

**SOUTHERN OKLAHOMA LIBRARY SYSTEM
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
JUNE 30, 2019**



**Jackson, Fox and Richardson
A Professional Corporation
Certified Public Accountants
Ardmore, Oklahoma**

TABLE OF CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS	3
COMBINED STATEMENTS OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES-BUDGET TO ACTUAL	8
INDEPENDENT AUDITORS' REPORT	9
FINANCIAL STATEMENTS	
GOVERNMENT-WIDE STATEMENT OF NET POSITION-MODIFIED CASH BASIS AND GOVERNMENTS FUNDS BALANCE SHEET-MODIFIED CASH BASIS	11
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES, MODIFIED CASH BASIS AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS	12
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS	13
NOTES TO FINANCIAL STATEMENTS	14
SUPPLEMENTAL INFORMATION	18
SCHEDULE OF PROGRAM AND SUPPORT SERVICES EXPENSES – MODIFIED CASH BASIS	19
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE	20
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	21

Management Discussion & Analysis
Southern Oklahoma Library System
For the Year Ending June 30, 2019
(Unaudited)

MISSION STATEMENT

“The Mission of the Southern Oklahoma Library System is to provide free, open and equal access to informational, educational, cultural and recreational materials and services to all members of the community.”

*Adopted by the Board of Trustees in May 2004.

BACKGROUND

The Southern Oklahoma Library System (SOLS) was established in the 1960s as a multi-county library system and is regulated in Oklahoma as set forth by Title 65, Article 4, Section 202-206 of the Oklahoma Statutes. In accordance with Title 65 of the Statutes, member counties voted to approve ad valorem taxes to support the multi-county library system known at that time as the Chickasaw Library System.

Today, SOLS serves approximately 97,051 citizens in the five (5) county area that includes Atoka, Carter, Johnston, Love and Murray. At the end of FY 2019 SOLS had 79,873 registered borrowers, correlating to 82% of the population of the region. This reflects an increase of 1,659 library customers and an increase from 80% to 82% of the service area population. The financial support for SOLS remains at two (2) mills per \$1,000 assessed valuation in all five counties, making SOLS the lowest funded library system in Oklahoma. Plans to develop a campaign to increase the millage rate to the legal limit of 4 mills are being considered.

TRUSTEES

SOLS is governed by fourteen (14) Trustees who are appointed by the city and county commissioners for the respective communities they represent, in compliance with Oklahoma State Statute 65:4-101. Oklahoma State Legislature passed legislation in 2013 that allows cities that have a branch within the library system and a population under 2,000 to have a representative to the Board of Trustees.

FY 2019-2020 Trustees are as follows:

<u>Board Member</u>	<u>Represents</u>	<u>Location</u>
Bob Willis	City	Ardmore
Gary Farabough	County	Carter
Tara Huddleston	City	Atoka
Vonda Miller	County	Atoka
Heath Foster	City	Davis
Jared Wilson	City	Healdton
Janice Price	City	Lone Grove
Novice Boyd	County	Johnston
Ron Jacobs	City	Marietta
Corie Delashaw	County	Love
Janet Carter	City	Sulphur
Rex Morrell	City	Tishomingo
Katie Sparks	County	Murray
Jamie Guthrie	City	Wilson

Management Discussion & Analysis
Southern Oklahoma Library System
For the Year Ending June 30, 2019
(Unaudited)

PERSONNEL

Paid employees for FY 2018-19 include sixteen (16) full-time professional, paraprofessional and other support staff along with five (5) part-time personnel. Branch managers who work 32+ hours per week are considered “full time” employees. Total personnel expenditures were \$1,210,059 for FY 2018-19 representing the largest line item on the budget. SOLS continued to see major increases in programming and customer assistance across the system. Additionally, SOLS employs a technology consultant who is under contract for all IT work for the system.

