Expenditures	1,500	1,500	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ (1,500)</u>	<u>\$ 1,500</u>

Project ID: 4014-6295 FY2016

Ready, Set, Create!

Contract Period: 07/01/2015 - 06/30/2016

Southern Prairie Library System
Altus, OK
Oklahoma Department of Libraries
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>				
State Grant	\$ 8,005	\$ 8,005	\$ 0	\$ 0
Matching Funds	1,795	1,366	429	0
Total Revenue	9,800	9,371	429	0
<u>Expenditures</u>				
Equipment and Materials	9,800	4,366	5,434	0
Total Expenditures	9,800	4,366	5,434	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 5,005</u>	<u>\$ (5,005)</u>	<u>\$ 0</u>

Contract No.: F-15-205
LSTA - Kid IS the Rocket STEM
Contract Period: 05/04/2015 - 08/01/2015

Please see accompanying notes to the financial statements.

Southern Prairie Library System
Great Plains Literacy Council
 Altus, OK
Oklahoma Department of Libraries
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
State Grant	\$ 9,500	\$ 9,500	\$ 0
Matching Funds	111	111	0
	<hr/>	<hr/>	<hr/>
Total Revenue	9,611	9,611	0
<u>Expenditures</u>			
Personnel	8,928	8,928	0
Payroll Taxes	683	683	0
	<hr/>	<hr/>	<hr/>
Total Expenditures	9,611	9,611	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Contract No.: F-16-020
 Community Literacy
 Contract Period: 08/01/15 - 06/30/16

Southern Prairie Library System
Great Plains Literacy Council
 Altus, OK
Oklahoma Literacy Coalition
Revenue and Expenditures Compared with Budget
 (Modified Cash Basis)
 Year Ended June 30, 2016

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Grant Funds	\$ 1,500	\$ 1,500	\$ 0
Matching Funds	<u>0</u>	<u>0</u>	<u>0</u>
 Total Revenue	 1,500	 1,500	 0
<u>Expenditures</u>			
Personnel	1,120	0	1,120
Materials	<u>380</u>	<u>50</u>	<u>330</u>
 Total Expenditures	 1,500	 50	 1,450
 <u>Revenue Over (Under) Expenditures</u>	 <u>\$ 0</u>	 <u>\$ 1,450</u>	 <u>\$ (1,450)</u>

Grant Name: Tinker Federal Credit Union
 Contract Period: 05/16/16 - 11/25/16

Southern Prairie Library System
Great Plains Literacy Council
 Altus, OK
Carolyn Watson Rural OK Community Foundation
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2016

	Budget	Current Year	(Over) Under Budget
<u>Revenue</u>			
Grant	\$ 10,000	\$ 10,000	\$ 0
Matching Funds	0	0	0
Total Revenue	10,000	10,000	0
<u>Expenditures</u>			
Personnel	9,298	2,702	6,596
Travel	702	311	391
Total Expenditures	10,000	3,013	6,987
<u>Revenue Over (Under) Expenditures</u>	\$ 0	\$ 6,987	\$ (6,987)

Contract No.: GPLC FY2015/2016
 Carolyn Watson Rural OK Community Foundation
 Contract Period: 03/15/2016 - 12/31/2016

Southern Prairie Library System
Great Plains Literacy Council
 Altus, OK
 Oklahoma Department of Libraries
Revenue and Expenditures Compared with Budget
 (Modified Cash Basis)
 Year Ended June 30, 2016

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>				
Grant Funds	\$ 4,000	\$ 4,000	\$ 0	\$ 0
Matching Funds	0	0	0	0
Total Revenue	4,000	4,000	0	0
<u>Expenditures</u>				
Personnel	3,360	2,208	1,152	0
Travel	224	0	224	0
Supplies	416	0	416	0
Total Expenditures	4,000	2,208	1,792	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 1,792</u>	<u>\$ (1,792)</u>	<u>\$ 0</u>

Contract No.: F-15-074
 Health Literacy Project - LSTA
 Contract Period: 11/01/14 - 09/30/15

Southern Prairie Library System
Great Plains Literacy Council
 Altus, OK
Oklahoma Department of Libraries
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
State Grant	\$ 10,000	\$ 10,000	\$ 0
Matching Funds	0	0	0
	<hr/>	<hr/>	<hr/>
Total Revenue	10,000	10,000	0
 <u>Expenditures</u>			
Personnel	7,867	6,478	1,389
Travel	575	0	575
Supplies	1,558	416	1,142
	<hr/>	<hr/>	<hr/>
Total Expenditures	10,000	6,894	3,106
 <u>Revenue Over (Under) Expenditures</u>	 <u>\$ 0</u>	 <u>\$ 3,106</u>	 <u>\$ (3,106)</u>

Contract No.: F-16-076
 Health Literacy Project - LSTA
 Contract Period: 09/01/2015 - 09/30/2016

Southern Prairie Library System
Great Plains Literacy Council
 Altus, OK
Oklahoma Department of Libraries
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
State Grant	\$ 17,500	\$ 17,500	\$ 0
Matching Funds	0	0	0
	<hr/>	<hr/>	<hr/>
Total Revenue	17,500	17,500	0
 <u>Expenditures</u>			
Supplies	258	0	258
Personnel	17,242	15,805	1,437
	<hr/>	<hr/>	<hr/>
Total Expenditures	17,500	15,805	1,695
 <u>Revenue Over (Under) Expenditures</u>	 <u>\$ 0</u>	 <u>\$ 1,695</u>	 <u>\$ (1,695)</u>

Contract No.: F-16-006
 Immigration and Citizenship Services
 Contract Period: 10/01/2014 - 09/30/2016

Please see accompanying notes to the financial statements.

Southern Prairie Library System
Great Plains Literacy Council
 Altus, OK
 Oklahoma Department of Libraries
Revenue and Expenditures Compared with Budget
 (Modified Cash Basis)
 Year Ended June 30, 2016

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>				
State Grant	\$ 15,000	\$ 15,000	\$ 0	\$ 0
Matching Funds	114	0	114	0
 Total Revenue	 15,114	 15,000	 114	 0
<u>Expenditures</u>				
Personnel	14,040	12,677	1,363	(0)
Payroll Taxes	1,074	999	75	0
 Total Expenditures	 15,114	 13,676	 1,438	 (0)
 <u>Revenue Over (Under) Expenditures</u>	 <u>\$ 0</u>	 <u>\$ 1,324</u>	 <u>\$ (1,324)</u>	 <u>\$ 0</u>

Contract No.: F-15-032
 Immigration and Citizenship Services
 Contract Period: 08/01/2014 - 07/31/2015

Please see accompanying notes to the financial statements.

Southern Prairie Library System
Great Plains Literacy Council
Altus, OK
Oklahoma Department of Libraries
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
State Grant	\$ 2,500	\$ 2,500	\$ 0
Total Revenue	2,500	2,500	0
<u>Expenditures</u>			
Equipment / Materials	2,500	2,500	0
Total Expenditures	2,500	2,500	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Contract No.: F-08-139
Technology Enhancement Grant
Contract Period: 06/01/2015-07/31/2016

lease see accompanying notes to the financial statements.