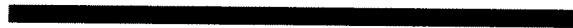


**CHICKASAW REGIONAL LIBRARY SYSTEM
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
JUNE 30, 2012**



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

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(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 96,400 in the five (5) county area of Atoka, Carter, Johnston, Love and Murray. At the end of FY 2012 CRLS had 66,394 registered borrowers, correlating to 69% of the population of the region. This is an increase of 2,285 library customers; and an increase from 67% to 69% 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 (Public) 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 thirteen (13) 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, Glenda Graham-Byrd was appointed to replace Virginia Reasor (Atoka County) who resigned because of family commitments. Karen Lewis was appointed to replace Janice Price who had served her legal limit for the City of Lone Grove. Larry Milligan was appointed to replace Johnston County representative Fred Poe, who had also served the legal limit of his term.

FY 2012 Trustees are as follows:

<u>Board Member</u>	<u>Represents</u>	<u>Location</u>
Christy Mordy	City	Ardmore
John Veazey	County	Carter
Marvin Leeper	City	Atoka
Glenda Graham-Byrd	County	Atoka
Shawn Tinsley	City	Davis
Cleo LeVally	City	Healdton
Karen Lewis	City	Lone Grove
Larry Milligan	County	Johnston
Beth Willis	City	Marietta
Melodye Griffin	County	Love

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Jessica Mueller	City	Sulphur
Jim Kennedy	City	Tishomingo
Debbie Thomson	County	Murray

PERSONNEL

Paid employees for FY 2012 include eighteen (18) full-time professional, paraprofessionals and other support staff along with approximately six (6) part-time personnel. For accounting purposes, branch managers who work 30+ hours per week are considered “full-time” employees. Total personnel expenditures of \$928,343 for FY 2012 were over the budget estimate. This has been justified by management because of the **significant increase in programming and customer assistance** at all libraries and the ability to cover branch libraries when the branch managers need to be away for training 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.

Based on continuing feedback from customers, personnel are CRLS’ most important asset. They appreciate the quality and friendly atmosphere and service, and the fact that we go above and beyond to provide them with the information, resources and services they need. CRLS personnel continue to strive for excellence.

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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, instruction through classes and individual assistance as needed, programs for young people and adults of all ages, film (VHS and DVD), music (tape and CD), and microfilm (i.e., *The Daily Ardmoreite* from beginning of publication). Services include, but are not limited to, reference, reader’s advisory and Interlibrary Loan. 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. 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 six (6) NetBook computers which are checked out to library customers in good standing.

ANNUAL CIRCULATION & USE OF LIBRARIES

Customer use of all CRLS libraries and resources for FY 2012 totals 681,229, up slightly over last year. 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 7 transactions or uses per capita and 10 transactions per card holder.

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A statistical review of use of CRLS libraries shows the following breakdown for FY 2012:

Circulation-----	399,292	-----	(up 6,453)
Computer/Internet-----	42,136	-----	(up 3,021)
In-house Use-----	226,388	-----	(up 8,264)
Program Attendance-----	12,226	-----	(up 2,288)
Interlibrary Loan-----	1,187	-----	(down 182)

With the exception of Interlibrary Loan, all user statistics are up fairly significantly over FY 2011. Interlibrary loans are marginally down and is attributed to a \$1.50 charge per interlibrary loan to assist with postage. All CRLS libraries have an increasing number of people using wireless services both in the facilities and in our parking lots. During FY 2012 it was not possible to track use of wireless services outside of the building using affordable technology. But we know the use of CRLS' Internet is higher than reflected in our statistics. Management and IT is working on a solution to allow us to measure this use.

Approximately \$166,374 was spent in FY 2012 to provide informational and recreational materials, as well as electronic access, in an effort to better serve our public. This includes approximately \$58,870 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, making statistical data for these services difficult to track. In FY 2012, CRLS spent approximately \$24,220 on databases, E-Books, DVDs and other electronic formats.

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At the conclusion of FY 2012, records show that CRLS (system-wide) has approximately 173,443 bound (print) volumes and 97,370 titles. During FY 2012, 4,564 bound volumes were added and 22,645 were deselected (removed). The System has 113 subscriptions and 215 units in periodicals and newspapers. Staff makes every effort to keep CRLS' collections current and relevant, as well as create more shelf space for new materials. A total of 35 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.

