

**PANHANDLE PUBLIC LIBRARY COOPERATIVE SYSTEM**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2013**

PANHANDLE PUBLIC LIBRARY COOPERATIVE SYSTEM  
ADMINISTRATIVE BOARD

Calhoun County

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Ruth Attaway

Wretha Webb

Holmes County

Susan Harris

Kay Ann Sattelmeier

Barbara Belford

Jackson County

Pam Prichard

Alan Barber

Lenetta Greene

Washington County

Renaë Rountree

Donna Pate

David Corbin

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## INDEPENDENT AUDITOR'S REPORT

# GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.  
DALE L. CAVIN, C.P.A.

MEMBERS  
FLORIDA INSTITUTE AND  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Administrative Board  
Panhandle Public Library Cooperative System  
Marianna, Florida 32448

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of Panhandle Public Library Cooperative System, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Panhandle Public Library Cooperative System, as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-8 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2014, on our consideration of the Panhandle Public Library Cooperative 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 Panhandle Public Library Cooperative System's internal control over financial reporting and compliance.

Marianna, Florida  
June 17, 2014

*Grimsley, Cavin & Company*

Grimsley, Cavin & Company, P.A.  
Certified Public Accountants

## MANAGEMENT DISCUSSION AND ANALYSIS



**PANHANDLE PUBLIC LIBRARY COOPERATIVE SYSTEM  
(PPLCS)  
MANAGEMENT DISCUSSION AND ANALYSIS  
2012-2013**

The management of Panhandle Public Library Cooperative System (PPLCS) has prepared the following discussion and analysis to assist the reader in focusing on significant financial issues, such as:

- Provide an overview of PPLCS financial activities,
- Identify changes in PPLCS's financial position (its ability to address the next and subsequent year challenges),
- Identify any material deviations from the financial plan, (the approved budget),
- Identify individual fund issues of concerns.

Because the information contained in the Management Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it should be considered in conjunction with PPLCS's financial statements.

As of October 1, 2004, PPLCS implemented Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*.

This discussion and analysis reflects PPLCS financial performance for the year and its financial position at fiscal year end September 30, 2013.

**Key Financial Highlights**

- The assets of PPLCS exceeded its liabilities at the close of the most recent fiscal year by \$ 146,237. This amount may be used to meet ongoing obligations to the citizens of the Calhoun, Holmes, Jackson and Washington County libraries.
- PPLCS total net position increased by \$28,391 during the year ended September 30, 2013. Most of this is attributed to increased revenues from State Aid.

**Using This Annual Report**

The financial statement's focus is on PPLCS as a government-wide funding source. Perspective government-wide funds allow the user to address relevant questions, broaden a basis for comparison (year to year) and enhance PPLCS accountability.

This discussion and analysis is intended to serve as an introduction to the basic financial statements, which are comprised of two components;

1. Government-wide financial statements,
2. Fund financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Government Wide Financial Statements

The government-wide financial statements provide readers with a broad overall financial condition in a manner similar to a private-sector business. The statements include a Statement of Net Position and Statement of Activities that are designed to provide consolidated financial information about the governmental activities of PPLCS presented on the accrual basis of accounting.

The Statement of Net Position provides information on all of PPLCS assets and liabilities, with the difference between the two reported as net assets. Over time, the increases or decreases in net position may serve as a useful indication of the financial position as to whether PPLCS is improving or deteriorating.

The Statement of Activities presents information about the change in PPLCS' net position during the fiscal year. Revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods. This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net position is an indication of whether PPLCS financial health is improving or deteriorating.

Both of the financial statements distinguish the functions of PPLCS that are principally supported by intergovernmental revenues (governmental activities). The governmental activities include general government and human services.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. PPLCS like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

## Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating PPLCS near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, readers may better understand the long-term impact of PPLCS near-term financing decisions.

PPLCS maintains one governmental fund and information on this fund is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances.

PPLCS adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget and are presented as required supplemental information.

The basic governmental fund financial statements may also be found in this report.

## Infrastructure Assets

PPLCS has implemented the major model portions of GASB Statement 34. This statement requires that these assets be valued and reported within the governmental column of government-wide statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may be used to present over time a useful indicator of a government's financial position. The following is a summary of PPLCS statements that compare the current year to the prior year.