SERVICES

SOLS is customer focused, providing information in multiple formats including remote access to resources along with educational development opportunities for citizens of all ages in diverse rural communities. By integrating innovative experiences to inspire life long enrichment, SOLS fosters a welcoming atmosphere that many customers appreciate and often comment on during their visits. Services include access to many formats of resources including print, electronic, specialized databases, E-Books, classroom instruction and a multitude of programs, book clubs and activities for all ages. Additionally, DVDs, Blu-Rays and microfilm are available to the public. SOLS provides its customers with the ability to request items from a library outside of the system using an Interlibrary Loan (ILL) process if the item is not in the system’s catalog. Through ILL, SOLS will also loan items to other libraries across the United States.

ANNUAL CIRCULATION OF USE OF LIBRARIES

Circulation of materials and public access to computers totaled 1,313,546 for FY 2018-2019, reflecting an increase of 109,892 uses over the previous year. Program attendance, circulation of materials, public access to computers and reference questions are considered circulation statistics.

Below is a breakdown of the statistics for SOLS for FY 2018-19:

Circulation	1,313,546	7% per capita
Computer/Internet	119,874	
In-house Use	256,318	up 32,880
Program Attendance	55,458	up 21,203
Interlibrary Loan (ILL)	431	down 61
Reference Transactions	47,996	923 per week or 49% per capita
E-Book Circulation	34,184	

Wi-Fi continues to draw many citizens into SOLS facilities as so many applications and documents must be completed online. SOLS spent \$185,273 in FY 2019 for informational and recreational materials including electronic access. This figure does not include E-Rate discounts for Internet services in the amount of approximately \$150,000. As the shift to online presence continues, SOLS is reaching customers with remote use of databases including Brainfuse, offering live one-on-one tutoring with expert instructors. Currently, SOLS provides 47 licensed databases all accessible from the library or remotely with a library card. Hotspots became a

Management Discussion & Analysis
Southern Oklahoma Library System
For the Year Ending June 30, 2019
(Unaudited)

very popular resource for patrons in Love County, Atoka County and the Davis Public Library through a grant this year. Customers could check out a mobile hotspot for one week and have internet available for multiple devices.

FINANCIAL OVERVIEW FOR FISCAL YEAR 2018-19

FY 2019 Budget (income & Expenditures)	\$1,624,273.00
FY 2019 Actual Income	\$1,785,779.49
FY 2019 Expenditures	\$1,772,826.72

The major portion of SOLS’ funding comes from county ad valorem taxes of two (2) mills. This funding generated \$1,785,779 of income for FY 2018-19. State Aid in the amount of \$47,800 was received and administered by the Oklahoma Department of Libraries (ODL) and was down approximately \$7,000 from the previous year.

Grant funding assists in various projects to include Health Literacy, Let’s Talk About It, Oklahoma and others on a need basis. Royalty Income from the Michael Bevins estate represented \$9,653 for FY 2018-19. Businesses and patrons throughout the communities contribute to the Summer Reading Program (SRP) fund to assist with programming, guest entertainers and more for this popular annual program. For FY 2018-19, SOLS received \$17,430 earmarked for SRP. Miscellaneous income of \$80,917.14 assists in programming for all ages in these rural and diverse communities. The Universal Service Administration Company (USAC) provides discounts to schools and libraries through the Federal Communication Commission (FCC). Rates are reduced for Internet services, technology access, and connectivity while the assigned discount is approved after an extensive and time-consuming report process. SOLS hires the consulting firm of Kellogg and Sovereign to work through the application and RFP process.

PROGRAMMING

SOLS serves its communities with a variety of programming to expand the opportunities of individuals. These programs include book clubs, craft classes, cooking classes, health literacy, exercise classes, story time programs, 3D printing instruction, resume classes and more.

Summer Reading Program (SRP)

Sponsored by the Oklahoma Department of Libraries (ODL), the Summer Reading Program revolves around a common theme and engages professional storytellers and performers such as magicians, puppeteers, zookeepers and educators. In FY 2019 SOLS hosted 678 programs in the eight (8) branch libraries. Total attendance is reflected below:

FY 2019	28,692
FY 2018	11,748
FY 2017	13,350
FY 2016	9,225

Management Discussion & Analysis
Southern Oklahoma Library System
For the Year Ending June 30, 2019
(Unaudited)

Additional programming has increased the attendance significantly. This year's theme was "A Universe of Stories."