FINANCIAL OVERVIEW FOR FISCAL YEAR 2011/2012

FY 2012 Budget (Income & Expenditures)	-	\$1,449,094
FY 2012 Actual Income	-	\$1,450,946
FY 2012 Expenditures	-	\$1,432,785
FY 2012 Expenditures (with depreciation)	-	\$1,455,652

The major portion of CRLS' funding comes from county ad valorem taxes of two (2) mills, as mentioned above. Ad valorem generated \$1,270,605 in income for FY 2012, as compared with \$1,200,738 for FY 2011 reflecting an increase of \$69,867 in income.

Another source of CRLS' income is State Aid, administered by the Oklahoma Department of Libraries (ODL). FY 2012 State Aid of \$61,863 was received. Because of funding cuts at the state level, state aid was reduced by \$14,642 from the previous year. 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.

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“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 2012 royalty income was \$18,089, up slightly over the previous year. In FY 2011 royalty income was \$16,225. The difference reflects the variation in profit and loss for the energy industry at the state level.

Funding for programming is a small but 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 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 2012, CRLS received approximately \$15,425 in this category plus several “in kind” donations of gift certificates. This income does not reflect matching “grants” from the Oklahoma Humanities Council (OHC) for “Let’s Talk About It, Oklahoma” programs. We received \$2,245 from OHC in FY 2012. In FY 2012, CRLS has focused on increasing and improving programming to teens and “tweens.” This has been especially true in Ardmore where we have more resources to devote to this programming.

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 departments. For CRLS, the FY 2012 discount for Internet and telephone services for all libraries was \$58,870. Annually, it varies from \$50 - \$59,000 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

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which is complex, time consuming and problematic at best. While the discounts for these services are absolutely essential for CRLS to provide high speed Internet access and efficient telephone and operating systems, and while these discounts are appreciated, it must be noted that to obtain these discounts one must work through the worst of the federal bureaucratic process! Oklahoma USF program funds regional toll free lines for CRLS which provides a significant cost savings on calls between branch libraries and Headquarters.

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. In FY 2011, the System spent \$4,192 on iPrism for a three (3) year contract which expires in FY 2013.

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 those CRLS serves. 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

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grant. 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 libraries with the exception of Atoka. Atoka received upgrades in the summer of 2012 and now has faster Internet speeds. (See attached for details.)

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. Five (5) or more programs were held at each CRLS library at the end of May and through July. The theme for FY 2012 was **Dream Big Read!** 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 2012 included more teen programs. Total program attendance for children and teens system-wide for the past three (3) years is as follows:

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FY 2012	-	4,704
FY 2011	-	4,157
FY 2010	-	3,437

This includes children and their caregivers and teens/"tweens" for 65 programs during May-July, 2012.

- **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 teen/tween programs. In FY 2012, System wide, 65 programs were done for teens/tweens with approximately 1,071 young people attending system-wide.

In FY 2012, CRLS staff presented 710 programs for all citizens with approximately 12,226 people attending system-wide. These numbers are up from past years due to some special, innovative programming.

- **Computer Classes**

For the past twelve (12) years CRLS has offered free computer classes to the public. In FY 2012 a total of 179 citizens attended classes system-wide given in Ardmore and Branch communities. There has been a significant increase in interest in computer training at all levels for adults, many of whom are seniors. Classes on résumé writing have been well

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received. Staff assists people with job applications and other government forms on a regular basis. With the popularity of E-Readers, 475 people have attended CRLS' classes on downloading electronic books.

- ***“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 and partially funded by the National Endowment for the Humanities. There is a \$125 library fee for each program series which helps cover the cost of supplies. 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 2012, CRLS sponsored three (3) *“Let’s Talk About It, Oklahoma”* programs. Approximately 14 programs were held with 238 people attending.

Fall 2011

Love County

Winter/Spring 2012

Ardmore

Johnston County

- **Annual Brunch for School Librarians 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 2012 we had approximately 50 attend this event. Several of our state legislators also joined us to hear our speakers, mix and mingle.

