

**INDEPENDENT
ACCOUNTANT'S AUDIT REPORT**

**SOUTHERN PRAIRIE
LIBRARY SYSTEM**

JUNE 30, 2015

BY



Southern Prairie Library System

Altus, Oklahoma

Year Ended June 30, 2015

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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, 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 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. 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, 2015, 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 20 – 21 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 December 5, 2015, 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 & Associates, PC

FURRH & **A**SSOCIATES, PC

Lawton, Oklahoma

December 5, 2015

Southern Prairie Library System

Altus, Oklahoma

Statement of Net Position

(Modified Cash Basis)

June 30, 2015

ASSETS

	<u>Governmental Activities</u>
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 1,221,179
Prepaid Insurance	171
Total Current Assets	1,221,350
<u>Other Assets</u>	
Fixed Assets	313,576
Accumulated Depreciation	(219,461)
Other Assets	29,817
Total Other Assets	123,932
Total Assets	\$ 1,345,282

LIABILITIES & NET POSITION

<u>Liabilities</u>	
Payroll Liabilities	\$ 4,978
Total Liabilities	4,978
<u>Net Position</u>	
Invested in Capital Assets, Net of Debt	94,115
Restricted	0
Unrestricted	1,246,189
Total Net Position	1,340,304
Total Liabilities & Net Position	\$ 1,345,282

Please see accompanying notes to the financial statements.

Southern Prairie Library System

Altus, Oklahoma

Statement of Activities

(Modified Cash Basis)

Year Ended June 30, 2015

	Program Revenue		
<u>Activities</u>	Expense	Charges for Services	Operating Grants and Contributions
Library Services	\$ 655,233	\$ 8,812	\$ 547,083
			\$ (99,338)
			620,340
			19,645
			17,209
			2,840
			660,034
			560,696
			779,608
			\$ 1,340,304

General Revenue

Property Taxes
State Aid
Miscellaneous
Interest

Total General Revenue

Change in Net Position

Net Position, June 30, 2014

Net Position, June 30, 2015

Please see accompanying notes to the financial statements.

Southern Prairie Library System

Altus, Oklahoma

Balance Sheet

(Modified Cash Basis)

Governmental Funds

June 30, 2015

	<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	1,102,779	0	0	1,102,779
Cash - National Bank of Commerce	38,667	0	10,166	48,833
Cash - Great Plains National Bank	17,383	0	0	17,383
Cash - Stockmans Bank	12,067	0	0	12,067
Cash - Midfirst Bank CD	6,381	0	0	6,381
Cash - First National Bank	0	39,849	0	39,849
Stock - Principal Financial Group	23,436	0	0	23,436
Prepaid Insurance	171	0	0	171
Total Assets	\$ 1,201,152	\$ 39,849	\$ 10,166	\$ 1,251,167
<u>Liabilities</u>				
Payroll Liabilities	\$ 4,978	\$ 0	\$ 0	\$ 4,978
Total Liabilities	4,978	0	0	4,978
<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	1,196,174	39,849	10,166	1,246,189
Total Fund Balance	1,196,174	39,849	10,166	1,246,189
Total Liabilities and Fund Balance	\$ 1,201,152	\$ 39,849	\$ 10,166	\$ 1,251,167

Please see accompanying notes to the financial statements.

Southern Prairie Library System
Altus, Oklahoma
Balance Sheet
(Modified Cash Basis)
Governmental Funds
June 30, 2015

Fund Balances	\$ 1,246,189
Amounts Reported for Governmental Activities in the	
Statement of Net Position are different because:	
Capital Assets Used by Governmental Activities of \$313,576	
Net of Accumulated Depreciation of \$219,461 are not financial	
resources and, therefore, are not reported in the funds.	
Net Position of Governmental Activities	94,115
	\$ 1,340,304