Preschool Story Time Programs

During the school year, all branch libraries host weekly story time programs. This program includes curriculum using crafts and songs geared towards babies, toddlers and their parents or caregivers.

Let's Talk About It, Oklahoma

This popular adult reading and discussion series is funded through a grant by the Oklahoma Humanities and with partial funds from the National Endowment for the Humanities. Grants for FY 2019 totaled \$5,883. The theme-based series features books for participants to discuss along with the visiting scholar. Most series review 4-5 books with programs spread out among several months.

Health Literacy Programming

SOLS has received funding from the Oklahoma Department of Libraries (ODL) for five years for health literacy programming for all ages. The programs encompass a variety of topics including exercise, healthy foods, canning classes, Tai Chi and others. Some of the programming is through outreach to include the local Veteran's Center and organizations like the Boys and Girls Club. All programs emphasize good health and are geared to multiple age groups.

During FY 2018-19 SOLS sponsored 263 programs with 3,858 participants throughout the system.

CHANGING TRENDS

Libraries must stay innovative to embrace the changes in technology and the needs of citizens. With electronic resources, books and greater need for computer access, SOLS is strengthening communities by expanding opportunities. The addition of Hotspot lending is one example that was incorporated into the collection last year with the assistance of funding. This program was introduced into the Atoka County Library, Love County Library and the Davis Public Library with great success. Finding methods to help citizens connect will continue to be an important mission for SOLS. Additionally, charter schools and home-schooled families are relying heavily on libraries for testing, the use of resources and a place to meet with students. Engaging communities in activities outside of the physical building will empower citizens to utilize resources as well.

FUTURE PROJECTS

SOLS will continue to focus on ways to market the library and its value. With this said, a millage campaign is a necessary component to increase funding and bring SOLS up to speed and in line with millage rates that other libraries across the state of Oklahoma currently have in place.

**Management Discussion & Analysis
Southern Oklahoma Library System
For the Year Ending June 30, 2019
(Unaudited)**

DIRECTOR'S STATEMENT

As the new executive director of SOLS, I am grateful for the supportive and dedicated staff in place. While we continue to fulfill our mission of providing the citizens in Southern Oklahoma with excellent resources, technology and educational programs, I also understand that libraries must look for opportunities to educate the public about the worth of an excellent library and what it does for a community.

Sincerely,

Gail Oehler
Executive Director

Southern Oklahoma Library System
Combined Statements of Revenues, Expenditures & Changes in Fund Balances
Budget to Actual
For the fiscal year ended June 30, 2019
(Unaudited)

	Proposed Budget	Approved Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Ad Valorem Taxes	\$ 1,512,340	\$ 1,561,173	\$ 1,785,779	\$ 224,606
Oklahoma Department of Libraries:				
State Aid	55,000	55,000	54,503	(497)
Other Grant Revenues	125,000	125,000	56,800	(68,200)
Interest Revenue	1,000	1,000	4,985	3,985
Miscellaneous & Gift Revenue	75,000	75,000	32,298	(42,702)
Total Revenues	1,768,340	1,817,173	1,934,365	117,192
<u>EXPENDITURES</u>				
Current				
Staff Expenditures	1,250,000	1,250,000	1,210,059	39,941
Operating Expenditures	363,340	365,000	439,707	(74,707)
Capital Expenditures	40,000	87,173	43,251	43,922
Library Materials	115,000	115,000	79,810	35,190
Total Expenditures	1,768,340	1,817,173	1,772,827	44,346
<u>OTHER FINANCING SOURCES (USES)</u>				
Gain (Loss) on Disposal of Assets				
Bad Debt Expense			-	-
Depreciation	-	-	(143,565)	(143,565)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ \$	-	\$17,973	\$ 17,973

The above does include library construction receipts and expenditures

JACKSON, FOX and RICHARDSON

A Professional Corporation

Certified Public Accountants

PO Box 1171 * 129 C Northwest

Ardmore, Oklahoma 73402-1171

Donald L. Jackson (1948-2015)

Kathy A. Fox, CPA

Gabriel M. Richardson, CPA, EA

Phone (580) 223-1877 Fax (580) 223-1880

www.cpa-ok.com

kathy@cpa-ok.com

gabe@cpa-ok.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Oklahoma Library System
Ardmore, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities of Southern Oklahoma Library System, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities of the Library as of June 30, 2019, and the respective changes in modified cash basis financial position and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note A.