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- **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. See above for programming numbers for FY 2012.

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 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 2012, attendance at CRLS programs of all types was up over past years.

GRANTS

For FY 2012 a continuing education grant for \$1,877 was received from ODL for four (4) staff members. The monies came from Federal LSTA funds awarded through ODL for use in Oklahoma. Three (3) staff members used their grants to attend the Oklahoma Library Association Conference in Norman in April, 2012 and one (1) staff member to attend the American Library Association Conference in June, 2012.

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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. 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.

During FY 2012, twenty (20) CRLS employees attended a variety of continuing education programs and workshops. This number varies from year to year, depending on how one counts the various workshops and conference programs and how many new employees are required to attend certification classes.

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In FY 2012, CRLS spent approximately \$21,839 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. 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 and “Friends” and employees to advocate on behalf of:

1. CRLS
2. Quality library services throughout Oklahoma and
3. “Freedom of Access” and user privacy for all library customers

ON THE HORIZON

In late 2010, CRLS was awarded a \$50,000 renovation grant from the Oklahoma Department of Libraries to renovate the Ardmore Headquarters Library to provide better customer service and create defined spaces for young children, “tweens” and teens. We also had a matching grant from Southern Oklahoma Memorial Foundation. Planning the renovation in 2011 and on into FY 2012 was a lengthy process. Once we established a budget of \$459,078, we began the initial phases of fundraising. By the end of FY 2012 \$226,596 had been raised from gifts and donations, as well as contributions or pledges from local and regional foundations. The Board of Trustees pledged \$50,000 from CRLS funds. Each Trustee personally donated money for the project. Fundraising has successfully continued on into FY 2013. The project will move forward sometime during FY 2013. The Board of Trustees and management continue to recognize that CRLS must go to the citizens for a millage increase in the near future. At two (2) mills, CRLS is the lowest funded library system in the State of Oklahoma. The timing for an election is still under discussion but is the priority goal of the “Long Range Plan” of 2009-2012.

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As noted above, most year's ad valorem income increases slightly, especially in the growing counties like Carter. **But, an increase in millage is critical for the survival of the System if we are to continue to provide the level of services that our citizens expect, enjoy and deserve.**

DIRECTOR'S STATEMENT

It continues to be an honor to serve as Director of the Chickasaw Regional (Public) Library System. It is a privilege to work with outstanding Trustees, many dedicated staff members and supportive communities. CRLS has made much progress in the past sixteen (16) plus years. But we still have miles to go. Renovating the Ardmore Headquarters Library **and** increasing the millage in each county will be an enormous hurdle and require a huge investment of time and resources.

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

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Powering the
Possibilities

What the OkConnect project means to the Chickasaw Regional Public Library System and area residents

Five public libraries in the Chickasaw Regional Public Library System are participating. All will have their Internet connection speeds increased from the current 1.54 mbps to between 10 and 100 mbps.

Ardmore Headquarters Library

Internet Connection Speed will increase from the current 1.54 mbps to 100 mbps

New Technology and Equipment includes:

6 Laptop Computers

8 Lending Laptop Computers

1 Room-Based Video Conferencing System

6 Desktop-Based Video Conferencing Bundles (webcams and headphones)

New Local Area Network Equipment includes:

1 Terminating Router

1 WiFi Router

1 Switch

1 Firewall Security Appliance

Estimated Value of Grant to Ardmore Headquarters Library \$60,986.00

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Atoka County Library

Internet Connection Speed will increase from the current 1.54 mbps to 30 mbps

New Technology and Equipment includes:
1 Room-Based Video Conferencing System

New Local Area Network Equipment includes:
1 Terminating Router
1 WiFi Router
1 Switch
1 Firewall Security Appliance

Estimated Value of Grant to Atoka County Library \$89,501.00

Johnston County Library in Tishomingo

Internet Connection Speed will increase from the current 1.54 mbps to 20 mbps

New Local Area Network Equipment includes:
1 Terminating Router
1 WiFi Router
1 Switch
1 Firewall Security Appliance

