

**INDEPENDENT
ACCOUNTANT'S AUDIT REPORT
WESTERN PLAINS LIBRARY SYSTEM**

JUNE 30, 2016

BY



Western Plains Library System
Clinton, Oklahoma
Year Ended June 30, 2016

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Western Plains Library System

Management Discussion & Analysis

For the year ending June 30, 2016

Mission Statement

The mission of Western Plains Library System is to connect people to information and entertainment via its core values of Passionate Service; Unwavering Integrity; and Adventurous Thinking.*

*Adopted by the Board of Trustees in April, 2008.

Background

Today, Western Plains Library System (WPLS) serves approximately 50,188 citizens in the four-county area of Custer, Dewey, Roger Mills and Washita Counties. At the end of FY 16, WPLS had 11,181 registered borrowers. Just five years ago, WPLS only had 9,370 registered borrowers; therefore the user base has grown 20% in a short number of years.

Multi-County Library Systems were established and are regulated in Oklahoma as set forth by Title 65, Article 4, Section 202-206 of the Oklahoma Statutes. Under the Direction of Oklahoma Department of Libraries' Field Consultant, Dee Ann Ray, the Custer-Washita Library (now Western Plains Library System) was created in 1966 by the voters of the respective counties. The newly created Board of the Custer-Washita library then hired Dee Ann as the first Executive Director. In 1967 Dewey County voted to join the Custer-Washita Library, and Roger Mills County joined in 1968. The System was officially renamed Western Plains Library System in 1968. Dee Ann Ray went on to serve as the Director of WPLS for 37 years until her retirement in 2003. Long-time Bookmobile Librarian Jane Janzen assumed the Director's in 2003; a position she held until her retirement in 2013.

Presently, financial support for WPLS is at four mills per \$1,000 assessed valuation in Custer County and at two mills per \$1,000 assessed valuation in Dewey, Roger Mills and Washita Counties. The constitutional maximum funding level for rural multi-county library systems in Oklahoma is four mills. Municipal single-county libraries (Metropolitan, Tulsa) are allowed a maximum level of six mills.

Trustees

WPLS is governed by a Board of eleven Trustees. Each City government of the 7 WPLS communities with a public library appoints a trustee, as does each of the four Boards of County Commissioners of the WPLS service area.

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Board of Trustees as of June 30, 2016:

| <u>Board Member</u> | <u>Represents</u> |
|---------------------|---------------------|
| Dale Tracy | Town of Cheyenne |
| Bart Watkins | Dewey County |
| Colette Greene | City of Cordell |
| Geri Hough | Custer County |
| Lily Kendall* | Roger Mills County |
| Juan Garcia | City of Clinton |
| Marva Webb | Washita County |
| Jackie Duncan | City of Weatherford |
| Pat Kourt | City of Thomas |
| Anneva Sander | City of Seiling |
| Janet McEwen | Town of Sentinel |

*Term ending on June 30, 2016

Personnel

Paid employees for FY16 include twenty-two full-time staff and eighteen part-time staff. All employees who work 30+ hours per week are counted as full-time. WPLS has five employees with a Master's Degree in Library and Information Studies. Oklahoma Department of Libraries' State Aid Regulations require a minimum of three MLIS-degreed librarians be employed by WPLS.

Western Plains' staff salaries are very competitive within the regional library industry thanks to a Salary Survey conducted by the Singer Group in the fall of 2013. Western Plains provides insurance benefits to its employees via a benefit allowance. Each eligible employee is given a set monthly dollar amount, computed annually by formula, to spend on insurance options. As a quasi-governmental entity, Western Plains is eligible for and participates in the Oklahoma State employee health plans administered by the Employees Group Insurance Division. Many of WPLS' sister library systems are still in small-group private health plans, and thus, are paying much higher rates for their employee insurance benefits.

As of June 30, WPLS' retirement benefit is provided via a Simplified Employee Pension (SEP) Plan administered by Waddell and Reed. WPLS contributes 5% of annual wages into each eligible employees SEP. Employees are further allowed to save for their own retirement via a 457 Plan also administered by Waddell and Reed.

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A change to the WPLS retirement plan was adopted by the Board late in FY16 and a new plan will begin in FY17. The new plan is a 401(a) style plan requiring a 3% minimum employee contribution, matched by the WPLS Board up to 5%. A 457 plan is still available for contributions above the 401(a) maximum level. The new retirement plan is administered by Pension Solutions, using investment funds provided by Nationwide with financial advisor services provided via Waddell and Reed.

Library Services

In the spirit of "free public access" endorsed, promoted and practiced by libraries throughout the United States, WPLS serves the citizens in the four-county region and beyond in a multitude of ways. WPLS provides information and access to information in a seamless manner in many formats: print; electronic within the library and to remote locations (home, office, etc.); specialized on-line databases; E-Books; instruction through classes and individual assistance as needed; programs for children, young people and adults; films (DVDs); music (digital download) and microfilm.

Services include, but are not limited to: reference, readers advisory, Interlibrary Loan and programming. A growing number of WPLS customers do not know how to access specialized information, resources, employment applications and other forms without the assistance of skilled library personnel. E-Reader classes have been particularly popular as many customers need help downloading E-books and learning more about their particular E-reader device.

Five WPLS branch libraries have meeting rooms that are available and free for public use.

Circulation

Circulation for all of FY16 totaled 160,150. This was a 9% growth over FY15 and 17% higher than FY14. Most of the increase in circulation has been driven by WPLS' digital collections. The chart below illustrates how digital circulations are becoming an ever larger piece of WPLS' total circulation.

| Fiscal Year | Total Circulation | Digital Circulation | Digital as % of Total |
|-------------|-------------------|---------------------|-----------------------|
| 2013 | 125,434 | 10,284 | 7% |
| 2014 | 136,705 | 15,038 | 11% |
| 2015 | 146,763 | 20,068 | 14% |
| 2016 | 160,150 | 24,913 | 16% |

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For the year ending June 30, 2016**

Other library services have shown strong growth over the last year as well. Computer usage increase 14% over FY15:

- Computer Usage 82,457

ILL requests increased 124% over FY15 as more customers began using the service:

- Interlibrary Loan Requests 2,555

Programming

Quality programming geared toward the WPLS’ user base has always driven customers into our library buildings. During the Summer Reading Program (SRP) in particular a number of libraries now hold performances off-site due to capacity constraints of the current library buildings.

