

**CHICKASAW REGIONAL LIBRARY SYSTEM
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
JUNE 30, 2014**



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

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Management Discussion & Analysis
Chickasaw Regional Library System
For the Year Ending June 30, 2014
(Unaudited)

MISSION STATEMENT

“The Mission of the Chickasaw Regional 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

Today, the Chickasaw Regional (Public) Library System (CRLS) serves approximately 96,833 in the five (5) county area of Atoka, Carter, Johnston, Love and Murray. At the end of FY 2014 CRLS had 70,149 registered borrowers, correlating to 72% of the population of the region. This is an increase of 2,069 library customers; and a change from 71% to 72% of the service area population.

Multi-County Library Systems were established and are regulated in Oklahoma as set forth by Title 65, Article 4, Section 202-206 of the Oklahoma Statutes. The Chickasaw Regional Library System (CRLS) was established in the 1960s in accordance with Title 65 of the Statutes as member counties voted to approve ad valorem taxes to support the multi-county library system. Today, CRLS has eight (8) libraries operating in the five (5) Oklahoma counties of Carter, Atoka, Johnston, Love and Murray.

Presently, financial support for CRLS is at two (2) mills per \$1,000 assessed valuation in all five counties. CRLS is the lowest funded library system per capita in Oklahoma. Most multi-county system libraries in the state are funded at a four (4) mill level for all or the majority of

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their counties. Pioneer (Multi-County) Library System, headquartered in Norman, is now funded at six (6) mills. Municipal single county libraries are at five (5) + mills.

TRUSTEES

CRLS 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. In the spring of 2013, the Oklahoma State Legislature passed legislation 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. This applies to the City of Wilson, Oklahoma, thus giving CRLS fourteen (14) Trustees.

FY 2014/15 Trustees are as follows:

<u>Board Member</u>	<u>Represents</u>	<u>Location</u>
Lauren Crosby-Battles	City	Ardmore
John Veazey	County	Carter
Roy Byrd	City	Atoka
Glenda Graham-Byrd	County	Atoka
Tabbe Drake	City	Davis
Carol Stewart	City	Healdton
Janice Price	City	Lone Grove
Novice Boyd	County	Johnston
Ron Jacobs	City	Marietta
Judy Marshall	County	Love
Mary Mueller	City	Sulphur
Dr. Rebecca Jacobs-Pollez	City	Tishomingo
Debbie Thomson	County	Murray
Diana McMahan	City	Wilson

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PERSONNEL

Paid employees for FY 2014 include eighteen (18) full-time professional, paraprofessionals and other support staff along with approximately three (3) part-time personnel. For accounting purposes, branch managers who work 30+ hours per week are considered "full-time" employees. Total personnel expenditures were \$1,005,000 for FY 2014. As with most service industries, personnel expenditures is the largest line item in the budget. CRLS has had a **significant increase in programming and customer assistance** at all libraries. Headquarters staff cover branch libraries when the branch managers are away for professional development and personal time. CRLS continues to use a technology consultant who is under contract for all IT work and responsibilities. This cost is reflected in the contractual area of the budget.

Feedback from customers continues to tell us that CRLS' most important assets are our employees. They appreciate the friendly atmosphere and quality service, as well as the fact that CRLS employees go above and beyond to provide them with the information, resources and services they need. CRLS personnel continue to strive for excellence and personal growth!

SERVICES

In the spirit of "free public access" endorsed, promoted and practiced by libraries throughout the United States, CRLS serves the citizens in the five-county region and beyond in a multitude of ways. CRLS provides information and access to information in a seamless manner in many formats: print, electronic within the library and to remote locations (home, office, etc.), specialized on-line databases, E-Books, instruction through classes and individual assistance as needed, programs for young people and adults, films (DVDs), music (CDs) and microfilm (i.e., *The Ardmoreite* from beginning of publication). Services include, but are not

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limited to, reference, reader's advisory, Interlibrary Loan and programming. Many of CRLS' customers do not know how to access specialized information, resources, employment applications and other forms without the assistance of skilled reference personnel. E-Reader classes have been particularly popular. Many customers need help downloading E-books and learning more about their particular E-reader device. Whenever possible, CRLS partners with other state, regional and local community organizations to provide resources and programs with a cost savings and some resources that would not be readily available without these networks. All CRLS libraries have meeting rooms that are available and free to the public. At the Ardmore Headquarters, CRLS has five (5) NetBook computers which are checked out to library customers in good standing. Several branch libraries have laptop computers that can be checked out and used in the facility only.