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, 2015

	General Fund	Other Governmental Funds	Great Plains Literacy Council	Total Governmental Funds
Revenue				
Property Taxes	\$ 620,340	\$ 0	0	\$ 620,340
Grant Revenue - Private	494,890	0	5,000	499,890
State Aid	19,645	0	0	19,645
Miscellaneous Revenue	16,378	831	0	17,209
Grant Revenue - State	9,155	0	30,740	39,895
Charges for Services	8,812	0	0	8,812
Interest and Dividend Income	2,781	59	0	2,840
Contributions	177	2,140	4,982	7,299
Total Revenue	1,172,178	3,030	40,722	1,215,930
Expenditures				
Salaries and Wages	321,687	0	3,942	325,629
Payroll Taxes and Insurance	93,530	0	64	93,594
Informational Materials	83,396	162	0	83,558
Contract Services	32,222	0	0	32,222
Revaluation	8,580	0	0	8,580
Equipment Expense	7,541	0	0	7,541
Program Expense	6,940	30	0	6,970
Supplies	6,777	1,104	497	8,378
Capital Outlay	6,591	3,344	0	9,935
Insurance and Bond	5,533	0	387	5,920

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, 2015

<u>Expenditures, cont.</u>	General Fund	Other Governmental Funds	Great Plains Literacy Council	Total Governmental Funds
Telephone	\$ 5,353	\$ 0	\$ 0	\$ 5,353
Travel	4,176	0	308	4,484
Postage and Freight	3,456	0	225	3,681
Direct Grant Expenditures-State	2,879	0	30,609	33,488
Automobile Expense	1,230	0	0	1,230
Miscellaneous and Other Expense	1,146	1,038	247	2,431
Direct Grant Expenditures-Private	0	0	5,000	5,000
Total Expenditures	591,037	5,678	41,279	637,994
Revenue Over (Under) Expenditures	581,141	(2,648)	(557)	577,936
Fund Balance, June 30, 2014	615,033	42,497	10,723	668,253
Fund Balance, June 30, 2015	\$ 1,196,174	\$ 39,849	\$ 10,166	\$ 1,246,189

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, 2015

<u>Reconciliation to Statement of Activities</u>	
Net Changes in Fund Balance - Total Governmental Funds	\$ 577,936
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	9,936
	<u>(27,176)</u>
Change in Net Assets of Governmental Activities	<u>\$ 560,696</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, 2015

	<u>Special Acquisition Fund</u>	<u>Plant Replacement Fund</u>	<u>Total Special Revenue Funds</u>
<u>Assefs</u>			
Cash - First National Bank	\$ 38,583	\$ 1,266	\$ 39,849
Total Assets	<u>\$ 38,583</u>	<u>\$ 1,266</u>	<u>\$ 39,849</u>
<u>Liabilities and Fund Balance</u>			
Liabilities	\$ 0	\$ 0	\$ 0
Fund Balance			
Unrestricted	38,583	1,266	39,849
Total Liabilities and Fund Balance	<u>\$ 38,583</u>	<u>\$ 1,266</u>	<u>\$ 39,849</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, 2015

	<u>Special Acquisition Fund</u>	<u>Plant Replacement Fund</u>	<u>Total Special Revenue Funds</u>
<u>Revenue</u>			
Contributions	\$ 2,140	\$ 0	\$ 2,140
Miscellaneous Revenue	831	0	831
Interest Income	58	1	59
Total Revenue	3,029	1	3,030
<u>Expenditures</u>			
Capital Outlay	3,344	0	3,344
Supplies	1,104	0	1,104
Miscellaneous	1,038	0	1,038
Informational Materials	162	0	162
Program Expense	30	0	30
Total Expenditures	5,678	0	5,678
<u>Revenue Over (Under) Expenditures</u>	<u>(2,649)</u>	<u>1</u>	<u>(2,648)</u>
<u>Fund Balance, June 30, 2014</u>	<u>41,232</u>	<u>1,265</u>	<u>42,497</u>
<u>Fund Balance, June 30, 2015</u>	<u>\$ 38,583</u>	<u>\$ 1,266</u>	<u>\$ 39,849</u>

Please see accompanying notes to the financial statements.