WPLS participates in the ODL sponsored, nationally known Collaborative Library Summer Reading Program. For the reading program, branches encourage children to sign up and complete the challenge of reaching a reading challenge. To ensure the children’s interest and excitement remains piqued, story and craft times, among other programs, are offered at all branches. Also, many sign up parties have grown so exponentially that the branches must hold “signups” at local parks to accommodate the crowds of families. By investing in quality performers, WPLS attracts large crowds that then discover and utilize library materials in addition to signing their children up for the reading challenge. As demonstrated in the chart below, summer attendance has grown significantly in each of the past years.

| Fiscal Year | SRP Attendance | SRP Programs | Total Attendance | Total Programs |
|-------------|----------------|--------------|------------------|----------------|
| 2013 | 4,561 | 183 | 10,578 | 572 |
| 2014 | 6,932 | 201 | 12,185 | 543 |
| 2015 | 7,554 | 248 | 14,944 | 739 |
| 2016 | 7,694 | 269 | 15,088 | 708 |

Teen and Tween programming is essential to our system’s continued growth. This past year we launched a system-wide Teen and Tween programming initiative as well as a Teen Summer Reading Program. Programming for this group is the most difficult; however, it is ultimately worthwhile. We have a unique opportunity to help these young people become lifelong learners imbued with a love of reading and a true understanding of their library’s value to their lives.

WPLS provides programming at many community events in addition to in-library programs. Listed below are the locations and events at which we provided programming. At every event we issue library cards live using cellular connected iPads or mobile devices connected to our Bookmobile’s hotspot.

Western Plains Library System

Management Discussion & Analysis

For the year ending June 30, 2016

- Cheyenne: Pioneer Days (Buckboard Quilt history program)
- Clinton: Cinco de Mayo (live band, games, and various contests)
- Cordell: Pumpkin Festival (David Titus, the String Man)

Additionally, our Bookmobile participates in parades in the communities of Seiling, Sentinel, Thomas and Weatherford.

For five years now WPLS has used the early months of January and February to offer a reading program specifically targeting the adults; it is simply titled the Winter Reading Program. Adults are encouraged to check out items by entering prize drawings and playing small games for incentives. This has proven effective in raising the sluggish, post-Christmas lull in circulation.

Branch managers offer many other themed programs and activities throughout the year that vary from branch to branch. The creativity and excitement of WPLS staff in these programs has been crucial in attracting many users, especially the younger customers, to the library. Management will continue to support the imaginations of our staff in developing engaging enrichment for their individual communities.

Collections

Just over \$260,000 was spent in FY16 to provide information and recreational materials, as well as electronic databases, to the customers of WPLS. Western Plains' suite of electronic databases cost just over \$35,000 in FY16. Several of these databases, such as Ancestry.com for genealogy and the Brainfuse Homework Help database, saw strong usage. One of WPLS' strategic goals is to hire a MLIS-degreed librarian to manage, promote and teach the usage of these valuable digital resources. Weatherford Branch Manager Tara Jaronek will transfer to this Circulation/Electronic Resources Position in FY17 when she returns from maternity leave.

At the conclusion of FY16, WPLS owns 170,393 items of all types. During FY16, 10,533 items were added and 13,761 were deleted. The large number of deletes was partially due to heavy weeding in the Weatherford branch that was re-carpeted in FY16.

WPLS had access rights to 8,031 digital items at the conclusion of FY16. During FY16, 1,667 new digital access rights were purchased. Given current budget support, at least 1,000 new digital titles will be added each year. If current circulation growth trends continue, funds will slowly begin transferring from print materials budgets to digital.

In FY16 WPLS also deployed the Playaway light format for the first time. Playaway lights digital audio devices offer one title per device. Using funds provided by the Children's Reading Trust Grant, WPLS purchased 1,278 devices in FY16.

Western Plains Library System
Management Discussion & Analysis
For the year ending June 30, 2016

Financial Overview

| | |
|---------------------------------------|--------------|
| FY16 Budget (Income and Expenditures) | \$ 2,090,100 |
| FY16 Actual Income (including grants) | \$ 2,158,999 |
| FY16 Actual Operating Expenses | \$ 1,859,130 |
| FY16 Capital Outlay | \$ 107,471 |
| FY16 Total Expenses* | \$ 2,009,818 |

*Includes Children's Reading Trust Grant expenses; grant income was recorded in FY15.

The major portion of WPLS' funding comes from county ad valorem taxes of four mills in Custer County and two mills in Dewey, Roger Mills and Washita Counties. Ad valorem generated \$2,061,751 in income for FY16.

Another source of WPLS' income is state aid administered by the Oklahoma Department of Libraries (ODL). For FY16, state aid was received in the amount of \$43,223; state aid continues to be reduced annually. This downward trend will continue for the foreseeable future due to budget cuts at the state level. The state aid formula is based on population and the square miles within the WPLS service area.

Western Plains also derives a small amount of income, just over \$20,000, from payment of library fees, interest on investments and customer payments via the Unique Management collection agency program. The FY16 audit also includes a large amount of unrestricted donations. \$15,000 of the \$17,035 total is from an adjusting entry made by the WPLS auditor to record in-kind donations from the City of Weatherford for library carpeting. The remaining donations, \$2,035, were provided by local Friends Groups.

Western Plains has brokered transactions for external Friends groups for a number of years. These transactions are usually cost-share allocations, with WPLS paying a fixed percentage and the Friends group paying a percentage toward the purchase of furnishings for branches. Ownership of all assets purchased under cost-share are the property of WPLS.

One important source of funding for WPLS that is not directly recorded in the budget is the Universal Service (E-Rate) discounts for telephone and internet services. For WPLS, the FY16 discounts received for internet and telephone services for all libraries was \$368,323. The largest discount WPLS receives is for its point-to-point wireless WAN. WPLS' portion of the WAN for FY16 was \$30,000 or 10% of its total cost.