Basis of Accounting

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

Other Matters

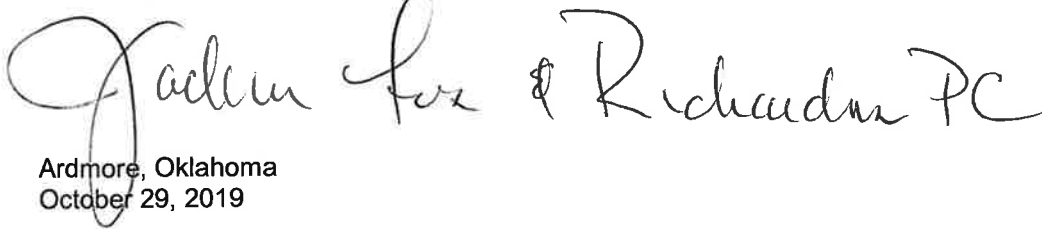
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The management's discussion and analysis and budgetary comparison information on pages 3-7, which are the responsibility of management, are presented for purposes of additional analysis and are not a

required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019, on our consideration of the Southern Oklahoma Library System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Ardmore, Oklahoma
October 29, 2019

Southern Oklahoma Library System
Government-Wide Statement of Net Position-Modified Cash Basis and
Governments Funds Balance Sheet-Modified Cash Basis
June 30, 2019

<u>ASSETS AND OTHER DEBITS</u>	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and Cash Equivalents	\$ 1,372,052		\$ 1,372,052
Grant Cash & Renovation Fund-I	-		-
Receivables-Note E	-		-
Prepaid Expenses	-		-
Property, Plant and Equipment:			
Vehicles	117,944		117,944
Land	166,000		166,000
Building	984,582		984,582
Materials Collection	487,513		487,513
Equipment and Furniture	928,975		928,975
Less: Accumulated Depreciation	(1,660,004)		(1,660,004)
Deferred Outflows of Resources			
Other Debits			
Total Assets and Other Debits	\$ 2,397,062		\$ 2,397,062

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts Payable	\$ -		\$ -
Accrued Payroll and Related Costs	14,789		14,789
Due to Other Funds	-		-
Total Liabilities	\$ 14,789		\$ 14,789
Deferred Inflow of Resources			
Fund Balances:			
Nonspendable	1,010,221	(1,010,221)	0
Spendable			
Committed	-		-
Unrestricted	\$ 1,372,052	\$ (1,372,052)	\$ -
Total Equity and Other Credits	2,382,273	(2,382,273)	0
Total Liabilities and Fund Balance	\$ 2,397,062		

Net Position:			
Net Investment in Capital Assets		1,010,221	1,010,221
Spendable			-
Restricted		0	-
Unrestricted		\$ 1,372,052	1,372,052
Total Net Assets		\$ 2,382,273	\$ 2,382,273

The accompanying notes are an integral part of these financial statements.

Southern Oklahoma Library System
Government-Wide Statement of Activities-Modified Cash Basis and Governmental Fund Statement of
Revenues, Expenditures and Changes in Fund Balances-Modified Cash Basis
For the Fiscal Year Ended June 30, 2019