Southern Prairie Library System
Altus, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015

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, 2015

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, 2015

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:

Cash - Change Fund	\$	40
Petty Cash		228
First National Bank - Replacement Savings		1,266
National Bank of Commerce - GPLC checking		10,166
Stockmans Bank - Checking		12,067
Great Plains National Bank - Money Market		17,383
First National Bank - Acquisitions Savings		38,583
National Bank of Commerce - Money Market		38,667
Herring Bank - Checking		1,102,779
	\$	<u>1,221,179</u>

Southern Prairie Library System

Altus, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2015

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>\$ 1,220,911</u>	<u>\$ 0</u>	<u>\$ 268</u>	<u>\$ 1,221,179</u>

Note 5 – Investments

The System invests \$6,381 in a Certificate of Deposit at the MidFirst Bank in Altus, Oklahoma. The interest rate on this investment is 0.449%. The interest pays at maturity. The maturity date is February 27, 2016.

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 \$57,240 at June 30, 2015.

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, 2015

Current year changes in fixed assets were as follows:

	<u>Property, Plant and Equipment</u>	<u>Accumulated Depreciation</u>
Balance as of 07/01/2014	\$ 303,640	\$ 192,285
Additions	9,936	27,176
Disposals	<u>0</u>	<u>0</u>
Balance as of 06/30/2015	<u>\$ 313,576</u>	<u>\$ 219,461</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, 2015, totals \$35,292, which includes earned but unused vacation leave.

Note 8 – Tax Revenues

Approximately 51% 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 78% of the ad valorem tax revenues were received in December 2014 and January 2015. 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, 2015

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		
	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
Children's Reading Charitable Trust 2015 Grant	\$ 494,890	\$ 26,293
Oklahoma Department of Libraries Contract No. F-15-205	8,005	4,366
Oklahoma Arts Council		
Project No. 2015-3231-5040	1,150	800
Project No. 2015-3585-5595	0	1,475
Project No. 2016-3639-5650	0	1,044
Total	<u>\$ 504,045</u>	<u>\$ 33,978</u>

Southern Prairie Library System

Altus, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2015

Great Plains Literacy Council

	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
Oklahoma Department of Libraries		
Contract No. F-08-139	\$ 0	\$ 0
Contract No. F-14-069	240	1,685
Contract No. F-15-011	10,000	10,007
Contract No. F-15-032	15,000	13,394
Contract No. F-15-074	4,000	2,208
Oklahoma Literacy Coalition		
Tinker Federal Credit Union	1,500	1,500
Tinker Federal Credit Union	0	1,000
C. Watson Rural OK Comm. Foundation		
Grant No. 20140365	0	815
Citizenship & Literacy	<u>5,000</u>	<u>5,000</u>
Total	<u>\$ 35,740</u>	<u>\$ 35,609</u>

Note 13 – Subsequent Events

In preparing the accompanying audited financial statements, management reviewed all known events that have occurred after June 30, 2015 and through December 5, 2015, the date the financial statements were available for issuance, for inclusion in the financial statements and footnotes.



**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, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 5, 2015.

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 & Associates, PC
FURRH & ASSOCIATES, PC
Lawton, Oklahoma
December 5, 2015

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, 2015

	Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Property Taxes	\$ 543,575	\$ 620,340	\$ (76,765)
State Aid	19,595	19,645	(50)
Miscellaneous Revenue	14,500	16,378	(1,878)
Charges for Services	8,000	8,812	(812)
Grant Revenue - Private	0	494,890	(494,890)
Grant Revenue - State	0	9,155	(9,155)
Interest and Dividend Income	0	2,781	(2,781)
Contributions	0	177	(177)
Total Revenue	585,670	1,172,178	(586,508)
<u>Expenditures</u>			
Salaries and Wages	\$ 349,494	\$ 321,687	\$ 27,807
Informational Materials	132,000	83,396	48,604
Direct Grant Expenditures - Private	125,000	0	125,000
Payroll Taxes and Insurance	119,076	93,530	25,546
Capital Outlay	65,000	6,591	58,409
Contract Services	28,000	32,222	(4,222)
Equipment Expense	15,800	7,541	8,259
Telephone	15,100	5,353	9,747
Supplies	12,500	6,777	5,723
Revaluation	11,500	8,580	2,920
Insurance and Bond	8,700	5,533	3,167
Program Expense	7,000	6,940	60
Travel	6,000	4,176	1,824
Automobile Expense	6,000	1,230	4,770
Postage and Freight	5,000	3,456	1,544
Miscellaneous and Other Expense	3,000	1,146	1,854
Direct Grant Expenditures - State	0	2,879	(2,879)
Total Expenditures	909,170	591,037	318,133
<u>Revenue Over (Under) Expenditures</u>	\$ (323,500)	\$ 581,141	\$ (904,641)
<u>Fund Balance, June 30, 2014</u>	615,033	615,033	0
<u>Fund Balance, June 30, 2015</u>	\$ 291,533	\$ 1,196,174	\$ (904,641)

