

PANHANDLE PUBLIC LIBRARY COOPERATIVE SYSTEM
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2015

PANHANDLE PUBLIC LIBRARY COOPERATIVE SYSTEM
ADMINISTRATIVE BOARD

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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, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Panhandle Public Library Cooperative System, as of September 30, 2015, 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.

Emphasis of Matter

As described in Note 8 to the financial statements in 2015, the Panhandle Public Library Cooperative System adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27* and the related GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of GASB No. 68 and GASB No. 71, the Cooperative System reported a restatement for the change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of the Cooperative System's proportionate share of the net pension liability and of its contributions on pages 4-8 and 28-30 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 24, 2016, 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 24, 2016

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
2014-2015**

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, 2015.

Key Financial Highlights

- The assets of PPLCS exceeded its liabilities at the close of the most recent fiscal year by \$145,978. 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 decreased by \$3,083 during the year ended September 30, 2015. This was primarily the result of the implementation of GASB 68 which required PPLCS to records its share of the Net Pension Liability associated with the Florida Retirement System.

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.

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>2014</u>	<u>2015</u>
Current and Other Assets	\$ 440,231	\$ 511,848
Total Assets	<u>440,231</u>	<u>511,848</u>
Total deferred outflows of resources	<u>1,233</u>	<u>4,303</u>
Current Liabilities	5,395	18,041
Net Pension Liability	6,188	9,831
Total Liabilities	<u>11,583</u>	<u>27,872</u>
Total deferred inflows of resources	<u>291,240</u>	<u>342,301</u>
Net Position		
Unrestricted	<u>138,641</u>	<u>145,978</u>
Total Net Position	<u>\$ 138,641</u>	<u>\$ 145,978</u>

The deferred inflows, deferred outflows, Net Pension Liability and Net Position have been restated for the cumulative effect of the implementation of GASB 68. Additional information can be found in the notes to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Activities

The following schedule reflects the condensed Statement of Activities:

Statement of Activities		Governmental Activities Totals	
As of September 30, 2015			
	<u>2014</u>	<u>2015</u>	
Revenues			
Program Revenues	\$ 360,428	\$ 348,698	
Total Program Revenues	<u>360,428</u>	<u>348,698</u>	
General Revenues			
Other - Interest	297	477	
Restitution	2,329	5,192	
Miscellaneous	<u>108</u>	<u>-</u>	
Total General Revenues	<u>2,734</u>	<u>5,669</u>	
Total Revenues	<u>363,162</u>	<u>354,367</u>	
Expenses			
Governmental Activities	<u>360,428</u>	<u>347,030</u>	
Total Expenses	<u>360,428</u>	<u>347,030</u>	
Change in Net Assets	<u>2,734</u>	<u>7,337</u>	
Net Position - Beginning (as restated)	<u>135,907</u>	<u>138,641</u>	
Net Position - Ending	<u>\$ 138,641</u>	<u>\$ 145,978</u>	

The beginning Net Position of 2014 was restated for the cumulative effect of the implementation of GASB 68. Additional information can be found in the notes to the financial statements.

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, 2015 PPLCS governmental fund reported a fund balances of \$155,731. Of this amount, \$155,731 is unassigned.

MANAGEMENT DISCUSSION AND ANALYSIS

General Funds Budgetary Highlights

The budget was amended on September 30, 2015 to show changes in line items. The original budget amount itself was not changed, however

Capital Assets

As of September 30, 2015 PPLCS had no capital assets that met the threshold to be reported in the financial statements.

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.