Western Plains continues to file for, and receive, E-Rate discounts using in-house staff. Many Oklahoma library systems have hired consulting firms to perform this work, at an annual cost of well over \$50,000.

Western Plains Library System

Management Discussion & Analysis

For the year ending June 30, 2016

Technology

Western Plains continues to deploy and support up-to-date technology for its customers and staff. Currently WPLS has 75 public and staff desktop computers in use across the system. These computers were purchased as a group in 2010 with an anticipated useful life of four years. All machines were upgraded from Windows XP to Windows 7 in late 2014, gaining a few more years of useful life.

Each computer is protected from customer interference by Deep Freeze software, and all machines are deployed with commercial imaging software. In the event of a software failure or virus infection, the current image is reapplied to the machine with a down-time of less than a half-hour. This type of computer support, with Deep Freeze and imaging, allows each customer the same user experience across all branches and reduces day-today technical support to almost zero. WPLS does have a technology reserve set aside for the large-scale replacement of computer hardware, and the current desktops are budgeted for replacement in FY17.

In FY15 WPLS upgraded the server architecture which supports its library automation software. Three servers purchased in 2003 were replaced with one Dell R720 server configured for virtualization. All WPLS servers are now virtualized, allowing for physical separation by server function resulting in less down time.

In addition to desktop computers, each branch library also has an iPad used to accept credit card payments for library fees and are also used to photograph library events. These branch iPads will be replaced in FY17 with new models purchased late in FY16. Seven iPads are also issued to the department heads for use in support of their duties. This equipment is the property of WPLS and is returned upon an employee's departure.

Employee Training and Professional Development

WPLS management places a high value on training, continuing education and professional development for WPLS staff at all levels. For these reasons, WPLS invests money, time and energy in staff development by encouraging and requiring all staff to attend training, workshops and conferences.

All library managers and assistant-managers are currently certified, or pursuing certification, under the ODL Public Library Certification Program. The Certification Program was developed by ODL and OLA in the late 1990's so that a standard set of professional standards and training could be established for public libraries across Oklahoma. Most public libraries in Oklahoma are not managed by Master-Degreed Librarians, and the certificate program provides an educational avenue for these library staff. (Founding WPLS Director Dee Ann Ray was a member the original committee which created the standards.)

Western Plains Library System Management Discussion & Analysis For the year ending June 30, 2016

Currently WPLS requires ODL certification of all library managers within their first two years of employment. The Clinton Public Library Branch Manager and the Programs/Outreach Coordinator serve on the State Certification Board, which provides program oversight and develops curriculum.

MLIS-degreed staff are provided with multiple opportunities for professional development by attendance at regional and national library conferences. In the last few years, WPLS has also been able to bring several library managers to these national library conferences. Conferences attended by WPLS staff in FY16 were as follows:

- TLC Software Users Group Conference: 4 attendees
- Oklahoma Library Association Conference: 13 attendees
- Public Library Association Conference (PLA) 13 attendees
- American Library Association (ALA) Conference: 7 attendees
- Mountain Plains Library Association Conference: 1 attendee
- ALA National Library Legislative Day: 1 attendee

Western Plains' staff is also very active in the Oklahoma Library Association. Currently eight WPLS staff are active on nine different OLA committees. WPLS Director Tim Miller is also an elected officer of the association and sits on the OLA Executive Board. Miller is the OLA Representative to, and voting member of, the Mountain Plains Library Association Board.

Western Plains currently holds a quarterly staff meeting for all library managers and Main Office staff. This gives system management the opportunity to discuss items of interest, conduct in-house training on various topics and plan cooperative programming.

Outreach Publicity and Public Relations

Understanding and communicating with the citizens and communities WPLS serves is a challenge about which the system is passionate. WPLS promotes the value of its libraries, services and programming at every opportunity. While several branch managers write weekly columns for their local community newspaper, WPLS employs a full-time marketing representative. Having one employee, who is responsible for all WPLS marketing, allows the organization to advertise with a common theme and leads to more brand awareness of the services WPLS provides to each local branch library. Multiple management staff and several branch managers are also regular speakers at civic groups in their communities.

Western Plains began regular advertising via radio in late FY14. The increased attendance at library events across the same period reflects the value of these efforts.

Western Plains also strives to participate in at least one major event in each community. In many communities WPLS staff also sit on the planning committees for the events.

Western Plains Library System
Management Discussion & Analysis
For the year ending June 30, 2016

Spotlight events by community:

| | |
|--------------|---------------------------------|
| Cheyenne: | Pioneer Days |
| Clinton: | Cinco de Mayo Festival |
| Cordell: | Pumpkin Festival |
| Seiling: | Christmas Parade |
| Sentinel: | 4th of July Parade |
| Thomas: | Town-wide Christmas festivities |
| Weatherford: | SWOSU Homecoming Parade |

Capital Projects

FY16 saw the completion of many capital projects across the System, the largest projects being networking wiring upgrades in Cheyenne, Clinton, Cordell, Seiling, Thomas, and Weatherford. The Weatherford Library was also re-carpeted in FY16. A listing of capital projects by branch is below:

Main Office:

- Yealink VOIP Phone System deployed
- 35 iPad's purchased for FY 17 deployment
 - (Customer check-out and to replace branch staff iPads)
- North A/C unit replaced and ductwork upgraded

Cheyenne:

- Network wiring upgraded

Clinton:

- Network wiring upgraded

Cordell

- Network wiring upgraded

Seiling

- Network wiring upgraded

Sentinel

- The Sentinel Library is housed in a building generously donated by the Carter family. As a privately owned facility, WPLS is prohibited by Oklahoma law from using public funds to improve the physical facility.

Western Plains Library System Management Discussion & Analysis For the year ending June 30, 2016

Thomas

- Network wiring upgraded

Weatherford

- New carpeting installed
- Furnishings purchased for redecoration of meeting room
- Network wiring upgraded
- Funds budgeted to remodel Branch Manager Office
 - (reserved until FY17 due to contractor schedule)

Advisory Boards/Friends Groups

Western Plains has a structure of local library advisory boards unique in Oklahoma. At the time WPLS was formed, many communities in the service area had pre-existing public libraries with municipally appointed governing boards. In other parts of Oklahoma these groups were dissolved upon the formation of a library system. However, in western Oklahoma these local library boards were adopted into the structure of WPLS as Advisory Boards. These Advisory Boards have historically functioned as “Friends of the Library” supporters and have advocated for physical library improvements with their respective municipal governments.