Please see accompanying notes to the financial statements.

Southern Plains Library System
Altus, Oklahoma
Notes to Required Supplemental Information
Year Ended June 30, 2015

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, 2015

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Grant Income	\$ 494,890	\$ 494,890	\$ 0
Matching Funds	<u>0</u>	<u>0</u>	<u>0</u>
 Total Income	 494,890	 494,890	 0
<u>Expenditures</u>			
Book Collections	420,000	21,158	398,842
Children's Programming	36,000	5,135	30,865
Children's Family Reading Corners	<u>38,890</u>	<u>0</u>	<u>38,890</u>
 Total Expenditures	 494,890	 26,293	 468,597
 <u>Revenue Over (Under) Expenditures</u>	 <u>\$ 0</u>	 <u>\$ 468,597</u>	 <u>\$ (468,597)</u>

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

Please see accompanying notes to the financial statements.

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, 2015

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
State Grant	\$ 5,000	\$ 5,000	\$ 0
Matching Funds	<u>0</u>	<u>0</u>	<u>0</u>
 Total Income	 5,000	 5,000	 0
<u>Expenditures</u>			
Personnel	4,160	4,160	0
Payroll Taxes	316	316	
Curriculum	300	300	
Supplies	<u>224</u>	<u>224</u>	<u>0</u>
 Total Expenditures	 5,000	 5,000	 0
 <u>Revenue Over (Under) Expenditures</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>

Citizenship and Literacy Program Expansion
 Contract Period: 08/01/14 - 06/30/15

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, 2015

	Budget	Current Year	(Over) Under Budget
<u>Revenue</u>			
State Grant	\$ 10,000	\$ 10,000	\$ 0
Matching Funds	71	7	64
Total Income	10,071	10,007	64
<u>Expenditures</u>			
Personnel	9,360	9,360	0
Payroll Taxes	711	647	64
Total Expenditures	10,071	10,007	64
<u>Revenue Over (Under) Expenditures</u>	\$ 0	\$ 0	\$ 0

Contract No.: F-15-011
 Community Literacy
 Contract Period: 08/01/14 - 06/30/15

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, 2015

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

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

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, 2015

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
State Grant	\$ 15,000	\$ 15,000	\$ 0
Matching Funds	114	0	114
	<hr/>	<hr/>	<hr/>
Total Income	15,114	15,000	114
<u>Expenditures</u>			
Personnel	14,040	12,677	1,363
Payroll Taxes	1,074	717	357
	<hr/>	<hr/>	<hr/>
Total Expenditures	15,114	13,394	1,720
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 1,606</u>	<u>\$ (1,606)</u>

Contract No.: F-15-032
Immigration and Citizenship Services
Contract Period: 07/01/14 - 07/30/15

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, 2015

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
State Grant	\$ 2,500	\$ 0	\$ 2,500
Matching Funds	<u>0</u>	<u>0</u>	<u>0</u>
 Total Income	 2,500	 0	 2,500
<u>Expenditures</u>			
Computer	<u>2,500</u>	<u>0</u>	<u>2,500</u>
 Total Expenditures	 2,500	 0	 2,500
 <u>Revenue Over (Under) Expenditures</u>	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>

Contract No.: F-08-139
Technology Enhancement
Contract Period: 05/15/15 - 06/30/15

Please see accompanying notes to the financial statements.