Mary Balint
PPLCS Administrator

FINANCIAL STATEMENTS

Panhandle Public Library Cooperative System
Statement of Net Position
September 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 417,413
Investments	90,556
Accounts Receivable	<u>3,879</u>
Total Assets	<u>511,848</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	<u>4,303</u>
	<u>4,303</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Expenses	<u>18,041</u>
Total Current Liabilities	<u>18,041</u>
Noncurrent Liabilities:	
Net Pension Liability	<u>9,831</u>
Total Noncurrent Liabilities	<u>9,831</u>
Total Liabilities	<u>27,872</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	338,076
Deferred Inflows Related to Pension	<u>4,225</u>
Total Deferred Inflows of Resources	<u>342,301</u>
NET POSITION	
Unrestricted	<u>145,978</u>
Total Net Position	<u><u>\$ 145,978</u></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, 2015

		Program Revenue	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:			
General Government	\$ 347,030	\$ 348,698	\$ 1,668
 Total governmental activities	 <u>\$ 347,030</u>	 <u>\$ 348,698</u>	 <u>1,668</u>
 General Revenues:			
Unrestricted Investment Earnings			477
Restitution			<u>5,192</u>
Total General Revenues and Transfers			<u>5,669</u>
Change in Net Position			<u>7,337</u>
Net Position - beginning			149,061
Prior period adjustment of pension liability			<u>(10,420)</u>
Restated Net Position at beginning of year			<u>138,641</u>
Net Position - ending			<u>\$ 145,978</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, 2015

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash	\$ 417,413	\$ 417,413
Investments	90,556	90,556
Accounts Receivable	<u>3,879</u>	<u>3,879</u>
 Total Assets	 <u>\$ 511,848</u>	 <u>\$ 511,848</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 15,993	\$ 15,993
Salaries Payable	2,015	2,015
Due to Other	<u>33</u>	<u>33</u>
Total Liabilities	<u>18,041</u>	<u>18,041</u>
 Deferred Inflows of Resources:		
Unavailable Revenue	<u>338,076</u>	<u>338,076</u>
Total Deferred Inflows of Resources	<u>338,076</u>	<u>338,076</u>
 Fund Balances:		
Unassigned	<u>155,731</u>	<u>155,731</u>
Total Fund Balances	<u>155,731</u>	<u>155,731</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 511,848</u>	 <u>\$ 511,848</u>

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

Panhandle Public Library Cooperative System
Reconciliation of the Balance Sheet
To the Statement of Net Position
September 30, 2015

Total Fund Balances - Governmental Fund	\$ 155,731
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,831)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	4,303
Deferred inflows of resources related to pensions	<u>(4,225)</u>
Total Net Position	<u>\$ 145,978</u>

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, 2015

	<u>General Fund</u>	<u>Total Governmental Fund</u>
REVENUES		
Intergovernmental	\$ 348,698	\$ 348,698
Investment Income	477	477
Total Revenues	<u>349,175</u>	<u>349,175</u>
EXPENDITURES		
Current:		
General Government	<u>347,697</u>	<u>347,697</u>
Total Expenditures	<u>347,697</u>	<u>347,697</u>
Excess (deficiency) of revenues over expenditures	<u>1,478</u>	<u>1,478</u>
OTHER FINANCING SOURCES		
Restitution	<u>5,192</u>	<u>5,192</u>
Total other financing sources	<u>5,192</u>	<u>5,192</u>
Net Change in Fund Balances	6,670	6,670
Fund Balance - beginning	<u>149,061</u>	<u>149,061</u>
Fund Balance - ending	<u>\$ 155,731</u>	<u>\$ 155,731</u>

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

Panhandle Public Library Cooperative System
Reconciliation of the Statement of Revenues,
Expenditures, and changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds \$ 6,670

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned is reported as pension expense. This is the reclassification of contributions made after measurement date \$ 362, 667
plus pension liability adjustment \$305.

Change in net position of governmental activities \$ 7,337

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, 2015

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 in November of 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, 2015.

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, if any, generally financed in whole or in part with fees charged to external customers.

Panhandle Public Library Cooperative System
Notes to Financial Statements
September 30, 2015

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, 2015

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 did not have any assets that met 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, 2015

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.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense of expenditure) until then. The deferred outflows of resources reported in the Cooperative System's Statement of Net Position represent pension related balances for changes in actuarial assumptions, changes in the proportion and differences between the Cooperative System's contributions and proportionate share of contributions, and the Cooperative System's contributions subsequent to the measure date, relating to the Florida Retirement System (FRS) Pension Plan. These amounts will be recognized as increases in pension expense in future years.