Estimated Value of Grant to Johnston County Library \$37,035.00

Love County Library in Marietta

Internet Connection Speed will increase from the current 1.54 mbps to 10 mbps

New Technology and Equipment includes:
1 Room-Based Video Conferencing System

New Local Area Network Equipment includes:
1 Terminating Router
1 WiFi Router
1 Switch
1 Firewall Security Appliance

Estimated Value of Grant to Love County Library \$42,386.00

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Mary E. Parker Memorial Library in Sulphur

Internet Connection Speed will increase from the current 1.54 mbps to 30 mbps

New Technology and Equipment includes:

1 Room-Based Video Conferencing System

New Local Area Network Equipment includes:

1 Terminating Router

1 WiFi Router

1 Switch

1 Firewall Security Appliance

Estimated Value of Grant to Mary E. Parker Memorial Library \$56,192.00

Total Estimated Value of Grant to Chickasaw Regional Public Library System \$286,100.00

Customers of the libraries will also have access to special Learning and Career Software to assist students with homework; and job seekers with resume creation, interviewing skills and job testing.

The Library System will also receive assistance from the Oklahoma Department of Libraries in completing its annual application for the federal E-Rate program to reflect the new technologies the five libraries are receiving. (E-Rate is the commonly used name for the Schools and Libraries Program of the Universal Service Fund. It makes Internet access more affordable for schools and libraries in America, and provides support to telecommunications companies that give discounts to eligible schools and libraries.)

**Chickasaw Regional Library System
 Combined Government-Wide and Fund Financial Statements
 Statement of Budget to Actual
 For the fiscal year ended June 30, 2012
 (Unaudited)**

	Proposed Budget	Approved Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Ad Valorem Taxes	\$ 1,161,096	\$ 1,161,094	\$ 1,270,606	\$ 109,512
Oklahoma Department of Libraries:				
State Aid	65,000	65,000	63,740	(1,260)
Other Grant Revenues	133,000	150,000	60,508	(89,492)
Interest Revenue	3,000	3,000	1,290	(1,710)
Miscellaneous & Gift Revenue	65,000	70,000	54,801	(15,199)
Total Revenues	1,427,096	1,449,094	1,450,945	1,851
<u>EXPENDITURES</u>				
Current -				
Staff Expenditures	850,000	820,000	930,014	(110,014)
Supplies & Other Expenditures	265,000	308,852	329,374	(20,522)
Capital Outlay -	138,439	205,242	46,817	158,425
Library Materials	120,000	115,000	87,294	27,706
Equipment and Furnishings		-	39,286	(39,286)
Total Expenditures	1,373,439	1,449,094	1,432,785	16,309
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Sources (Uses)				
Depreciation	-	-	(196,264)	(196,264)
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>				
	\$ -	\$ -	\$ (178,103)	\$ (178,104)

The above does not include library construction receipts and expenditures

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chickasaw Regional Library System
Ardmore, Oklahoma

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, 2012, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chickasaw Regional Library System's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities and general fund of Chickasaw Regional Library System, as of June 30, 2012, and the respective changes in financial positions-cash basis and general fund cash flows-cash basis, thereof for the year then ended in conformity with the cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2012, 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.

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 21 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's financial statements as a whole. 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.

Chambers Jacobs and Assoc PC

Ardmore, Oklahoma
October 30, 2012

Chickasaw Regional Library System
Government-Wide Statement of Assets, Liabilities and Net Assets-Cash Basis and
Governments Funds Assets, Liabilities and Fund Balances-Cash Basis
June 30, 2012

<u>ASSETS AND OTHER DEBITS</u>	General	Adjustments	Statement of Net Assets
Assets:			
Cash and Cash Equivalents	\$ 640,929		\$ 640,929
Grant Cash - Note D	1,022		1,022
Receivables – Note E	121,801		121,801
Prepaid Expenses	17,558		17,558
Property, Plant and Equipment:			
Vehicles	134,051		134,051
Land	166,000		166,000
Building	636,306		636,306
Materials Collection	1,050,623		1,050,623
Equipment and Furniture	1,113,046		1,113,046
Less: Accumulated Depreciation	(2,297,430)		(2,297,430)
Other Debits			0
Total Assets and Other Debits	\$ 1,583,906	0	\$ 1,583,906
 <u>LIABILITIES, FUND BALANCE/NET ASSETS</u>			
Liabilities:			
Accounts Payable	\$ 0		\$ 0
Accrued Payroll and Related Costs	10,682		10,682
Due to Other Funds			
Total Liabilities	10,682	0	10,682
 Fund Balances:			
Nonspendable	802,596	(802,596)	0
Spendable			
Committed	1,022	(1,022)	0
Assigned	0	0	0
Unassigned	769,606	(769,606)	0
Total Equity and Other Credits	1,573,224	(1,573,224)	0
Total Liabilities Fund Balances	\$ 1,583,906		0
 Net Assets:			
Nonspendable		802,596	802,596
Spendable			
Committed		1,022	1,022
Unassigned		769,606	769,606
Total Net Assets		\$ 1,573,224	\$ 1,573,224