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, 2015

	<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 Income	 1,500	 1,500	 0
<u>Expenditures</u>			
Personnel	<u>1,500</u>	<u>1,500</u>	<u>0</u>
 Total Expenditures	 1,500	 1,500	 0
 <u>Revenue Over (Under) Expenditures</u>	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>

Grant Name: Tinker Federal Credit Union
 Contract Period: 12/15/14 - 03/30/15

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, 2015

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
State Grant	\$ 1,085	\$ 0	\$ 1,085
Matching Funds	<u>390</u>	<u>390</u>	<u>0</u>
 Total Income	 1,475	 390	 1,085
<u>Expenditures</u>			
Equipment and Materials	<u>1,475</u>	<u>1,475</u>	<u>0</u>
 Total Expenditures	 1,475	 1,475	 0
 <u>Revenue Over (Under) Expenditures</u>	 <u>\$ 0</u>	 <u>\$ (1,085)</u>	 <u>\$ 1,085</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, 2015

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

Grant No.: FY2016 3639-5650
 Heroic Arts II
 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, 2015

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

Contract No.: F-15-205
 LTSA - 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
Altus, OK

Oklahoma Arts Council
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2015

<u>Revenue</u>	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
State Grant	\$ 1,150	\$ 0	\$ 1,150	\$ 1,150	\$ 0
Matching Funds	650	0	650	650	0
Total Income	1,800	0	1,800	1,800	0
<u>Expenditures</u>					
Equipment and Materials	1,800	1,000	800	1,800	0
Total Expenditures	1,800	1,000	800	1,800	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ (1,000)</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ 0</u>

Grant No.: FY2015 3231-5040
 Summer Arts Fizz
 Contract Period: 07/03/14 - 07/31/14

Please see accompanying notes to the financial statements.

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, 2015

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>					
Grant Funds	\$ 5,000	\$ 5,000	\$ 0	\$ 5,000	\$ 0
Matching Funds	0	0	0	0	0
Total Income	5,000	5,000	0	5,000	0
<u>Expenditures</u>					
Personnel	4,320	3,888	432	4,320	0
Payroll Taxes	330	297	33	330	0
Travel	350	0	350	350	0
Total Expenditures	5,000	4,185	815	5,000	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 815</u>	<u>\$ (815)</u>	<u>\$ 0</u>	<u>\$ 0</u>

Grant No.: 20140365
 Project HELP: Health, English & Literacy Partnership
 Contract Period: 09/01/13 - 08/15/14

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, 2015

<u>Revenue</u>	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
State Grant	\$ 4,240	\$ 4,000	\$ 240	\$ 4,240	\$ 0
Matching Funds	0	0	0	0	0
Total Income	4,240	4,000	240	4,240	0
<u>Expenditures</u>					
Personnel	3,360	2,410	950	3,360	0
Travel	495	0	16	16	479
Supplies	385	145	719	864	(479)
Total Expenditures	4,240	2,555	1,685	4,240	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 1,445</u>	<u>\$ (1,445)</u>	<u>\$ 0</u>	<u>\$ 0</u>

Contract No.: F-14-069
 Health Literacy Project - LSTA
 Contract Period: 09/23/13 - 08/30/14

Please see accompanying notes to the financial statements.

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, 2015

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>					
Grant Funds	\$ 1,000	\$ 1,000	\$ 0	\$ 1,000	\$ 0
Matching Funds	0	0	0	0	0
Total Income	1,000	1,000	0	1,000	0
<u>Expenditures</u>					
Personnel	780	0	780	780	0
Payroll Taxes	60	0	60	60	0
Supplies	160	0	160	160	0
Total Expenditures	1,000	0	1,000	1,000	0
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 1,000</u>	<u>\$ (1,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>

Grant Name: Tinker Federal Credit Union

Contract Period: 05/15/17 - 08/30/14

Please see accompanying notes to the financial statements.