ANNUAL CIRCULATION & USE OF LIBRARIES

Customer use of all CRLS libraries and resources for FY 2014 totals 1,001,677. This includes circulation of materials, use of public access computers, in-house use of materials (newspapers, reference books, periodicals, microfilm, etc.), program attendance and reference questions. This correlates to 10.34 transactions or use per capita.

A statistical review of use of CRLS libraries shows the following breakdown for FY 2014:

Circulation-----	1,001,674	-----	(up 9,494)
Computer/Internet-----	59,351	-----	(up 13,425)
In-house Use-----	321,056	-----	(up 3,246)
Program Attendance-----	19,812	-----	(up 3,097)
Interlibrary Loan-----	874	-----	(down 203)
Reference Transactions----	27,560	-----	

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All CRLS libraries have an increasing number of people using wireless services both in the facilities and in our parking lots. In 2014, we have been able to track wireless use on a relatively reliable basis....but not perfect by any means. This is partially reflected in the large increase in Internet usage for the year. Management and IT is working on a better solution to measure this use more accurately.

Approximately \$200,000 was spent in FY 2014 to provide informational and recreational materials, as well as electronic access, in an effort to better serve the public. This does not include over \$75,000 in E-Rate discounts for Internet and Telecommunications access. These discounts are discussed later in this report. While traditional print formats are important, CRLS' focus is on offering more electronic online resources throughout the region to reach more citizens and those who have been classified as "non-users" and/or "non-readers." All of CRLS' databases can be used remotely, but statistical data for these services is difficult to track. In FY 2014, CRLS spent approximately \$17,667 on databases. These are in addition to the 35 databases provided by the Oklahoma Department of Libraries. A total of 51 Licensed Databases are available for CRLS patrons. These Databases are available to patrons within CRLS libraries and are accessible remotely at their home and/or at their office.

At the conclusion of FY 2014, records show that CRLS (system-wide) has approximately 162,536 bound (print) volumes and 90,022 titles. During FY 2014, 2,745 bound volumes were added and 10,487 were deselected (removed). The System has 101 subscriptions for periodicals and newspapers. Staff makes every effort to keep CRLS' collections current and relevant, as well as create more shelf space for new materials. CRLS belongs to a Consortium (OverDrive) for E-Books, making thousands of titles available to library customers. CRLS purchased 297 separate E-Book subscriptions to add to the consortium in FY 2014 with a total of 23,062 E-Books available to CRLS customers.

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FINANCIAL OVERVIEW FOR FISCAL YEAR 2013/2014

FY 2014 Budget (Income & Expenditures)	-	\$1,720,465
FY 2014 Actual Income	-	\$1,573,748
FY 2014 Expenditures	-	\$1,480,576
FY 2014 Expenditures (with depreciation)	-	\$1,644,781

The major portion of CRLS' funding comes from county ad valorem taxes of two (2) mills, as mentioned previously. Ad Valorem generated \$1,322,584 in income for FY 2013/14.

Another source of CRLS' income is State Aid, administered by the Oklahoma Department of Libraries (ODL). FY 2014 State Aid of \$61,531 was received. Because of funding cuts at the state level, state aid continues to be reduced annually. This downward trend will continue for the foreseeable future due to budget cuts at the state level. The formula is based on population and the square miles within the multi-county district.

"Other income" for CRLS varies from year to year, depending on projects, programming, available grant funding and miscellaneous income. Another variation in income is shown in the area of "Royalty Income" from the Michael Bevins estate. In FY 2014 royalty income was \$14,271, up from the previous year from \$12,709. The difference reflects the variation in profit and loss for the energy industry for mineral rights.