### Statement of Net Position

The following schedule reflects the condensed Statement of Net Position

	Governmental Activities Totals	
	<u>2012</u>	<u>2013</u>
Current and Other Assets	\$ 356,454	\$ 408,575
<b>Total Assets</b>	<u>356,454</u>	<u>408,575</u>
Current Liabilities	14,170	16,045
Deferred Revenue	<u>224,348</u>	<u>246,203</u>
<b>Total Liabilities</b>	<u>238,518</u>	<u>262,248</u>
Net Position		
Unrestricted	<u>117,936</u>	<u>146,327</u>
<b>Total Net Position</b>	<u>\$ 117,936</u>	<u>\$ 146,327</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Statement of Activities

The following schedule compares revenues and expenses for the current year.

### Statement of Activities As of September 30, 2013

	<b>Governmental Activities Totals</b>	
	<u>2012</u>	<u>2013</u>
<b>Revenues</b>		
Program Revenues	\$ 404,116	\$ 389,490
Total Program Revenues	<u>404,116</u>	<u>389,490</u>
General Revenues		
Other - Interest	395	339
Miscellaneous (e-rate prior year refunds)	<u>6,969</u>	<u>6,953</u>
Total General Revenues	<u>7,364</u>	<u>7,292</u>
<b>Total Revenues</b>	<u>411,480</u>	<u>396,782</u>
<b>Expenses</b>		
Governmental Activities	<u>392,116</u>	<u>368,391</u>
<b>Total Expenses</b>	<u>392,116</u>	<u>368,391</u>
Change in Net Assets	<u>19,364</u>	<u>28,391</u>
Net Position - Beginning	<u>98,572</u>	<u>117,936</u>
Net Position - Ending	<u>\$ 117,936</u>	<u>\$ 146,327</u>

## Governmental Funds

The focus of PPLCS governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing PPLCS financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2013 PPLCS governmental fund reported a fund balances of \$146,327 of this amount \$146,327 is unassigned.

## General Funds Budgetary Highlights

The budget was amended on September 30, 2013 to show changes in line items. The original budget amount itself was not changed however. Because of budget changes during the year from the State it was necessary for there to be changes made to the PPLCS budget, however PPLCS was able to keep the original amount budgeted.

## Capital Assets

Detailed information about PPLCS capital assets can be obtained in the financial statements. As of September 30, 2013 PPLCS had no capital assets that met the threshold to be reported in the financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Requests for Information

PPLCS financial statements are designed to provide a general overview of PPLCS finances and to demonstrate accountability.

If you have any questions about this report or need additional financial information, you may contact the following.

Susan J. Hughes  
PPLCS Administrator

## FINANCIAL STATEMENTS

Panhandle Public Library Cooperative System  
Statement of Net Position  
September 30, 2013

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 302,242
Investments	89,994
Accounts Receivable	<u>16,339</u>
Total Assets	<u>408,575</u>
 <b>LIABILITIES</b>	
Accounts Payable and Accrued Expenses	16,045
Deferred Revenue	<u>246,203</u>
Total Liabilities	<u>262,248</u>
 <b>NET POSITION</b>	
Unrestricted	<u>146,327</u>
Total Net Position	<u>\$ 146,327</u>

The notes to the financial statements are an integral part of this statement.

Panhandle Public Library Cooperative System  
Statement of Activities  
For the Year Ended September 30, 2013

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		Program Revenue	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:			
General Government	\$ 368,391	\$ 389,490	\$ 21,099
 Total governmental activities	 <u>\$ 368,391</u>	 <u>\$ 389,490</u>	 <u>21,099</u>
 General Revenues:			
Unrestricted Investment Earnings			339
Miscellaneous			<u>6,953</u>
Total General Revenues and Transfers			<u>7,292</u>
Change in Net Position			28,391
Net Position - beginning			<u>117,936</u>
Net Position - ending			<u>\$ 146,327</u>

The notes to the financial statements are an integral part of this statement.



Panhandle Public Library Cooperative System  
 Balance Sheet  
 Governmental Funds  
 September 30, 2013

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	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash	\$ 302,242	\$ 302,242
Investments	89,994	89,994
Accounts Receivable	<u>16,339</u>	<u>16,339</u>
 Total Assets	 <u>\$ 408,575</u>	 <u>\$ 408,575</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 9,741	\$ 9,741
Salaries Payable	6,304	6,304
Deferred Revenue	<u>246,203</u>	<u>246,203</u>
Total Liabilities	<u>262,248</u>	<u>262,248</u>
Fund Balances:		
Unassigned	<u>146,327</u>	<u>146,327</u>
Total Fund Balances	<u>146,327</u>	<u>146,327</u>
 Total Liabilities and Fund Balances	 <u>\$ 408,575</u>	 <u>\$ 408,575</u>

Note: There are no reconciling items between the Balance Sheet and the Statement of Net Position.