<u>EXPENDITURES</u>	General Fund	Adj	Statement of Activities
Current			
Staff Expenditures	\$ 1,210,059		\$ 1,210,059
Supplies and Other Expenditures	28,716		28,716
Operations	410,991		410,991
Bad Debt Expense	-		-
Capital Outlay			
Equipment/Furnishing & Other			-
Fixed Assets-Depreciation	159,527		159,527
Total Expenditures	1,809,292		1,809,292
 <u>REVENUES</u>			
Ad Valorem, Sales Tax & City Support	1,785,779		1,785,779
Oklahoma Dept of Libraries	9,000		9,000
State Aid	54,503		54,503
Other Grants/Donations	47,800		47,800
Fundraising Income (net of expense)	-		-
Other Revenues	32,298		32,298
Interest Revenue	4,985		4,985
Total Revenues	1,934,366		1,934,366
 CHANGE IN NET POSITION	125,073		125,073
 FUND BALANCE/NET POSITION, JULY 1, 2018	2,257,200		2,257,200
ADJUSTMENTS			
FUND BALANCE/NET POSITION, JUNE 30, 2019	\$ 2,382,273	\$ -	\$ 2,382,273

The accompanying notes are an integral part of these financial statements.

Southern Oklahoma Library System
Statement of Cash Flows – Modified Cash Basis
Year ended June 30, 2019

Cash flows from Operating Activities:

Cash received from taxes, grants, gifts and charges	1,929,381	
Cash paid to suppliers for goods, services and program expenses	(439,707)	
(increase) decrease in prepaid expenses	-	
Increase(decrease) in payroll liabilities	(261)	
Cash paid to and for employees	<u>(1,210,059)</u>	
 Net cash provided (used) by operations		 279,354

Cash flows from capital and related financing activities:

Informational materials	(79,810)	
Equipment	(43,251)	
Vehicles	<u> </u>	
 Net cash provided (used) by capital and related financing activities		 (123,061)

Cash flows from Investing Activities

Investment-Interest Income	<u>4,985</u>	
 Net cash provided (used) from investing activities		 <u>4,985</u>

Net increase(decrease) in cash and cash equivalents		161,278
Cash and cash equivalents July 1, 2018		1,210,774
Cash and cash equivalents June 30, 2019		<u><u>1,372,052</u></u>

Reconciliation of operating income to net cash provided (used) by operating activities

Net Income	141,035
Interest income	(4,985)
(increase) decrease in receivables	-
(increase) decrease in prepaid expenses	-
depreciation	159,527
Increase (decrease) in liabilities	(261)

Cash provided by operating activities	<u>295,316</u>
---------------------------------------	----------------

The accompanying notes are an integral part of these financial statements.

Southern Oklahoma Library System
Notes to Financial Statements
June 30, 2019

Note A - Organization

Southern Oklahoma Library System (the Library) is organized under Title 65, Article 4 of the Oklahoma Statutes to operate as a multi-county public library system. The participating counties are Atoka, Carter, Johnston, Love and Murray, which have authorized special tax levies to provide funding for the support of the Library.

Note B – Summary of Significant Accounting Policies

The accounting policies of the Library conform to generally accepted accounting principles, as applicable to governmental units. The *Governmental Accounting Standards Board* is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The new financial reporting requirements of *Governmental Accounting Standards Board (GASB) Statements No. 34* have been implemented with the presentation of the year end June 30, 2019, financial statements. The more significant of Southern Oklahoma Library System's accounting policies are described below.

The Financial Reporting Entity – The Southern Oklahoma Library System is an independent special purpose district established under Title 65 Article 4, Public Library Systems, of the Oklahoma statutes. These statutes authorize and empower counties, cities and towns to join in the creation, development, and operation and maintenance of public libraries systems to serve multi-county districts. Title 65 authorizes special tax levies for the support of library systems to serve multi-county systems established under this act. Under *Governmental Accounting Standards Board (GASB) No. 14*, the system is defined as a Special—Purpose Governmental Unit.

Basis of Presentation—Fund Accounting – The Library uses funds and account groups to report on its financial position and results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The Statement of Net Position along with the Statement of Revenues, Expenditures, and Changes in Net Assets and Statement of Cash Flows display information about the reporting government as a whole.

1. Basis of Accounting

The Library prepares its financial statements on the modified cash basis of accounting. Under this method, support and other revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. The modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. However, the Library does capitalize and depreciate fixed assets. Also, payroll taxes are recorded as liabilities in the period the liability is incurred.