Funding for programming is a small but extremely important part of CRLS' income. While it is a marginal dollar amount of the overall budget, it is significant in the "value added" range of CRLS' services targeting young people, families and adults. It supports the fact that

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community businesses, organizations and individuals feel that CRLS' programming for infants and toddlers, young people and adults is important for our communities. Funding for programming includes donations and grants. In FY 2014, CRLS received approximately \$28,217 for Summer Reading Program and other special programming. This income does not reflect matching "grants" from the Oklahoma Humanities Council (OHC) for "Let's Talk About It, Oklahoma" programs which are held in CRLS libraries.

One important source of funding for CRLS for the past twelve (12) years that is not directly reflected in the budget is the Universal Service (aka E-Rate) discounts for telephone and Internet services for schools, public libraries and rural health agencies. For CRLS, the FY 2014 discount for Internet and telephone services for all libraries was over \$75,000. Annually, it varies depending on the discount percentage which is based on the free and reduced school lunch rate for each local district in which the community library is located. Universal Service discounts are approved by the Schools and Libraries Division (SLD) of the Universal Service Administration Company, a division of the Federal Communication Commission (FCC). As previously noted, there is a multi-tiered annual application process which is complex, time consuming and problematic at best. The discounts for these services are absolutely essential for CRLS to provide high speed Internet access and efficient telephone and operating systems. Over the past couple of years, improved technology access and higher "speeds" has allowed CRLS to increase broadband speeds at all libraries. The application process for E-Rate discounts has become so complex and time consuming, we have hired the consulting firm of Kellogg & Sovereign to work with us on our applications. Oklahoma USF program funds regional toll free lines for CRLS which provides a significant cost savings on calls between branch libraries and Headquarters, as well as for customers who prefer to use these numbers.

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Federal law, *The Communications Internet Protection Act (CIPA)*, mandated that all public libraries receiving federal funding must filter public access computers. The iPrism Filtering System, one of the least intrusive filtering systems, is installed throughout CRLS libraries.

TECHNOLOGY

In January 2011, the consulting firm, Turn-Key Information Technology was hired to maintain and improve all technology access and systems. In today's fast paced, information driven, "instant gratification" society, technology is of critical importance to all CRLS services. We continue to use the services of Turn-Key for all technology related activities. Security of records and personal information is also a high priority. There is no going "backwards" where technology is concerned.

In the fall of 2010 it was announced that the Oklahoma Department of Libraries (ODL) would receive a \$2.3 million grant from the National Telecommunications and Information Administration (NTIA) through the Broadband Technology Opportunities Program (BTOP), part of the American Recovery and Reinvestment Act passed by Congress in 2009. The Bill and Melinda Gates Foundation pledged one (1) million dollars in matching funds for the BTOP grant for Oklahoma public libraries. This \$3.3 million funding has provided increased broadband speed and other technology improvements for 44 rural Oklahoma libraries that submitted the requested data and support letters within strict deadline periods.

For CRLS, the BTOP grant, known as "OKConnect", provides increased Internet speeds and other technology hardware and services valued at \$286,100.00. There were five (5) CRLS libraries cited for the improvements and upgrades. They are the Ardmore Headquarters, Atoka County, Love County, Johnston County and the Parker Library in Sulphur, Murray County. Broadband speeds were significantly increased in the Spring of 2012 in all of these

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libraries with the exception of Atoka. Atoka received upgrades in the Summer of 2012 and now has faster Internet speeds. In 2012/13, "state of the art" video conferencing equipment was installed at four (4) CRLS "OKConnect" Libraries. The old video equipment was moved to the Johnston County Library. The new systems are located at Ardmore Headquarters, Love County, Atoka County and Parker Memorial Library. Staff training on a statewide basis for the use of this equipment has been ongoing. Promoting the equipment for customer use is also ongoing and challenging. In FY 2014 approval was received for broadband speed increases at several CRLS branch libraries....Davis, Healdton and Wilson.

PROGRAMS

CRLS' programming includes, but is not limited to, the following:

- **Summer Reading Program (SRP)**

CRLS participates in the statewide program sponsored by the Oklahoma Department of Libraries. More programs were held at each CRLS library from May through July. The theme for FY 2014 was "Dig into Reading" for young children. The theme for teens and "tweens" was "Beneath the Surface." Funding to engage regional performers, such as magicians, ventriloquists, puppeteers and professional storytellers is supported by local business, organizations and private partners. SRP in FY 2014 included 77 programs with an increase in teen and family programs. Total program attendance for children and teens system-wide for the past three (3) years is as follows:

FY 2013	-	5,017
FY 2012	-	4,704
FY 2011	-	4,157

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This includes children and their caregivers, as well as teens/"tweens" for 77 programs during May-July, 2013. Though most of the 2014 Summer Program is in our next audit year, we do need to note that SRP 2014 (May-July) had 7,532 young people attend. This is an increase of 2,515 people.