The notes to the financial statements are an integral part of this statement.

Panhandle Public Library Cooperative System  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2013

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	<u>General Fund</u>	<u>Total Governmental Fund</u>
<b>REVENUES</b>		
Intergovernmental	\$ 389,490	\$ 389,490
Investment Income	339	339
Miscellaneous	<u>6,953</u>	<u>6,953</u>
Total Revenues	<u>396,782</u>	<u>396,782</u>
 <b>EXPENDITURES</b>		
Current:		
General Government	<u>368,391</u>	<u>368,391</u>
Total Expenditures	<u>368,391</u>	<u>368,391</u>
 Excess (deficiency) of revenues over expenditures		
	<u>28,391</u>	<u>28,391</u>
 Net Change in Fund Balances		
	28,391	28,391
Fund Balance - beginning	<u>117,936</u>	<u>117,936</u>
Fund Balance - ending	<u>\$ 146,327</u>	<u>\$ 146,327</u>

Note: There are no reconciling items between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities.

The notes to the financial statements are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

Panhandle Public Library Cooperative System  
Notes to Financial Statements  
September 30, 2013

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NOTE 1 – INTERLOCAL AGREEMENT REGARDING MULTI-COUNTY COOPERATIVE LIBRARY SYSTEMS

The Panhandle Public Library Cooperative System was formed pursuant to Chapter 257.171, F.S. The interlocal agreement was entered into on September 3, 1992, and operations began November, 1992. The interlocal agreement is made up of four counties: Calhoun County, Florida; Jackson County, Florida; Holmes County, Florida; and Washington County, Florida; and shall be referred to as “The Counties”.

The Counties entered into an agreement for the purpose of establishing a multi-county library system to provide unified library services. In particular, it is the express purpose of the Agreement and of the Counties to provide for the coordination of library service throughout the legal service areas of the Counties; to provide for equal access to free public library service to all residents of the legal service areas of the Counties; and to formulate and implement consistent plans, programs, policies, and procedures in the operation, maintenance and development of library service throughout the legal service areas of the Counties.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of Panhandle Public Library Cooperative System are prepared in accordance with generally accepted accounting principles (GAAP). The Organization’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Jackson County Board of County Commissioners’ Finance Office performs the accounting functions associated with the Panhandle Public Library Cooperative System under the direction of the Panhandle Public Library Cooperative System’s Administrative Board.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Organization’s financial activities for the fiscal year ended September 30, 2013.

Government-wide Financial Statements

The government-wide financial statement includes the statement of net position and the statement of activities. These statements report financial information for the Panhandle Public Library Cooperative System as a whole excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and County general revenue, from business-type activities, generally financed in whole or in part with fees charged to external customers.

Panhandle Public Library Cooperative System  
Notes to Financial Statements  
September 30, 2013

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include operating grants and contributions which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

Basis of Accounting

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Panhandle Public Library Cooperative System considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liabilities are incurred, as under accrual accounting.

Grants and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when Panhandle Public Library Cooperative System receives cash.

When fund balance resources are available for a specific purpose in more than one classification, it is the Organization's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Organization uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Organization only uses governmental funds.

Panhandle Public Library Cooperative System  
Notes to Financial Statements  
September 30, 2013

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The Panhandle Public Library Cooperative System reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the Organization except those required to be accounted for in another fund.

Cash and Investments

Amounts shown as cash include cash in the checking accounts. Amounts shown as investments are deposits with the State Board of Administration.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Panhandle Public Library Cooperative System maintains a capitalization threshold of \$5,000. Panhandle Public Library Cooperative System does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Capital assets are depreciated using the straight line method. Estimated useful lives, in year, for depreciable assets for the furniture, machinery and equipment is 3-30 years. PPLCS has no assets that meet their capitalization threshold in the current year.

Net Position

Net position present the difference between assets and liabilities in the statement of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Budget Process

Florida Statutes govern the preparation, adoption, and administration of the budget for the Panhandle Public Library Cooperative System. The annual budgets for the Panhandle Public Library Cooperative System Governmental Funds were prepared consistent with generally accepted accounting principles. The budget is controlled according to Chapter 129, Florida Statutes, at the total fund level. Amendments to the budget have been properly approved by the Board of Directors.