The Advisory Boards have also raised funds to support the library and held these deposits in the name of their group. Changes in banking laws over the last decade are making it more difficult for these Advisory Boards to bank in their own name, as their legal entity type is not easily discerned.

Currently, WPLS management is assisting each of these Advisory Boards in forming their own 501c3 Friends groups. Cheyenne, Clinton, Sentinel and Weatherford currently have 501c3 status. Once formed, the assets of each Advisory Board is being transferred to these newly formed groups. This model will best satisfy the current banking regulatory environment, as well as providing each community its own tax-exempt organization to solicit donations and grants.

It is a goal of WPLS that eventually every library will have its own 501c3 group to raise funds that supplement library programming and provide for physical facility improvements. A tax-exempt fund raising vehicle is particularly critical when large-scale building projects are being considered such as in Thomas and Cheyenne (discussed in the next section).

Building Projects

No building projects were underway in FY16, although two are under serious discussion for future years.

Western Plains Library System
Management Discussion & Analysis
For the year ending June 30, 2016

Cheyenne:

Roger Mills County has a very large and active local genealogy society. Currently this group's books and materials are housed in the library meeting room (built in 2010). Members of this group have approached WPLS management about the possibility of again expanding the library. The group is interested in its own space within the library, and there is room on the current library lot for expansion to the south. The genealogy group is willing to help raise funds for a library expansion.

In FY15, WPLS engaged TAP Architecture to draw plans and provide construction estimates for a 1200 sq. foot library addition. The space would be divided between WPLS and the genealogical society. Due to the current economic environment, active fundraising for the project is being delayed by the Advisory Board.

Thomas:

The Hazel Cross Library in Thomas is housed in a store-front building on Main Street. The back section of the library is a large, unfinished room of approximately 1,000 sq. foot. Two citizens groups in Thomas have approached WPLS management about using funds raised in FY15 to remodel that space into a community meeting room.

IN FY 15, WPLS engaged TAP Architecture to draw plans and provide a construction estimate for the remodel. The current library is not ADA accessible; therefore, any remodel of the building will also include costs to retrofit for ADA compliance.

The initial construction estimate was higher than anticipated, and several citizens in Thomas are working with WPLS management to form a Friends group. Once formed this group will discuss raising funds over a few years to remodel the space into a meeting room. The money raised in FY15 for the Thomas Library was used to replace all furniture and floor shelving in the building. The furnishings were delivered in FY16 and the shelving is on-order.

Director's Statement

It continues to be an honor to serve as Executive Director of the Western Plains Library System. It is a privilege to work with outstanding Trustees, very intelligent and high-energy staff members and supportive communities. WPLS has grown tremendously over the last few years and I look forward to seeing what we can achieve in the coming years.

For additional information contact Tim Miller at (580) 323-0974.



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Western Plains Library System
Clinton, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the discretely presented component units of the Western Plains Library System, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Western Plains Library 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, the business-type activities and the discretely presented component units of the Western Plains Library System, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages A-1 thru A-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Budgetary Comparison Schedule on page 23 and the Notes to the Required Supplementary Information on page 24 are also presented according to Governmental Accounting Standards Board requirements. 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 Budgetary Comparison Schedule and Notes to the RSI are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

The combining nonmajor fund financial statements and the grant schedules 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 and the grant schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2016, 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* in considering the Western Plains Library System's internal control over financial reporting and compliance.

Furrh and Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

August 3, 2016

Western Plains Library System
Clinton, Oklahoma
Statement of Net Position
June 30, 2016

| | <u>Governmental Activities</u> | <u>Enterprise Activities</u> | <u>Total</u> |
|---|------------------------------------|----------------------------------|---------------------|
| <u>Current Assets</u> | | | |
| Cash and Cash Equivalents | \$ 1,343,900 | \$ 6,280 | \$ 1,350,180 |
| Investments | 100,377 | 0 | 100,377 |
| Ad Valorem Tax Receivable | 248,962 | 0 | 248,962 |
| Prepaid Assets | 49,751 | 0 | 49,751 |
| Due from Special Accounts | 131 | 0 | 131 |
| Inventory | 0 | 1,337 | 1,337 |
| | <hr/> | <hr/> | <hr/> |
| Total Current Assets | 1,743,121 | 7,617 | 1,750,738 |
| <u>Other Assets</u> | | | |
| Fixed Assets, Net of Accum Depr. | 1,271,466 | 0 | 1,271,466 |
| | <hr/> | <hr/> | <hr/> |
| Total Other Assets | 1,271,466 | 0 | 1,271,466 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | \$ 3,014,587 | \$ 7,617 | \$ 3,022,204 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| <u>Liabilities</u> | | | |
| Accounts Payable | \$ 4,749 | \$ 0 | \$ 4,749 |
| Unpaid Compensated Absences | 55,602 | 0 | 55,602 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | 60,351 | 0 | 60,351 |
| <u>Net Assets</u> | | | |
| Invested in Capital Assets, Net of Debt | 1,271,466 | 0 | 1,271,466 |
| Restricted | 0 | 7,617 | 7,617 |
| Unrestricted | 1,682,770 | 0 | 1,682,770 |
| | <hr/> | <hr/> | <hr/> |
| Total Net Assets | 2,954,236 | 7,617 | 2,961,853 |
| | <hr/> | <hr/> | <hr/> |
| Total Net Assets and Liabilities | \$ 3,014,587 | \$ 7,617 | \$ 3,022,204 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Please see accompanying notes to the financial statements.