- **Preschool Story Time Programs**

From September through May all CRLS libraries have story time programs for preschool children at least once a week. Ardmore also hosts a lapsit program for infants (6 months and over), toddlers and their parents.

- **Teen Book Club** – The Teen Book Club, developed in 2009, continues to be a popular program. Teen programs have increased significantly since and include book clubs, Friday afternoon games, movies and a myriad of teens/"tweens" programs. In FY 2014, System wide, 241 programs were done for teens/"tweens" with approximately 1,714 young people attending system-wide.

- **"Let's talk about it Oklahoma"**

For many years CRLS has hosted this reading and discussion series which is a theme-based program. It is funded by the Oklahoma Humanities Council (OHC) and partially funded by the National Endowment for the Humanities. OHC grants for FY 2014 programing totaled \$8,559. Each theme-based series has four (4) to five (5) literary works pre-selected for participants to read and discuss with a guest scholar and as a group. In FY 2014, CRLS sponsored five (5) "*Let's Talk About It, Oklahoma*" series programs with 305 adults attending.

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Fall 2013

Healdton Community Library

Davis Public Library

Wilson Public Library

Johnston County Library

Love County Library

Spring 2014

CRLS Ardmore

- **Annual Brunch for School Library Media Specialists and Administrators**

Each year in August CRLS invites school library media specialists, their aides and school administrators from all five counties to join us for brunch, a guest speaker and an update on “what is new” at CRLS libraries, as well as other state and national information that will be important to them as they begin the school year. This is a unique outreach opportunity to remind educators that CRLS libraries and staff are here to help them with resources for their students and faculty. We provide updates on CRLS and statewide databases, as well as other new sources of information. In August 2013 we had approximately 50 attend this event. Three of our state legislators also joined us to hear our speakers, mix and mingle.

- **Miscellaneous Programs**

Throughout the year CRLS libraries sponsored a variety of programs such as author programs with book signings by local and regional authors, movies, musicians and speakers on specialized subjects, such as genealogy, photography and other topics of interest. Some of our children’s programs included “Fancy Nancy” and “Captain Underpants” celebrations for youngsters and their families.

In FY 2014, CRLS staff presented 1339 programs for all citizens with approximately 16,644 people attending system-wide. These numbers are up from past years due to a lot of special, innovative programming.

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- **Computer Classes and Individual Help**

For the past fourteen (14) years CRLS has offered free computer classes for the public. In FY 2014 individual (one-on-one) classes were offered, System-wide. A total of 255 adults attended these classes. Classes on resumé writing have been well received. Staff assists people individually with job applications and government forms daily. In FY 2014, CRLS subscribed to a federal program, "My Free Taxes.com" for citizens with lower incomes do their taxes returns free. With the popularity of E-Readers, citizens continue to come to CRLS to get help downloading electronic books.

Throughout the year, library personnel do many off-site visits to schools and community organizations providing a variety of special programs. These programs are not documented in this report, but can be if needed. There are no fees in connection with this type of programming.

Please Note: In order to better meet the needs and expectations of the citizens of all ages, all socio-economic levels and multiple education levels, CRLS gives strong focus, planning and energy to programming. This is one more way to promote the value of the public library as an essential community resource center and reach a variety of citizens who have not been library users in the past. It is important to note this supplementary programming is being done with creative planning and scheduling of staff hours without hiring additional staff. In FY 2014, attendance at CRLS programs of all types was up over past years.

GRANTS

For FY 2014 a continuing education grant for \$843 was received from ODL for one staff members to attend the OLA Conference. The monies came from Federal LSTA funds awarded through ODL for use in Oklahoma.