Deferred Inflows of Resources

Deferred inflows of resources represent acquisition of resources that applies to future reporting periods and will not be recognized as an inflow of resource (revenue) until then. The Cooperative System reports deferred inflows in the Statement of Net Position for pension related balances for the difference between expected and actual economic experience, the net difference between projected and actual earnings of FRS Pension investments, and changes in the proportion and differences between the Cooperative System's contribution and the proportional share of contributions relating to the FRS Pension Plan. These amounts will be recognized as reductions in pension expense in future years. Deferred inflows are also reported for grant revenue that is being deferred for use into the next fiscal year. See Note 6 for more information on Unavailable Revenue.

Pensions

In the government-wide statement of net position, liabilities are recognized for the Cooperative System's proportionate share of the pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the net position of the Florida Retirement System (FRS) defined benefit plan and additions to/deductions from FRS's net position has been determined on the same basis as they are reported by the FRS plans. For this purpose, plan contributions are recognized as of paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit perms. Investments are reported at fair value.

Panhandle Public Library Cooperative System
Notes to Financial Statements
September 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits (in excess of FDIC insurance) may not be returned.

At September 30, 2015, PPLCS had the following cash deposits:

Amount insured by FDIC	\$ 250,000
Amount subject to Custodial Risk (Risk of loss due to bank failure)	<u>167,313</u>
Total Deposits with Financial Institutions	\$ <u>417,313</u>

The carrying value on the financial statements was \$417,413 on September 30, 2015.

Panhandle Public Library Cooperative System
Notes to Financial Statements
September 30, 2015

NOTE 4 – INVESTMENTS

The Panhandle Public Library Cooperative System’s investment practices are governed by Chapters 280 and 218, 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	\$ <u>90,556</u>
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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 # 14-ST-66	N/A	45.030	\$285,775	\$285,775
State Aid to Libraries # 15-ST-66	N/A	45.030	<u>61,923</u>	<u>61,922</u>
Total			<u>\$347,698</u>	<u>\$347,697</u>

NOTE 6 – UNAVAILABLE REVENUE

In order to correctly reflect revenue and expenses, the Cooperative System only recognizes grant revenue when it is needed for expenditures. Of the \$400,000 received for the State Aid to Libraries Grant # 14-ST-66, \$114,225 was recognized as revenue and expenses in the prior fiscal year, the additional \$285,775 was deferred for the current fiscal year and is now being recognized. \$400,000 was received in the current fiscal year under State Aid to Libraries Grant # 15-ST-66, of this amount \$61,923 is being recognized in the current year as revenue and expenses and \$338,076 is being deferred for use in the next fiscal year.

Panhandle Public Library Cooperative System
Notes to Financial Statements
September 30, 2015

NOTE 8 – PENSION PLAN

General Information about the Pension Plan

Plan Description

The Panhandle Public Library Cooperative System participates in the Florida Retirement System (FRS), a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report and other relevant information, is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Florida Retirement System (FRS) Pension plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under Section 121.053 and 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement system in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits

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.

Panhandle Public Library Cooperative System
Notes to Financial Statements
September 30, 2015

NOTE 8 – PENSION PLAN - Continued

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.

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.

Contributions

The Cooperative System is required to contribute at an actuarially determined rate. The contributions requirements of plan members and the Cooperative System are established and may be amended by the Florida Legislature.

Applicable rates effective July 1, 2014 were:

Class	Contribution Rate	Contribution Rate	Contribution Rate
Regular	3.00%	7.37%	10.37%
Special Risk	3.00%	19.82%	22.82%
DROP	N/A	12.28%	12.28%

The above rates include a 1.26% health insurance subsidy contribution.

Total payroll for the Cooperative System's employees covered by the System was \$109,574 for the year ended September 30, 2015.