2. Budgets

The Library is required by state law to adopt an annual budget. The budget adopted by the Board of Trustees is a non-appropriated budget in that it is a financial plan approved in a manner authorized by statute but not created by an appropriations bill, which is signed into law.

3. Depreciation

Property and equipment are recorded at cost. Depreciation of property and equipment is provided using the straight-line method over the estimated service lives of the assets. Service lives are 30 years for building and 5-7 years for all other assets.

4. Contributed Facilities

The Library occupies without charge certain premises located in government-owned buildings. The estimated fair rental value of the premises is not included on the financial statements as it is not determinable at this time.

Southern Oklahoma Library System
Notes to Financial Statements - Continued
June 30, 2019

5. Grants

The Library records income from grants in the period received.

6. Cash and Cash Equivalents

The Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair value, which is determined using a selected basis. Short-term investments are reported at cost, which approximates fair value.

7. Income Taxes

No provision is made for income taxes. The Library is exempt from taxes under the Internal Revenue Code Section 501(c)(3). The Library files a Form 990 with the IRS annually. Generally, income tax returns related to the current and three prior years remain open for examination by taxing authorities.

Note C - Employee Benefits

1. Retirement

The Library maintains two retirement plans; a deferred compensation plan under Internal Revenue Code Section 457, wherein the Library contributed up to 7% of an employee's salary after five or more years of consecutive service and a 403 (b) plan wherein the Library contributes up to 7% after five or more consecutive years of service. The Library froze entrance into the IRC Section 457 plan and makes all employee contributions into the new plan. Contributions for the year ended June 30, 2019 were \$57,429.

2. Compensated Absences

Compensated absence is paid for terminating employees up to 240 hours of accumulated annual leave. No sick leave or holiday leave is vested. Total potential liability for compensated absences at June 30, 2019, was \$78,322.

Note D - Commitments and Contingencies and Restricted Assets

Federal Grants

Note E - Related Parties

In order to facilitate support for the Library in the local communities, local chapters known as Friends of the Library are established to receive contributions for library improvements. Each chapter has an advisory board. Some of these chapters have separately incorporated as IRS Code 501(c)(3) non-profit organizations. They raise funds for informational materials, fixtures and equipment, and construction funds for the local community library.

Southern Oklahoma Library System
Notes to Financial Statements - Continued
June 30, 2019

Note F - Concentrations of Credit Risk

During the year, the Library maintained deposits of cash in excess of the federally insured amounts. However, the Bank has pledged sufficient collateral to secure the deposits. The following schedule discloses the insured and collateralized amounts.

The Library's bank deposits are categorized below per GASB Statement 3 to give an indication of the level of risk assumed at year-end. Deposits of the Library are carried at cost. The carrying amount of deposits is stated in the balance sheet as "cash" and "certificates of deposits and savings."

Deposits by type at June 30, 2019, are as follows:

Deposits	Risk Category			Bank Balance	Financial Statement Carrying Amount
	1	2	3		
Demand deposits	\$ 32,135	-0-	\$ -0-	\$ 32,135	\$ 10,291
Certificates of Deposit	-0-	-0-	-0-	-0-	-0-
Money Market	250,000	1,111,760	-0-	1,361,760	1,361,760
Totals	<u>\$ 282,135</u>	<u>\$1,111,760</u>	<u>\$ -0-</u>	<u>\$ 1,393,895</u>	<u>\$1,372,051</u>

- (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- (3) Uncollateralized.

Note G - Economic Dependency

The Library receives a substantial portion of its support from ad valorem tax levies in the counties in which it operates. Any change in Oklahoma statutes regarding library tax levies, were they to occur, might have a significant effect on the Library's operations.