Western Plains Library System

Clinton, Oklahoma

Balance Sheet

Governmental Funds

June 30, 2016

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|------------------------------------|-------------------------|--|---|
| <u>Assets</u> | | | |
| Petty Cash | \$ 50 | \$ 0 | \$ 50 |
| Cash - Mid First Bank | 1,042,188 | 0 | 1,042,188 |
| Cash - Bank of Cordell | 214,595 | 0 | 214,595 |
| Cash - OK Bank and Trust | 72,809 | 10,286 | 83,095 |
| Cash - First Bank and Trust | 0 | 3,972 | 3,972 |
| CD - Security State | 100,377 | 0 | 100,377 |
| Ad Valorem Tax Receivable | 248,962 | 0 | 248,962 |
| Prepaid Assets | 49,751 | 0 | 49,751 |
| Due from Special Accounts | 131 | 0 | 131 |
| Fixed Assets | 2,029,094 | 0 | 2,029,094 |
| Accumulated Depreciation | (2,029,094) | 0 | (2,029,094) |
| Total Assets | <u>\$ 1,728,863</u> | <u>\$ 14,258</u> | <u>\$ 1,743,121</u> |
| <u>Liabilities</u> | | | |
| Accounts Payable | \$ 4,618 | \$ 131 | \$ 4,749 |
| Unpaid Compensated Absences | 55,602 | 0 | 55,602 |
| Total Liabilities | <u>60,220</u> | <u>131</u> | <u>60,351</u> |
| <u>Fund Balance</u> | | | |
| Nonspendable | 49,751 | 0 | 49,751 |
| Restricted | 0 | 0 | 0 |
| Committed | 0 | 0 | 0 |
| Assigned | 395,000 | 0 | 395,000 |
| Unassigned | 1,223,892 | 14,127 | 1,238,019 |
| Total Fund Balance | <u>1,668,643</u> | <u>14,127</u> | <u>1,682,770</u> |
| Total Liabilities and Fund Balance | <u>\$ 1,728,863</u> | <u>\$ 14,258</u> | |

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2016

| | |
|---|--------------|
| Fund Balances | \$ 1,682,770 |
| Amounts Reported for Governmental Activities in the | |

Statement of Net Position are different because:

Capital Assets Used by Governmental Activities of \$2,029,094

Net of Accumulated Depreciation of \$757,628 are not financial resources and, therefore, are not reported in the funds.

1,271,466

Net Position of Governmental Activities

\$ 2,954,236

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, 2016

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------------------|-------------------------|--|---|
| <u>Revenue</u> | | | |
| Ad Valorem Tax Revenue | \$ 2,061,751 | \$ 0 | \$ 2,061,751 |
| State Aid | 43,223 | 0 | 43,223 |
| Donations | 16,840 | 2,970 | 19,810 |
| E-Rate Revenue | 16,207 | 0 | 16,207 |
| Branch Library Income | 14,743 | 0 | 14,743 |
| Private Grants | 5,996 | 0 | 5,996 |
| Interest Income | 3,006 | 31 | 3,037 |
| Miscellaneous Revenue | 1,860 | 0 | 1,860 |
| Collection Income | 1,173 | 0 | 1,173 |
| Total Revenue | <u>2,164,799</u> | <u>3,001</u> | <u>2,167,800</u> |
| <u>Expenditures</u> | | | |
| Personnel Services | | | |
| Salaries and Wages | 954,483 | 0 | 954,483 |
| Employee Insurance | 131,712 | 0 | 131,712 |
| Payroll Taxes | 77,157 | 0 | 77,157 |
| Retirement Costs | 41,270 | 0 | 41,270 |
| Substitute Travel | 975 | 0 | 975 |
| Total Personnel Services | <u>1,205,597</u> | <u>0</u> | <u>1,205,597</u> |
| Informational Materials | | | |
| Books - Print | 101,015 | 453 | 101,468 |
| Databases | 52,023 | 0 | 52,023 |
| Downloadables | 50,548 | 0 | 50,548 |
| Audio Books | 26,963 | 0 | 26,963 |
| DVDs | 18,822 | 0 | 18,822 |
| Magazines/Newspapers | 9,735 | 0 | 9,735 |
| Vendor Processing | 2,248 | 0 | 2,248 |
| Microfilm | 260 | 0 | 260 |
| Total Informational Materials | <u>261,614</u> | <u>453</u> | <u>262,067</u> |
| Public and Technical Services | | | |
| Programming Fees & Supplies | 37,112 | 0 | 37,112 |
| Technical Services | 8,404 | 0 | 8,404 |
| Total Public & Technical Services | <u>45,516</u> | <u>0</u> | <u>45,516</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, 2016

| <u>Expenditures (cont.)</u> | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------------------|-------------------------|--|---|
| Operating Expenses | | | |
| Internet Access | \$ 39,788 | \$ 0 | \$ 39,788 |
| Insurance | 34,841 | 0 | 34,841 |
| Professional Development | 34,747 | 0 | 34,747 |
| Building Maintenance | 29,638 | 0 | 29,638 |
| Advertising & Marketing | 26,947 | 0 | 26,947 |
| Staff Development | 23,111 | 0 | 23,111 |
| Equipment Expense | 20,369 | 0 | 20,369 |
| Professional Consulting | 20,212 | 0 | 20,212 |
| Vehicle Expense | 18,879 | 0 | 18,879 |
| Contingency Expense | 17,142 | 0 | 17,142 |
| Automation | 14,539 | 0 | 14,539 |
| Postage and Freight | 11,280 | 0 | 11,280 |
| Travel | 10,783 | 0 | 10,783 |
| Supplies | 10,198 | 0 | 10,198 |
| Utilities | 9,520 | 0 | 9,520 |
| Computer & Equipment Expense | 8,938 | 0 | 8,938 |
| Human Resources Expense | 4,476 | 0 | 4,476 |
| Collection Agency | 3,893 | 0 | 3,893 |
| Furniture Expense | 3,877 | 0 | 3,877 |
| Miscellaneous Expense | 1,347 | 500 | 1,847 |
| Rent Expense | 1,062 | 0 | 1,062 |
| Banking Service Fees | 622 | 35 | 657 |
| Building Improvements | 0 | 5,000 | 5,000 |
| Grant Expenditures | 43,216 | 0 | 43,216 |
| Capital Outlay (Depreciation) | 107,471 | 0 | 107,471 |
| Total Operating Expenses | <u>496,896</u> | <u>5,535</u> | <u>502,431</u> |
| Total Expenditures | 2,009,623 | 5,988 | 2,015,611 |
| Revenue Over (Under) Expenditures | 155,176 | (2,987) | 152,189 |
| Fund Balance, June 30, 2015 | <u>1,513,467</u> | <u>17,114</u> | <u>1,530,581</u> |
| Fund Balance, June 30, 2016 | <u>\$ 1,668,643</u> | <u>\$ 14,127</u> | <u>\$ 1,682,770</u> |