Panhandle Public Library Cooperative System
Notes to Financial Statements
September 30, 2015

NOTE 8 – PENSION PLAN - Continued

The Cooperative System's contributions for the year ended September 30, 2015 were \$1,381 for the FRS and HIS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of resources Related to Pensions

At September 30, 2015, PPLCS reported a liability for its proportionate share of the net pension liability. The net pension liability for the FRS Pension Plan was measured as of July 1, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated July 1, 2015. The HIS actuarial valuation was prepared as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. The Cooperative System's proportions of the net pension liability was based on the Cooperative System's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Net pension liability at September 30, 2015	\$ 6,334	\$ 3,497	\$ 9,831
Proportion at:			
June 30, 2015	0.000049038%	0.000034295%	
June 30, 2014	0.000048695%	0.003440605%	
Pension expense (benefit), year ended September 30, 2015	<u>\$ (50,876)</u>	<u>\$ 15,827</u>	<u>\$ (35,049)</u>

At September 30, 2015, PPLCS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>FRS</u>	<u>HIS</u>	<u>TOTAL</u>
Differences between expected and actual experience	\$ 518	\$ -	\$ 518
Changes of assumption	420	275	695
Net difference between projected and actual earnings on pension plan investments	(1,512)	2	(1,510)
Changes in proportion and differences between City contributions and proportionate share of contributions	28	(15)	13
City contributions subsequent to the measurement date	<u>318</u>	<u>44</u>	<u>362</u>
Total	<u>\$ (228)</u>	<u>\$ 306</u>	<u>\$ 78</u>

Panhandle Public Library Cooperative System
Notes to Financial Statements
September 30, 2015

NOTE 8 – PENSION PLAN - Continued

Deferred outflows of resources related to pensions included \$362 resulting from contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	FRS	HIS
2016	\$ (196)	\$ 42
2017	(196)	42
2018	(196)	42
2019	(196)	42
2020	222	42
Thereafter	55	50

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2015, using the entry age normal actuarial cost method and the following significant actuarial assumptions.

	FRS	HIS
Inflation	2.60%	2.60%
Payroll Growth	3.25%	3.25%
Investment rate of return	7.65%	N/A

Mortality assumptions for both plans were based on the Generational RP-2000 with Projections Scale BB tables.

Actuarial assumptions for both cost-sharing defined benefit plan are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB report in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in the 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results for the most recent experience study for the FRS Pension Plan.

Panhandle Public Library Cooperative System
Notes to Financial Statements
September 30, 2015

NOTE 8 - PENSION PLAN - Continued

The following changes in actuarial assumptions occurred in 2015:

- FRS: There were no changes in actuarial assumptions. The inflation rate assumption remained at 2.6%, the real payroll growth assumption remained at .65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected investment rate of return remained at 7.65%.
- HIS: The municipal rate used to determine the total pension liability decreased from 4.29% to 3.80%.

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2015 the FRS Actuarial Assumptions Conference reviewed the long-term assumptions developed by both the FRS actuary's capital market assumptions team and by a capital market assumptions team from consultants to the State Board of Administration. The table below summarizes the key assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumptions. These assumptions are not based on historical return, but instead are based on a forward-looking capital market model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.2%	3.1%	1.7%
Fixed income	18%	4.8%	4.7%	4.7%
Global equity	53%	8.5%	7.2%	17.7%
Real estate (property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic investments	12%	6.7%	6.1%	11.4%

Discount Rate

The discount rate used to measure the total pension liability for FRS was 7.65%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Panhandle Public Library Cooperative System
Notes to Financial Statements
September 30, 2015

NOTE 8 - PENSION PLAN - Continued

Pension Liability Sensitivity

The following table demonstrates the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the City proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate:

	FRS			HIS		
	Current			Current		
	1% Decrease (6.65%)	Discount Rate (7.65%)	1% Increase (8.65%)	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
City's proportionate share of net pension liability	\$16,413	\$6,334	(\$2,053)	\$3,985	\$3,497	\$3,091