Panhandle Public Library Cooperative System  
Notes to Financial Statements  
September 30, 2013

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management and Insurance

The Panhandle Public Library Cooperative System insures itself against losses from casualty, accident and dishonesty by purchasing insurance through a local insurance agency. The Panhandle Public Library Cooperative System believes the level of insurance purchased is adequate to protect against material loss. No significant changes in coverage or claims have been made in the last year.

Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

NOTE 3 – CASH

The Panhandle Public Library Cooperative System, in accordance with state and local regulations, deposits its cash funds in approved financial institutions. Custodial Credit Risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The financial institutions are required to pledge U.S. Government Securities as collateral for such funds.

Panhandle Public Library Cooperative System has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which Panhandle Public Library Cooperative System might be exposed. Panhandle Public Library Cooperative System does not have a deposit policy for custodial credit risk.

At September 30, 2013, the carrying value of the Panhandle Public Library Cooperative System's cash was \$302,242 and the bank balance was \$302,062 which was insured by F.D.I.C.

Panhandle Public Library Cooperative System  
Notes to Financial Statements  
September 30, 2013

NOTE 4 – INVESTMENTS

The Panhandle Public Library Cooperative System’s investment practices are governed by Chapter 280, Florida Statutes, and various legal covenants related to outstanding bond issues. The Panhandle Public Library Cooperative System invests in Florida State Board of Administration Investment Pool. The Organization has not used reverse repurchase agreements in its portfolio. The Organization uses only financial institutions qualified as public depositories. Investments are recorded at cost or amortized cost.

State Board of Administration \$ 89,994

NOTE 5 – GRANTS

The Panhandle Public Library Cooperative System received and expended the following grants:

<u>Program Title</u>	<u>CFDA No.</u>	<u>CSFA No.</u>	<u>Amount Received</u>	<u>Amount Expended</u>
State Aid to Libraries # 12-ST-63	N/A	45.030	\$224,349	\$224,349
State Aid to Libraries # 13-ST-64	N/A	45.030	<u>144,042</u>	<u>144,042</u>
Total			<u>\$368,391</u>	<u>\$368,391</u>

NOTE 6 – DEFERRED REVENUE

In order to correctly reflect revenue and expenses the Cooperative System only recognizes grant revenue when it is needed for expenditures. Of the \$382,143 received for the State Aid to Libraries Grant # 12-ST-63, \$157,794 was recognized as revenue and expenses in the prior fiscal year, the additional \$224,349 was deferred for the current fiscal year and is now being recognized. \$390,245 was received in the current fiscal year under State Aid to Libraries Grant # 13-ST-64, of this amount \$144,042 is being recognized in the current year as revenue and expenses and \$246,203 is being deferred for use in the next fiscal year.



Panhandle Public Library Cooperative System  
Notes to Financial Statements  
September 30, 2013

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**NOTE 8 – RETIREMENT PLAN**

The Panhandle Public Library Cooperative System participates in the Florida Retirement System (System), a defined benefit cost-sharing, multiple-employer public retirement system, which is controlled by the State Legislature and administered by the State of Florida, Department of Management Services, Division of Retirement. Benefit provisions are established under Chapter 121, Florida Statutes. The Florida Legislature may make amendments and adjustments to the plan and plan provisions. The plan covers full-time employees of various governmental units within the State of Florida.

For employees initially enrolled before July 1, 2011, normal retirement benefits are available to regular class employees who retire with at least 6 years of service and have reached age 62; the age after 62 the member becomes vested; or with 30 years of service at any age. Special risk class employees may receive normal retirement benefits with at least 6 years of special risk service after reaching age 55; the age after 55 the member becomes vested; after 25 years of service, consisting of both special risk service and up to four year of wartime military service, and age 52; after 25 years special risk service regardless of age; or with 30 years any creditable service regardless of age.

For employees enrolled after July 1, 2011 regular class employees receive benefits with eight years of service and age 65 or 33 years of service, regardless of age. Special risk class employees are vested with eight years of special risk service and age 60; 30 years of service, consisting of both special risk service and up to four years of wartime military service, and age 57; 30 years of special risk service, regardless of age; or 33 years of any creditable service, regardless of age.