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Enterprise Fund
Statement of Net Position
Year Ended June 30, 2016

| <u>Assets</u> | | |
|------------------------------------|----|-------|
| Current Assets: | | |
| Cash - MidFirst Bank, Weatherford | \$ | 6,280 |
| Inventory | | 1,337 |
| Total Current Assets | \$ | 7,617 |
| Noncurrent Assets: | | |
| Capital Assets | | 0 |
| Accumulated Depreciation | | 0 |
| Total Noncurrent Assets | | 0 |
| Total Assets | \$ | 7,617 |
| <u>Liabilities</u> | | |
| Unearned Revenue | \$ | 0 |
| Total Liabilities | \$ | 0 |
| <u>Net Positions</u> | | |
| Restricted | | 7,617 |
| Total Net Position | | 7,617 |
| Total Net Position and Liabilities | \$ | 7,617 |

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 Position Year Ended June 30, 2016

| | |
|--|------------------------|
| <u>Operating Revenue</u> | |
| Sales | \$ 1,164 |
| <u>Operating Expense</u> | |
| Cost of Inventory | <u>2,189</u> |
| Net Operating Income (Loss) | (1,025) |
| <u>Nonoperating Revenue (Expense)</u> | |
| Transfers from Western Plains | |
| Net Nonoperating Revenue (Expense) | <u>2,566</u> |
| Net Revenue (Loss) | 1,541 |
| Total Net Position, June 30, 2015 | <u>6,076</u> |
| Total Net Position, June 30, 2016 | <u><u>\$ 7,617</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, 2016

Cash Flows from Operating Activities

| | |
|-------------------------|----------|
| Receipts from Customers | \$ 1,164 |
| Payments to Suppliers | (1,932) |
| | (768) |

Cash Flows from Noncapital Financing Activities

| | |
|-------------------------------|-------|
| Transfers from Western Plains | 2,566 |
| | 2,566 |

Cash Flows from Capital and Related Financing Activities

| | |
|--|---|
| Capital Assets Purchased | 0 |
| Capital Assets Sold | 0 |
| | 0 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 0 |

Cash Flows from Investing Activities

| | |
|--|---|
| Interest Income | 0 |
| | 0 |
| Net Cash Provided (Used) by Investing Activities | 0 |

| | |
|--|----------|
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,798 |
| Cash and Cash Equivalents - June 30, 2015 | 4,482 |
| Cash and Cash Equivalents - June 30, 2016 | \$ 6,280 |

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

| | |
|---|------------|
| Operating Income (Loss) | \$ (1,025) |
| Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities | |
| Decrease in Inventory | 257 |
| | (768) |
| Net Cash Provided (Used) by Operating Activities | \$ (768) |

Please see accompanying notes to the financial statements.

Western Plains Library System

Clinton, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2016

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 the governing boards of all towns with a WPLS library. Presently, there are the following towns and cities: Cheyenne, Cordell, Clinton, Weatherford, Thomas, Seiling and Sentinel, 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 library system (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, 2016

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

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, 2016

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 required supplementary information.

Note 4 – Cash and Cash Equivalents

Cash and cash equivalents include the following accounts:

| | |
|---------------------------------|---------------------|
| General Fund | |
| MidFirst Bank-Investment | \$ 1,022,609 |
| Bank of Cordell Childrens Trust | 214,595 |
| Oklahoma Bank and Trust | 72,809 |
| MidFirst Bank-Checking | 19,579 |
| MidFirst Bank-Sales Acct | 6,280 |
| Petty Cash | 50 |
| Memorial Fund | |
| Oklahoma Bank and Trust | 10,286 |
| Friends of The Library Fund | |
| First Bank and Trust | 3,972 |
| | <u>\$ 1,350,180</u> |

The cash on deposit with MidFirst Bank of Clinton, Oklahoma, is not only covered by FDIC insurance (up to \$250,000) but also a collateral pledge of \$1,250,000 to cover deposits in excess of the FDIC coverage. The cash on deposit with Bank of Cordell is also covered by FDIC insurance (up to \$250,000) and has a collateral pledge of \$100,000 to cover excess deposits.

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

Western Plains Library System
Clinton, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2016

- 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.

| | A | B | C | Total |
|------|--------------|------|-------|--------------|
| Cash | \$ 1,350,130 | \$ 0 | \$ 50 | \$ 1,350,180 |

Note 5 – Investments

The System invests \$100,377 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 quarterly. The maturity date is July 16, 2016.

Note 6 – Ad Valorem Taxes Receivable

Roger Mills County and Dewey County both owe the System outstanding ad valorem taxes. Several major industries in the counties claim an ad valorem manufacturer exemption. The State of Oklahoma will reimburse the counties for the industries that claim this exemption. Roger Mills and Dewey County have a policy of not passing along the ad valorem taxes for these industries until they receive the money from the State. Roger Mills County and Dewey County expect to be able to pass the 2015/2016 funds to the System in the 2016/2017 fiscal year.

Note 7 – Prepaid Assets

Prepaid assets include the unamortized portion of the annual expense for the following:

| | | |
|------------------------------|----|--------|
| Prepaid Automation | \$ | 21,786 |
| Prepaid Insurance | | 19,009 |
| Prepaid Equip Maint Contract | | 8,387 |
| Prepaid Subscriptions | | 569 |
| | \$ | 49,751 |

Western Plains Library System
Clinton, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2016

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 07/01/2015 | \$ 1,921,621 | \$ 644,560 |
| Additions | 107,472 | 113,068 |
| Disposals | 0 | 0 |
| Balance as of 06/30/2016 | <u>\$ 2,029,093</u> | <u>\$ 757,628</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, 2016 was approximately \$55,602.