Pension Plan Fiduciary Net Position

Detailed information about the FRS Plan's fiduciary net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. The report may be obtained through the Florida Department of Management Services website: <http://www.dms.myflorida.com>.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended September 30, 2015, the City adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pension*, and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Panhandle Public Library Cooperative System
Notes to Financial Statements
September 30, 2015

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE - Continued

These pronouncement require the restatement of the September 30, 2014 Net Position of the Governmental Activities:

	<u>Governmental Activities</u>
Net Position, as previously reported	\$ 149,061
Cumulative effect of GASB 68 Net Pension Liability	(6,188)
Deferred Outflow of Resources for Unamortized Pension Costs and Subsequent Contributions	1,233
Deferred Inflows of Resources for Unamortized Pension Costs	<u>(5,465)</u>
Net Position, as restated	<u>\$ 138,641</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Panhandle Public Library Cooperative System
Budgetary Comparison Schedule – General Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	(GAAP Basis)
REVENUES			
Intergovernmental Revenues	\$ 400,000	\$ 400,000	\$ 348,698
Investment Income	-	-	477
Total Revenues	400,000	400,000	349,175
EXPENDITURES			
Current:			
General Government	400,000	400,000	347,697
Total Expenditures	400,000	400,000	347,697
Excess (deficiency) of revenues over expenditures	-	-	1,478
OTHER FINANCING SOURCES			
Restitution	-	-	5,192
Total other financing sources	-	-	5,192
Net Change in Fund Balance	-	-	6,670
Fund Balance - beginning	149,061	149,061	149,061
Fund Balance - ending	\$ 149,061	\$ 149,061	\$ 155,731

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.

Schedule of the Panhandle Public Library Cooperative System's
Proportionate share of Net Pension Liability
Florida Retirement System and Health Insurance Subsidy Program
Last 2 Fiscal Years*

Florida Retirement System

	<u>2015</u>	<u>2014</u>
PPLCS's porportion of the Net Pension Liability	0.000049038%	0.000048695%
PPLCS's porportionate share of Net Pension Liability	\$ 6,334	\$ 2,971
PPLCS's Covered Employee Payroll	\$ 109,412	\$ 126,473
PPLCS's porportionate share of Net Pension Liability as a percentage of its covered-employee payroll	5.79%	2.35%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	92.00%	96.09%

Health Insurance Subsidy Program

	<u>2015</u>	<u>2014</u>
PPLCS's porportion of the Net Pension Liability	0.000034295%	0.000034406%
PPLCS's porportionate share of Net Pension Liability	\$ 3,497	\$ 3,217
PPLCS's Covered Employee Payroll	\$ 109,412	\$ 126,473
PPLCS's porportionate share of Net Pension Liability as a percentage of its covered-employee payroll	3.20%	2.54%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	0.50%	0.99%

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

* The amounts presented for each fiscal year were determined as of 6/30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Panhandle Public Library Cooperative System will present information for only those years for which the information is available.

Schedule of the Panhandle Public Library
Cooperative System's Contributions
Florida Retirement System and Health Insurance Subsidy Program
Last 2 Fiscal Years*

Florida Retirement System

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,196	\$ 1,067
Contributions in Relation to the Contractually Required Contribution	<u>(1,196)</u>	<u>(1,067)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	109,412	126,473
Contributions as a Percentage of Covered-Employee Payroll	1.09%	0.84%

Health Insurance Subsidy Program

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 131	\$ 118
Contributions in Relation to the Contractually Required Contribution	<u>(131)</u>	<u>(118)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	109,412	126,473
Contributions as a Percentage of Covered-Employee Payroll	0.12%	0.09%

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

* The amounts presented for each fiscal year were determined as of 6/30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Panhandle Public Library Cooperative System will present information for only those years for which the information is available.