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Multiple grants have been pledged by various foundations for the renovation of the Ardmore Headquarters

EMPLOYEE TRAINING AND PROFESSIONAL DEVELOPMENT

The Board of Trustees and "management team" place a high value on training, continuing education and professional development for CRLS staff at all levels. Technology is increasingly critical to the services and resources that CRLS provides on a daily basis. In the fast paced world of rapidly changing technology, constant "new" trends, as well as increasing demands from the public and multiple levels of the government, it is critical that CRLS personnel be trained and knowledgeable in information retrieval, providing excellent service and "survival techniques" in dealing with the nuances of the public. Over the past year, much of the training has been done through webinars. Yes, the CRLS team serves the public at its best and at its worst. We help those who take "The Public Library" for granted...and even those who **still** think we are a part of and funded by the Chickasaw Nation!

For these reasons, CRLS invests money, time and energy in staff development by encouraging and requiring all staff to attend training, workshops and conferences. Paraprofessional staff are encouraged to attend classes for certification and advanced certification. These classes are offered through a collaborative effort of the Oklahoma Department of Libraries (ODL) and the Oklahoma Library Association (OLA). Continuing education and certification completion, along with other professional commitments, is taken into consideration in annual evaluations and salary increases.

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In FY 2014, CRLS spent approximately \$18,832 on continuing education dues and lodging for workshops and conferences. This portion of CRLS' budget and expenditures is important and necessary to keep our staff on the "cutting edge" of the library/information business, as well as good customer service habits and techniques.

DONATIONS OF NOTE

Throughout the year, clubs and individuals donate books, cash, films and other library materials to be added to CRLS' collections or used for book sales. Others make cash donations of varying amounts for different reasons, i.e., a "thank you"; a gift in honor of or in memory of an individual; and for special books or materials to be added to the collection.

OUTREACH, PUBLICITY AND PUBLIC RELATIONS

Understanding and communicating with the citizens and communities CRLS serves is a challenge about which we are passionate. We promote the value of our libraries, our resources, our services and our programming at every opportunity. We write articles for our community newspapers, "PSAs" for all radio and TV stations and the cable company. We invite reporters, photographers and legislators to attend special events and programs for unusual stories and photo opportunities. During FY 2014, the publicity coverage has been outstanding, primarily due to a staff member who handles the marketing and publicity. We send cards to congratulate people and organizations on being in the news and other special types of events.

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At every opportunity we encourage Trustees, "Friends," and employees to advocate on behalf of:

- CRLS
- Quality library services throughout Oklahoma and
- "Freedom of Access" and user privacy for all library customers

ON THE HORIZON

Fundraising for the Headquarters renovation has continued through the year. By the end of FY 2014, \$368,469 had been raised or pledged for the project. A particularly successful fundraiser was held November 30, 2013 with the Ardmore premiere of a family movie, "*Angels Sing*". Two of the producers joined us to talk about the making of the movie and the film industry in general. Over 200 people attended and \$24,217.00 was netted. It was a spectacular event that raised a great deal of awareness about the Library System and the need for the renovation of our 34 year old building.

Other grant applications have been submitted to raise the remaining money for the project.

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TRUSTEE RETREAT FOR BOARD DEVELOPMENT AND PLANNING

On Friday, April 18, 2014 the Board of Trustees retreated to the Noble Foundation's Pavilion to engage in some training, as well as discuss and plan for the future of CRLS. Susan McVey, Director of the Oklahoma Department of Libraries, and Frank Merrick, CEO of Foundation Management, led the discussion and training. At the end of the day, Trustees and management, took a closer look at CRLS' "priorities" and long range planning.

At the May, 2014 Board meeting, the general consensus of the Trustees was that the retreat was "productive and enlightening." The Board unanimously voted to have the Director investigate marketing companies and obtain proposals for a "marketing/branding" study that will guide the Trustees regarding a possible name change for the System and how to proceed for a future campaign for a millage increase.

DIRECTOR'S STATEMENT

It continues to be an honor to serve as Executive Director of the Chickasaw Regional (Public) Library System. It is a privilege to work with outstanding Trustees, dedicated staff members and supportive communities. CRLS has made much progress in the past eighteen (18) plus years. But we still have miles to go. Renovating the Ardmore Headquarters Library, consideration of a possible System name change, and increasing the millage in each county are enormous hurdles and require a huge investment of time and resources from staff, Trustees and "Friends."