Service retirement benefits are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For employees initially enrolled prior to July 1, 2011 benefits, the average final compensation is the average of the five highest fiscal years' earnings; for employees initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the employee belonged when the service credit was earned.

The System provides for several benefit options, disability benefits and survivor benefits.

Panhandle Public Library Cooperative System  
Notes to Financial Statements  
September 30, 2013

NOTE 8 – RETIREMENT PLAN - Continued

The cost-of-living adjustment for retirements effective before August 1, 2011 is 3% per year. The cost-of-living adjustment formula for retirees with an effective retirement date on or after August 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit earned multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

The plan provides for monthly employer and employee contributions. Employer contributions are based on actuarially determined rates expressed as a percentage of covered payroll. Employee rates are established at a standard percentage of covered payroll.

Applicable rates effective July 1, 2012 were:

<u>Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>	<u>Total Contribution Rate</u>
Regular	3.00%	5.18%	8.18%
Special Risk	3.00%	14.90%	17.90%
DROP	N/A	5.44%	5.44%

The above rates include a 1.11% health insurance subsidy contribution to the Retiree Health Insurance Subsidy Program, a separate pay as you go cost sharing multi-employer defined benefit plan.

Total payroll for the Cooperative System's employees covered by the System was \$130,676 for the year ended September 30, 2013.

The Cooperative System's contribution to the plan for the year ended September 30 and the percentage of the City's covered payroll is as follows:

	<u>Employer Contribution</u>	<u>Per Cent Of Required Contribution</u>
2013	\$ 6,615	100%
2012	\$ 5,994	100%
2011	\$ 9,150	100%

Plan financial statements and additional information related to the Florida Retirement System can be obtained from the Florida Department of Management Services, Division of Retirement, Tallahassee, Florida.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information  
Panhandle Public Library Cooperative System  
Budgetary Comparison Schedule – General Fund  
For the Year Ended September 30, 2013

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	Budgeted Amounts		Actual Amounts
	Original	Final	(GAAP Basis)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 376,615	\$ 376,615	\$ 389,490
Investment Income	-	-	339
Miscellaneous Revenues	-	-	6,953
Total Revenues	376,615	376,615	396,782
<b>EXPENDITURES</b>			
Current:			
General Government	376,615	376,615	368,391
Total Expenditures	376,615	376,615	368,391
Excess (deficiency) of revenues over expenditures	-	-	28,391
Net Change in Fund Balance	-	-	28,391
Fund Balance - beginning	117,936	117,936	117,936
Fund Balance - ending	\$ 117,936	\$ 117,936	\$ 146,327

Note: This schedule is prepared on the modified accrual basis of accounting.

The notes to the financial statements are an integral part of this statement.

INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY  
GOVERNMENTAL AUDITING STANDARDS

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*

# GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.  
DALE L. CAVIN, C.P.A.

MEMBERS  
FLORIDA INSTITUTE AND  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

## 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

Administrative Board  
Panhandle Public Library Cooperative System  
Marianna, Florida 32448

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Panhandle Public Library Cooperative System, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Panhandle Public Library Cooperative System's basic financial statements and have issued our report thereon dated June 17, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Panhandle Public Library Cooperative 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 Panhandle Public Library Cooperative System's internal control. Accordingly, we do not express an opinion on the effectiveness of Panhandle Public Library Cooperative System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item 07-01 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings as item 12-01 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Panhandle Public Library Cooperative 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*.

### **Panhandle Public Library Cooperative System's Response to Findings**

Panhandle Public Library Cooperative System's response to findings identified in our audit is described in the section of this report titled Response to Audit Findings. Panhandle Public Library Cooperative System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Grimsley, Cavin & Company*

Marianna, Florida  
June 17, 2014

Grimsley, Cavin & Company, P.A.  
Certified Public Accounting



## SCHEDULE OF FINDINGS

Panhandle Public Library Cooperative System  
Schedule of Findings  
For the Year Ended September 30, 2013

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07-01

Criteria – An entity’s system of internal control over financial reporting should include controls over the prevention, detection and correction of misstatements in the audited financial statements.

Condition – The Cooperative System relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles.

Effect – Since the auditor cannot be a part of an entity’s system of internal accounting control, the Cooperative System’s system of internal accounting control over the financial reporting is not sufficient by itself to prevent, detect or correct misstatements in the audited financial statements.