INDEPENDENT ACCOUNTANT'S REPORT
ON COMPLIANCE WITH SECTION 218.415,
FLORIDA STATUTES, *LOCAL GOVERNMENT*
INVESTMENT POLICIES

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 ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES, *LOCAL GOVERNMENT INVESTMENT POLICIES*

Administrative Board
Panhandle Public Library Cooperative System
Marianna, Florida 32448

We have examined the Panhandle Public Library Cooperative System's compliance with the requirements of Section 218.415, Florida Statutes, *Local Governments Investment Policies*, during the year ended September 30, 2015. Management is responsible for the Panhandle Public Library Cooperative System's compliance with those requirements. Our responsibility is to express an opinion on the Panhandle Public Library Cooperative System's cooperation based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, including examining, on a test basis, evidence about the Panhandle Public Library Cooperative System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Panhandle Public Library Cooperative System's compliance with specified requirements.

In our opinion, the Panhandle Public Library Cooperative System complied, in all material aspects, with the aforementioned requirements for the year ended for the year ended September 30, 2015.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Grimsley, Cavin & Company

June 24, 2016
Marianna, Florida

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

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, 2015, 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 24, 2016.

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 14-01 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*.

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.

Marianna, Florida
June 24, 2016

Grimsley, Cavin & Company
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, 2015

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, 2015

14-01

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 and any accounts of the Cooperative System’s.

Condition – Use of the Cooperative System’s credit card and various accounts was not being properly recorded and monitored.

Effect – Inappropriate use of the Cooperative System’s credit card and various accounts was not detected for several months after the alleged incidents.

Cause – Controls and supervision over the use of the Cooperative System’s credit card and various account were not adequate to prevent the inappropriate use.

Recommendation – Internal control policies should be strengthened so that any inappropriate use of the Cooperative System’s credit cards and various accounts would be detected within a timely manner.

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

Administrative Board
Panhandle Public Library Cooperative System
Marianna, Florida 32448

Report on the Financial Statements

We have audited the financial statements of the Panhandle Public Library Cooperative System, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 24, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

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*; Report on Internal Control over Compliance; Schedule of Findings; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 24, 2016, should be considered in conjunction with this management letter

Prior Audit Findings

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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

The schedule of Findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2013-14 FY Finding #	2012-13 FY Finding #
07-01	07-01	07-01
14-01	14-01	N/A

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures report the results of our determination as to whether or not the Panhandle Public Library Cooperative System has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) 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.

Pursuant to Section 10.554(1)(i)5.c. and 10.556(8), 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Panhandle Public Library Cooperative System for the financial year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendation to improve financial management. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)3., 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.

Purpose of this Letter

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, the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Prior Year Findings

None

Current Year Findings

None

June 24, 2016

Grimsley, Cavin & Company

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

RESPONSE TO AUDIT FINDINGS



June 28, 2016

Grimsley, Cavin & Company, P. A.
P. O. Box 220
Marianna, FL 32447

Re: Panhandle Public Library Cooperative System Audit

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.

Response: The Board relies on Jackson County Finance Department because of the Inter-local Agreement, including compensation to the County, to have the host county (Jackson County Board of County Commissioners) be the Fiscal Agent for PPLCS. PPLCS maintains records of everything submitted to the Finance Department for payment. The staff of two (2) does not have professional accounting training or experience. This is why the Jackson County Finance Department was contracted to oversee financial activities. The PPLCS staff will continue to improve our record keeping, but will still rely on the Jackson County Finance Department.

14-01

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 and any accounts of the Cooperative System's.

Condition –Use of the Cooperative System's credit card and various accounts was not being properly recorded and monitored.

Effect – Inappropriate use of the Cooperative System's credit card and various accounts was not detected for several months after the alleged incidents .

Cause –Controls and supervision over the use of the Cooperative System's credit card and various account were not adequate to prevent the inappropriate use.

Recommendation – Internal control policies should be strengthened so that any inappropriate use of the Cooperative System's credit cards and various accounts would be detected within a timely manner.

Response: The PPLCS credit card is currently maintained in the Jackson County Finance Office, only to be signed out for PPLCS Board approved expenditures.

The system PPLCS has in place now, with all bills being paid after review by the Administrator and approval by the Board, should prevent further occurrences.


Mary Balint, Administrator


David E. Corbin, Board Chair