For additional information contact Lynn A. McIntosh at (580) 223-3164.

**Chickasaw Regional Library System
 Combined Government-Wide and Fund Financial Statements
 Statement of Budget to Actual
 For the fiscal year ended June 30, 2014
 (Unaudited)**

	<u>Proposed</u>	<u>Approved</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Budget</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>REVENUES</u>				
Ad Valorem Taxes	\$ 1,180,868	\$ 1,282,265	\$ 1,322,584	\$ 40,319
Oklahoma Department of Libraries:				
State Aid	62,000	62,000	81,434	19,434
Other Grant Revenues	274,000	275,000	126,400	(148,600)
Interest Revenue	1,300	1,200	1,144	(56)
Miscellaneous & Gift Revenue	100,000	100,000	42,186	(57,814)
Total Revenues	1,618,168	1,720,465	1,573,748	(146,717)
<u>EXPENDITURES</u>				
Current -				
Staff Expenditures	900,000	960,000	1,004,726	(44,726)
Supplies & Other Expenditures	290,000	309,810	373,223	(63,413)
Capital Expenditures -	318,168	350,655		350,655
Library Materials	110,000	100,000	102,627	(2,627)
Equipment and Furnishings		-		
Total Expenditures	1,618,168	1,720,465	1,480,576	239,889
<u>OTHER FINANCING SOURSES (USES)</u>				
Other Sources (Uses)				
Depreciation	-	-	(164,205)	(164,205)
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES				
	\$ -	\$ -	\$ (71,033)	\$ (71,033)

The above does include library construction receipts and expenditures

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chickasaw Regional Library System
Ardmore, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of Chickasaw Regional Library System, as of and for the year ended June 30, 2014, 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 cash basis of accounting described in Note A; this includes determining that the 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- cash basis, that are free from material misstatement, whether due to error or fraud.

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.

Management has elected to use the cash basis of accounting, whereby income is recorded when received and expenses are recorded when paid. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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 assets, liabilities, and net position-cash basis of the governmental activities and general fund of

Chickasaw Regional Library System, as of June 30, 2014, and the respective changes in revenues, expenses, and net positions-cash basis and general fund cash flows-cash basis, thereof for the year then ended in conformity with the cash basis of accounting.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying supplemental information, including the schedule of federal and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used in the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the Chickasaw Regional 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.

Jackson and Inc PC

Ardmore, Oklahoma
November 7, 2014

Chickasaw Regional Library System
Government-Wide Statement of Assets, Liabilities and Net Position-Cash Basis and
Governments Funds Assets, Liabilities and Fund Balances-Cash Basis
June 30, 2014

<u>ASSETS AND OTHER DEBITS</u>	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and Cash Equivalents	\$ 866,698		\$ 866,698
Grant Cash - Note D	1,023		1,023
Renovation Fund – Note D	30,242		30,242
Receivables – Note E	120,292		120,292
Prepaid Expenses			
Property, Plant and Equipment:			
Vehicles	116,831		116,831
Land	166,000		166,000
Building	636,306		636,306
Materials Collection	1,091,380		1,091,919
Equipment and Furniture	1,119,879		1,119,879
Less: Accumulated Depreciation	(2,435,423)		(2,435,423)
Deferred Outflows of Resources			0
Other Debits			0
Total Assets and Other Debits	\$ 1,713,228	0	\$ 1,713,228
LIABILITIES, FUND BALANCE/NET ASSETS			
Liabilities:			
Accounts Payable	\$ 0		\$ 0
Accrued Payroll and Related Costs	14,947		14,947
Due to Other Funds			
Total Liabilities	14,947	0	14,947
Deferred Inflow of Resources	0	0	0
Fund Balances:			
Nonspendable	694,973	(694,973)	0
Spendable			
Committed	1,023	(1,023)	0
Assigned	30,242	(30,242)	0
Unassigned	972,043	(972,043)	0
Total Equity and Other Credits	1,698,281	(1,698,281)	0
Total Liabilities Fund Balances	\$ 1,713,228		0
Net Position:			
Invested in Capital Assets		694,973	694,973
Spendable			
Committed		1,023	1,023
Assigned		30,242	30,242
Unassigned		972,043	972,043
Total Net Assets		\$ 1,698,281	\$ 1,698,281