Cause – The Cooperative System has a small accounting staff necessitated by the overall small size of the entity. They do not consider it cost effective to develop and maintain a system of internal accounting control sufficient to prepare financial statements in accordance with generally accepted accounting principles, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements.

Recommendation – The Cooperative System should continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that due to the size of their accounting department, they will continue to need external assistance with the preparation and understanding of financial statements in accordance with generally accepted accounting principles.

Panhandle Public Library Cooperative System  
Schedule of Findings  
For the Year Ended September 30, 2013

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12-01

Criteria – The Panhandle Public Library Cooperative System’s system of internal control over financial reporting should include controls over the use of the entity’s credit cards.

Condition – It was brought to our attention during the audit that there were concerns regarding the entity’s policy being followed in regards to credit card purchases.

Effect – After further testing it was noted that adequate supporting documentation did not always accompany the credit card statement when payment was rendered each month. Supporting documentation for all charges could not be provided. In addition, a portion of the documentation that was provided was obtained subsequent to the payment of the credit card statement.

Cause – Internal controls and policies for the use of the credit card existed, however there was management override.

Recommendation – Internal control policies should be strengthened so that all invoices for credit card purchases are properly approved and submitted to accounting after purchase for inclusion in the credit card payment package. It should be noted that policies were implemented during the latter part of the 2013 fiscal year that strengthened the controls over the credit card and this item has been corrected.

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT  
REQUIRED BY THE STATE OF FLORIDA

# GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.  
DALE L. CAVIN, C.P.A.

MEMBERS  
FLORIDA INSTITUTE AND  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT REQUIRED BY THE STATE OF FLORIDA

Administrative Board  
Panhandle Public Library Cooperative System  
Marianna, Florida 32448

We have audited the financial statements of Panhandle Public Library Cooperative System, as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated June 17, 2014.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Schedule of Findings. Disclosures in those reports and schedule, which are dated June 17, 2014 should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations in the preceding independent auditor's report to management for which corrective action was needed.

The Schedule of Findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2011-12 FY Finding #	2010-11 FY Finding #
07-01	07-01	07-01
12-01	12-01	

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Panhandle Public Library Cooperative System complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6.a., Rules of the Auditor General,, requires a statement be included as to whether or not the local governmental entity has met one of more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Panhandle Public Library Cooperative System did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., Rules of the Audit General, requires that we determine whether the annual financial report for Panhandle Public Library Cooperative System for the fiscal year ended September 30, 2013 filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two report were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Panhandle Public Library Cooperative System's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Marianna, Florida  
June 17, 2014

*Grimsley, Cavin & Company*

Grimsley, Cavin & Company, P.A.  
Certified Public Accountants

## RESPONSE TO AUDIT FINDINGS



**Panhandle Public Library Cooperative System**

2862 Madison Street

Marianna, FL 32448

850-482-9296

June 17, 2014

Grimsley, Gavin & Company, P. A.

Certified Public Accountants

P. O. Box 220

Marianna, FL 32447

The Panhandle Public Library Cooperative System (PPLCS) in accordance with the requirements set forth in Section 216.359, Florida Statutes, Chapter 10.550, Rules of the Auditor General and the State of Florida, engaged the accounting firm of Grimsley, Gavin & Company, P. A. to conduct an audit for all library expenditures and State Aid revenues and expenditures.

The audit covered the period of twelve months ending September 30, 2013. The audit was conducted in accordance with generally accepted auditing standards. Government Auditing Standards, issued by the Comptroller of the United States.

In addressing the points brought out in the schedule of findings and questioned costs we state the following:

- PPLCS is aware of the deficiency this finding presents regarding our audit. Due to the agreement PPLCS has with Jackson County for Jackson County Finance Office to be our Fiscal Agent it is not cost effective to consider adding any accounting staff. With changes in our billing process and additional oversight by the Board and Board Chair, PPLCS will strive to improve their fiscal procedures and will continue to work for a clean audit each year. In addition, the current Chair of the Finance Committee is a licensed CPA and she also reviews the finances monthly.
- PPLCS is aware of the need for more internal control policies regarding use of the credit cards. New policies have been implemented for the use of any credit card to include their use for travel expenses only, unless approved by the Board in advance. All credit cards are kept in a lock box and will only be issued from the PPLCS office with the person signing for it and returning the card with receipts for payment.

Respectfully submitted,

Susan Hughes  
PPLCS Administrator

Pam Richard  
PPLCS Board Chair