Note H - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance for risks of loss, including workers' compensation and general liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Southern Oklahoma Library System
Notes to Financial Statements – Continued
June 30, 2019

Note I – Changes in Capital Assets

The following provides a summary of changes in capital assets:

	Land	Automated Equipment	Building	Furniture and Fixtures	Informational Materials	Vehicles	Totals
Balance July 1, 2018	\$ 166,000	\$ 355,170	\$984,582	\$ 530,554	\$510,330	\$ 117,944	\$ 2,664,580
Increases	0	43251	0	0	79,810	0	123,061
Decreases	0	0	0	0	102,627	0	102,627
Balance June 30, 2019	166,000	398,421	984,582	530,554	487,513	117,944	2,685,014
Accumulated Depreciation Balance July 1, 2018	0	353,838	454,002	392,565	311,445	91,254	1,603,114
Increase	0	4,540	18,536	29,378	97,502	9,571	159,527
Decrease	0	0	0	0	102,627	0	102,627
Balance June 30, 2019	0	358,378	472,538	421,943	306,320	100,825	1,660,004
Net Governmental Activities Balance June 30, 2019	\$ 166,000	\$ 40,043	\$ 512,044	\$ 108,611	\$ 181,193	\$ 17,119	\$ 1,025,010

The Library estimates that certain informational materials deteriorate, are lost, or become outdated. Therefore the Library has estimated a decrease in informational materials approximately equivalent to amounts recorded prior to June 30, 2014 (5 years).

Note J – Subsequent Events

Management has evaluated all events subsequent to the balance sheet date of June 30, 2019 through the date of issuance of these financial statements, October 29, 2019 and has determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

SOUTHERN OKLAHOMA LIBRARY SYSTEM

SUPPLEMENTAL INFORMATION

**Southern Oklahoma Library System
Schedule of Program and Support
Services Expenses - Cash Basis
Year ended June 30, 2019
(Unaudited)**

Salaries	\$ 941,140
Payroll Taxes	77,087
Employee Benefits	191,832
Contractual Expense	146,621
Equipment Repair and Maintenance	14,410
Supplies	13,414
Postage	259
Publicity/Marketing	2,957
Janitorial	21,461
Grant Expense	79,035
Insurance	18,398
Utilities, Telephone	29,935
Vehicle Operations	2,664
Dues	4,604
Continuing Education	7,514
Travel and Mileage	4,776
Revaluation	30,490
Outreach Expense	4,745
Miscellaneous, other	<u>58,424</u>
TOTAL	<u>\$1,649,766</u>

Southern Oklahoma Library System
Schedule of Federal and State Financial Assistance
Year ended June 30, 2019
(Unaudited)

<u>Program Sources</u>	<u>CFDA Number</u>	<u>Project Amount</u>	<u>Receipts Recognized</u>	<u>Expenses Paid</u>
State of Oklahoma:				
Oklahoma Department of Libraries State Aid	453109999	\$ 48,000	\$ 47,800	\$ 61,719
United States Government passed through the Oklahoma Department of Libraries				
Library Sciences and Technology Act				
Health Literacy	45310	9,000	9,000	9,927
ODL Cont Ed Grant	45310	0	0	0
National Endowment for the Humanities passed Through the Oklahoma Humanities Council				
Let's Talk About It		<u>6,000</u>	<u>5,883</u>	<u>5,763</u>
Total State of Oklahoma Assistance		<u>\$ 63,000</u>	<u>\$ 62,683</u>	<u>\$ 77,409</u>

JACKSON, FOX and RICHARDSON

A Professional Corporation

Certified Public Accountants

PO Box 1171 * 129 C Northwest
Ardmore, Oklahoma 73402-1171
Donald L. Jackson (1948-2015)
Kathy A. Fox CPA
Gabriel M. Richardson CPA, EA

Phone (580) 223-1877 Fax (580) 223-1880
www.cpa-ok.com

kathy@cpa-ok.com
gabe@cpa-ok.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Southern Oklahoma Library System
Ardmore, Oklahoma

We have audited the accompanying financial statements of the governmental activities of Southern Oklahoma Library System (the Library), as of and for the year ended June 30, 2019, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 29, 2019. Those financial statements are presented on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles and, accordingly, are not intended to present financial position and results of operations in accordance with generally accepted accounting principles. 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jackson Fox & Richardson PC

Ardmore, Oklahoma
October 29, 2019