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

Chickasaw Regional Library System
Government-Wide Statement of Revenues, Expenses, and Changes in Net Position-Cash
Basis and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund
Balances-Cash Basis
For the Fiscal Year Ended June 30, 2014

	General Fund	Statement Adjustments of Activities
<u>EXPENDITURES</u>		
Current--		
Staff Expenditures	\$ 1,004,726	\$ 1,004,726
Supplies & Other Expenditures	37,209	37,209
Operations	336,014	336,014
Capital Outlay		
Equipment/Furnishing & Other		
Fixed Assets-Depreciation	164,205	164,205
Total Expenditures	1,542,154	1,542,154
<u>REVENUES</u>		
Ad Valorem, Sales Tax &		
City Support	1,322,584	1,322,584
Oklahoma Dept of Libraries	72,675	72,675
State Aid	8,759	8,759
Other Grants/Donations	102,563	102,563
Fundraising Income (net of expense)	23,837	23,837
Other Revenues	42,186	42,186
Interest Revenue	1,144	1,144
Total Revenues	1,573,748	1,573,748
CHANGE IN NET POSITION	31,594	31,594
FUND BALANCE/NET ASSETS, JULY 1, 2013	1,666,687	1,666,687
FUND BALANCE/NET ASSETS JUNE 30, 2014	\$ 1,698,281	\$ 1,698,281

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

**Chickasaw Regional Library System
Governmental Fund Statement of Cash Flows - Cash Basis
Year ended June 30, 2014**

<u>Cash flows from Operating Activities:</u>		
Cash received from taxes, grants, gifts and charges		\$ 1,564,639
Cash paid to suppliers for goods, services and program expenses		(370,571)
Cash paid to and for employees		<u>(1,004,726)</u>
Net cash provided (used) by operations		189,342
Cash flows from capital and related financing activities:		
Capital investment		
Informational materials	\$ (102,627)	
Automated Equipment	(3,421)	
Vehicles	(20,448)	
Furniture & Fixtures	(864)	
Net cash provided (used) by capital and related financing activities		<u>(127,360)</u>
<u>Cash flows from Investing Activities</u>		
Investment (interest income)	<u>1,144</u>	
Net cash provided (used) from investing activities		<u>1,144</u>
Net increase in cash and cash equivalents		63,126
Cash and cash equivalents July 1, 2013		<u>834,837</u>
Cash and cash equivalents June 30, 2014		<u><u>\$ 897,963</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income		\$ 31,594
Adjustments to reconcile operating income to net cash provided by operations		(10,352)
Decrease in prepaid expenses		
Decrease in Receivables		25
Depreciation		164,205
Increase in liabilities		<u>3,870</u>
Cash provided by operating activities		<u><u>\$ 189,342</u></u>

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

Chickasaw Regional Library System
Notes to Financial Statements
June 30, 2014

Note A - Organization

Chickasaw Regional 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, 2009, financial statements. The more significant of Chickasaw Regional Library System's accounting policies are described below.

The Financial Reporting Entity – The Chickasaw Regional 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 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 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.

Chickasaw Regional Library System
Notes to Financial Statements - Continued
June 30, 2014

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.

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, 2014 were \$47,557.

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, 2014, was \$71,105.

Note D - Commitments and Contingencies and Restricted Assets

Federal Grants

The Library was approved as the recipient for a Federal Library construction grant for Tishomingo, Oklahoma. The grant is a matching grant and Tishomingo has to raise matching funds. The schedule below details the funds raised, grants received and expenditures incurred. The remaining cash is included on the balance sheet as grant cash.

The Library undertook the expansion and renovation of the Mary E. Parker Memorial Library, Sulphur branch in Sulphur, Oklahoma. As of June 30, 2011 construction is complete, but funding and/or commitments are not complete.