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, 2016 was as follows:

| | |
|----------------------|------------|
| Vehicle Replacement | \$ 200,000 |
| Computer Reserve | \$ 100,000 |
| Building Maintenance | \$ 50,000 |
| Equipment | \$ 25,000 |
| Remodeling | \$ 20,000 |

Western Plains Library System
Clinton, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2016

These restrictions 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 85.84% 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 58.82% of the ad valorem tax revenues were received in December 2015 and January 2016.

| Ad Valorem Tax Revenue | |
|------------------------|----------------|
| Custer County | \$ 1,052,063 |
| Dewey County | 417,602 |
| Roger Mills County | 306,784 |
| Washita County | 285,302 |
| | \$ \$2,061,751 |

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
- Commercial Package
- Employment Practices Liability
- Workers Compensation
- Employer Liability
- Position Fidelity Bond

Western Plains Library System
Clinton, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2016

Note 13 – Grant Revenues

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

| | Grant Receipts | Grant Expenditures |
|------------------------------------|-------------------|-----------------------|
| Childrens Reading Charitable Trust | \$ 0 | \$ 37,220 |
| Let's Talk About It, Oklahoma | 677 | 1,627 |
| PLA 2016 Conference Grant | 5,319 | 5,319 |
| Total | \$ 5,996 | \$ 44,166 |

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.

| | 6/30/16 | 6/30/15 | 6/30/14 |
|------------------------|-----------|-----------|-----------|
| Employer Contributions | \$ 41,270 | \$ 35,048 | \$ 30,490 |
| Employee Contributions | 20,922 | 23,496 | 22,529 |
| Total | \$ 62,192 | \$ 58,544 | \$ 53,019 |

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 building operating expenses, 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.

Western Plains Library System
Clinton, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2016

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.

Note 17 – Subsequent Events

Subsequent events were evaluated through August 3, 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
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, the business-type activities and the aggregate remaining fund information of the Western Plains Library System, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Western Plains Library System's basic financial statements, and have issued our report thereon dated August 3, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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 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 3, 2016

Western Plains Library System

Clinton, Oklahoma

General Fund

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

Year Ended June 30, 2016

| | <u>Budget</u> | <u>Actual</u> | <u>(Over)</u> |
|-------------------------------------|------------------|------------------|-----------------|
| <u>Revenue</u> | | | |
| Ad Valorem Taxes | \$ 2,000,000 | \$ 2,061,751 | \$ (61,751) |
| State Aid | 43,000 | 43,223 | (223) |
| E-Rate Reimbursements | 29,850 | 16,207 | 13,643 |
| Donations | 15,000 | 16,840 | (1,840) |
| Branch Library Income | 13,500 | 14,743 | (1,243) |
| Interest Income | 2,500 | 3,006 | (506) |
| Collection Agency Income | 750 | 1,173 | (423) |
| Miscellaneous Income | 500 | 1,860 | (1,360) |
| Grant Revenue | 0 | 5,996 | (5,996) |
| Total Revenue | <u>2,105,100</u> | <u>2,164,799</u> | <u>(59,699)</u> |
| <u>Expenditures</u> | | | |
| Personnel Services | | | |
| Salaries and Wages | \$ 962,000 | \$ 954,483 | \$ 7,517 |
| Employee Insurance & Retirement | 183,000 | 172,982 | 10,018 |
| Payroll Taxes | 77,500 | 77,157 | 343 |
| Substitute Travel | 2,000 | 975 | 1,025 |
| Total Personnel Services | <u>1,224,500</u> | <u>1,205,597</u> | <u>18,903</u> |
| Informational Materials | | | |
| Books - Print | 105,000 | 101,015 | 3,985 |
| Databases | 30,000 | 52,023 | (22,023) |
| Downloadables | 50,000 | 50,548 | (548) |
| Audio Books | 32,500 | 26,963 | 5,537 |
| DVDs | 25,000 | 18,822 | 6,178 |
| Magazines/Newspapers | 10,750 | 9,735 | 1,015 |
| Vendor Processing | 3,500 | 2,248 | 1,252 |
| Microfilm | 800 | 260 | 540 |
| Total Informational Materials | <u>257,550</u> | <u>261,614</u> | <u>(4,064)</u> |
| Public and Technical Services | | | |
| Programming Fees & Supplies | 35,000 | 37,112 | (2,112) |
| Technical Services | 12,500 | 8,404 | 4,096 |
| Total Public and Technical Services | <u>47,500</u> | <u>45,516</u> | <u>1,984</u> |

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, 2016

| | <u>Budget</u> | <u>Actual</u> | <u>(Over) Under Budget</u> |
|--|------------------|---------------------|------------------------------------|
| Operating Expenses | | | |
| Internet Access | \$ 42,000 | \$ 39,788 | \$ 2,212 |
| Insurance | 40,000 | 34,841 | 5,159 |
| Professional Development | 38,000 | 34,747 | 3,253 |
| Building Maintenance | 32,500 | 29,638 | 2,862 |
| Advertising & Marketing | 29,000 | 26,947 | 2,053 |
| Staff Development | 25,000 | 23,111 | 1,889 |
| Equipment Expense | 20,000 | 20,369 | (369) |
| Professional Consulting | 28,000 | 20,212 | 7,788 |
| Vehicle Expense | 22,000 | 18,879 | 3,121 |
| Contingency Expense | 18,000 | 17,142 | 858 |
| Automation | 36,500 | 14,539 | 21,961 |
| Postage and Freight | 11,000 | 11,280 | (280) |
| Travel | 10,000 | 10,783 | (783) |
| Supplies | 11,000 | 10,198 | 802 |
| Utilities | 13,000 | 9,520 | 3,480 |
| Computer | 14,000 | 8,938 | 5,062 |
| Human Resources Expense | 7,000 | 4,476 | 2,524 |
| Collection Agency Expense | 5,000 | 3,893 | 1,107 |
| Furniture Expense | 7,500 | 3,877 | 3,623 |
| Miscellaneous Expense | 2,000 | 1,347 | 653 |
| Rent Expense | 1,000 | 1,062 | (62) |
| Banking Service Fees | 1,000 | 622 | 378 |
| Grant Expenditures | 0 | 43,216 | (43,216) |
| Capital Outlay | 134,000 | 107,471 | 26,529 |
| Total Operating Expenses | <u>547,500</u> | <u>496,896</u> | <u>50,604</u> |
| Total Expenditures | <u>2,077,050</u> | <u>2,009,623</u> | <u>67,427</u> |
| <u>Revenue Over (Under) Expenditures</u> | <u>\$ 28,050</u> | <u>\$ 155,176</u> | <u>\$ (127,126)</u> |
| <u>Fund Balance, June 30, 2015</u> | <u>31,645</u> | <u>1,513,467</u> | <u>(1,481,822)</u> |
| <u>Fund Balance, June 30, 2016</u> | <u>\$ 59,695</u> | <u>\$ 1,668,643</u> | <u>\$ (1,608,948)</u> |