Chickasaw Regional Library System
Notes to Financial Statements - Continued
June 30, 2014

	Johnston County, Oklahoma	Mary E. Parker Memorial Library	Ardmore Renovation Fund	Total
Beginning Committed Cash	\$ 1,023	\$ 0		\$ 1,023
Interest Income	0	0		0
Total Local Support	0	0		0
Total Grants, Contributions	0	0	30,242	30,242
Construction Costs	0	0	0	0
Committed Cash	1,023	0	30,242	\$ 31,265

The \$31,265 of committed cash is restricted by third parties for the specific use of library construction. The remaining net assets in the amount of \$1,681,963 are unrestricted by third parties.

Unrestricted net assets	\$ 1,681,963
Committed net assets	31,265
Total Net Assets	\$ 1,713,228

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. The Receivables balance of \$120,292 is for funds advanced for the completion of the Mary Parker Library in Sulphur..

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, 2014, are as follows:

Deposits	Risk Category			Bank Balance	Financial Statement Carrying Amount
	1	2	3		
Demand deposits	\$ 68,861	-0-	\$ -0-	\$ 43,324	\$ 68,861
Certificates of Deposit	-0-	-0-	-0-	-0-	-0-
Money Market	-0-	828,079	-0-	828,079	828,079
Totals	<u>\$ 68,861</u>	<u>\$ 828,079</u>	<u>\$ -0-</u>	<u>\$871,403</u>	<u>\$896,940</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.

**Chickasaw Regional Library System
Notes to Financial Statements – Continued
June 30, 2014**

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.

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, 2013	\$ 166,000	\$ 765,014	\$636,306	\$ 350,581	\$1,069,146	\$ 134,051	\$ 3,121,098
Increases	0	3,421	0	864	102,627	29,557	136,469
Decreases	0	0	0	0	80,393	46,777	127,170
Balance June 30, 2014	166,000	768,433	636,306	351,446	1,091,380	116,831	3,130,396
Accumulated Depreciation Balance July 1, 2013	0	667,828	395,075	311,983	889,451	134,051	2,398,388
Increase	0	49,728	7,148	15,181	90,670	1,478	164,205
Decrease	0	0	0	0	80,393	46,777	127,170
Balance June 30, 2014	0	717,556	402,223	327,164	899,728	88,752	2,435,423
Net Governmental Activities Balance June 30, 2014	\$ 166,000	\$ 50,877	\$ 234,083	\$ 24,282	\$ 191,652	\$ 28,079	\$ 694,973

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, 2004 (10 years).

Note J – Subsequent Events

Management has evaluated all events subsequent to the balance sheet date of June 30, 2014 through the date of issuance of these financial statements, November 7, 2014, and has determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

CHICKASAW REGIONAL LIBRARY SYSTEM

SUPPLEMENTAL INFORMATION

**Chickasaw Regional Library System
Schedule of Program and Support
Services Expenses - Cash Basis
Year ended June 30, 2014
(Unaudited)**

Salaries	\$ 784,054
Payroll Taxes	59,980
Employee Benefits	160,692
Contractual Expense	145,797
Equipment Repair and Maintenance	2,085
Supplies	37,209
Postage	9,687
Fundraising	5,523
Janitorial	13,270
Grant Expense	23,803
Insurance	18,682
Utilities, Telephone	20,223
Vehicle Operations	10,522
Dues	6,689
Continuing Education	9,157
Travel and Mileage	7,487
Revaluation	27,132
Outreach Expense	26,209
Miscellaneous, other	<u>9,748</u>
TOTAL	<u>\$1,377,949</u>

**Chickasaw Regional Library System
Schedule of Federal and State Financial Assistance
Year ended June 30, 2014
(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	\$ 61,531	\$ 61,531	\$ 61,531
United States Government passed through the Oklahoma Department of Libraries				
Library Sciences and Technology Act				
Continuing Education Grant	453100000	843	843	843
National Endowment for the Humanities passed Through the Oklahoma Humanities Council				
Let's Talk About It		<u>8,559</u>	<u>8,559</u>	<u>8,559</u>
Total State of Oklahoma Assistance		<u>\$ 70,933</u>	<u>\$ 70,933</u>	<u>\$ 70,933</u>

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**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
Chickasaw Regional Library System
Ardmore, Oklahoma

We have audited the accompanying financial statements of the governmental activities of Chickasaw Regional Library System (the Library), as of and for the year ended June 30, 2014, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 7, 2014. 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 and Fox PC

Ardmore, Oklahoma
November 7, 2014