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, 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. 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, 2016

| | <u>Memorial Fund</u> | <u>Friends of the Library Fund</u> | <u>Total</u> |
|--|--------------------------|--|------------------|
| <u>Assets</u> | | | |
| Cash and Cash Equivalents | \$ 10,286 | \$ 3,972 | \$ 14,258 |
| Total Assets | <u>\$ 10,286</u> | <u>\$ 3,972</u> | <u>\$ 14,258</u> |
| <u>Liabilities and Fund Balance</u> | | | |
| Due to WPLS | \$ 131 | \$ 0 | \$ 131 |
| Total Liabilities | 131 | 0 | 131 |
| Fund Balance | | | |
| Assigned | \$ 0 | \$ 0 | \$ 0 |
| Unassigned | <u>10,155</u> | <u>3,972</u> | <u>14,127</u> |
| Total Liabilities and Fund Balance | <u>\$ 10,286</u> | <u>\$ 3,972</u> | <u>\$ 14,258</u> |

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, 2016

| <u>Revenue</u> | <u>Memorial Fund</u> | <u>Friends of the Library Fund</u> | <u>Total</u> |
|--|--------------------------|--|---------------|
| Donations and Fund Raising | \$ 420 | \$ 2,550 | \$ 2,970 |
| Interest Income | 31 | 0 | 31 |
| Total Revenue | 451 | 2,550 | 3,001 |
| <u>Expenditures</u> | | | |
| Bank Service Charges | 0 | 35 | 35 |
| Books and Supplies | 453 | 0 | 453 |
| Building Improvements | 0 | 5,000 | 5,000 |
| Misc. Expenses | 0 | 500 | 500 |
| Pass Through Expenses | 0 | 0 | 0 |
| Total Expenditures | 453 | 5,535 | 5,988 |
| <u>Revenue Over (Under) Expenditures</u> | (2) | (2,985) | (2,987) |
| <u>Fund Balance, June 30, 2015</u> | 10,157 | 6,957 | 17,114 |
| <u>Fund Balance, June 30, 2016</u> | \$ 10,155 | \$ 3,972 | \$ 14,127 |

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Oklahoma Humanities Council
Let's Talk About It, Oklahoma
Revenue and Expenditures Compared with Budget
Year Ending June 30, 2016

| | <u>Budget</u> | <u>Total</u> | <u>(Over) Under Budget</u> |
|--|---------------|--------------|------------------------------------|
| <u>Revenue</u> | | | |
| Grant | \$ 677 | \$ 677 | \$ 0 |
| Matching Funds | 950 | 950 | 0 |
| | | | |
| Total Income | 1,627 | 1,627 | 0 |
| | | | |
| <u>Expenditures</u> | | | |
| Staff and Facilities | 777 | 950 | (173) |
| Program Expense | 750 | 600 | 150 |
| Mileage | 100 | 77 | 23 |
| | | | |
| Total Expenditures | 1,627 | 1,627 | 0 |
| | | | |
| <u>Revenue Over (Under) Expenditures</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Project No.: Y15.070
Play Ball: The American Sport Meets the American Dream
Contract Period: 05/19/2015 - 09/30/2015

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Oklahoma Department of Libraries
PLA 2016 Conference Grant
Revenue and Expenditures Compared with Budget
Year Ending June 30, 2016

| | <u>Budget</u> | <u>Total</u> | <u>(Over) Under Budget</u> |
|--|---------------|--------------|------------------------------------|
| <u>Revenue</u> | | | |
| Grant | \$ 5,300 | \$ 5,319 | \$ (19) |
| Total Income | 5,300 | 5,319 | (19) |
| <u>Expenditures</u> | | | |
| Conference Fees | 765 | 765 | 0 |
| Travel | 4,535 | 4,554 | (19) |
| Total Expenditures | 5,300 | 5,319 | (19) |
| <u>Revenue Over (Under) Expenditures</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Project No.: 152102
Contract Period: 04/06/2016 - 05/10/2016

Please see accompanying notes to the financial statements.

Western Plains Library System
Clinton, Oklahoma
Children's Reading Charitable Trust Grant
Revenue and Expenditures Compared with Budget
Year Ended June 30, 2016

| <u>Revenue</u> | <u>Budget</u> | <u>Prior Year</u> | <u>Current Year</u> | <u>Total</u> | <u>(Over) Under Budget</u> |
|--|---------------|-------------------|---------------------|-------------------|------------------------------------|
| Grant Funds | \$ 251,000 | \$ 251,000 | \$ 0 | \$ 251,000 | \$ 0 |
| Total Income | 251,000 | 251,000 | 0 | 251,000 | 0 |
| <u>Expenditures</u> | | | | | |
| Children's Programs | 251,000 | 0 | 37,220 | 37,220 | 213,780 |
| Total Expenditures | 251,000 | 0 | 37,220 | 37,220 | 213,780 |
| <u>Revenue Over (Under) Expenditures</u> | <u>\$ 0</u> | <u>\$ 251,000</u> | <u>\$ (37,220)</u> | <u>\$ 213,780</u> | <u>\$ (213,780)</u> |

Contract Period: 07/01/2015 - 06/30/2018

Please see accompanying notes to the financial statements.