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 Assets-Cash
Basis and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund
Balances-Cash Basis
For the Fiscal Year Ended June 30, 2012

	<u>General</u> <u>Fund</u>	<u>Adjustments</u> <u>of Activities</u>	<u>Statement</u>
<u>EXPENDITURES</u>			
Current--			
Staff Expenditures	\$ 930,014		\$ 930,014
Supplies & Other Expenditures	37,186		37,186
Operations	292,188		292,188
Capital Outlay			
Equipment/Furnishing & Other			
Fixed Assets-Depreciation	196,264		196,264
Total Expenditures	<u>1,455,652</u>		<u>1,455,652</u>
<u>REVENUES</u>			
Ad Valorem, Sales Tax &			
City Support	1,270,606		1,270,606
Oklahoma Dept of Libraries	1,877		1,877
State Aid	61,863		61,863
Other Grants/Donations	60,508		60,508
Other Revenues	54,801		54,801
Interest Revenue	1,290		1,290
Total Revenues	<u>1,450,945</u>		<u>1,450,945</u>
CHANGE IN NET ASSETS	(4,707)		(4,707)
FUND BALANCE/NET ASSETS, JULY 1, 2011	<u>1,577,931</u>		<u>1,577,931</u>
FUND BALANCE/NET ASSETS JUNE 30, 2012	<u>\$ 1,573,224</u>		<u>\$ 1,573,224</u>

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, 2012

Cash flows from Operating Activities:

Cash received from taxes, grants, gifts and charges		\$ 1,449,655
Cash paid to suppliers for goods, services and program expenses		(325,005)
Cash paid to and for employees		<u>(930,014)</u>
Net cash provided (used) by operations		194,636

Cash flows from capital and related financing activities:

Capital investment		
Informational materials	\$ (87,294)	
Automated Equipment	(39,286)	
Building	(46,817)	
Furniture & Fixtures		
Net cash provided (used) by capital and related financing activities		<u>(173,397)</u>

Cash flows from Investing Activities

Investment (interest income)	<u>1,290</u>	
Net cash provided (used) from investing activities		<u>1,290</u>

Net increase in cash and cash equivalents 22,529

Cash and cash equivalents July 1, 2011 636,980

Cash and cash equivalents June 30, 2012 \$ 659,509

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

Operating income		\$ (5,997)
Adjustments to reconcile operating income to net cash provided by operations		
Depreciation		196,264
Increase in liabilities		<u>4,369</u>
Cash provided by operating activities		<u><u>\$ 194,636</u></u>

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

Chickasaw Regional Library System
Notes to Financial Statements
June 30, 2012

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 Assets 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, 2012

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.

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, 2012 were \$40,327.

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, 2012, was \$44,622.

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 is currently undertaking 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.

	Johnston County, Oklahoma	Mary E. Parker Memorial Library	Total
Beginning Committed Cash	\$ 1,021	\$ 0	\$ 1,021
Interest Income	1	0	1
Total Local Support	0	0	0
Total Grants, Contributions	1,022	0	1022
Construction Costs	0	0	0
Committed Cash	1,022	0	\$ 1,022

Chickasaw Regional Library System
Notes to Financial Statements - Continued
June 30, 2012

The \$1,021 of committed cash is restricted by third parties for the specific use of library construction. The remaining net assets in the amount of \$1,576,910 are unrestricted by third parties.

Unrestricted net assets	\$ 1,576,910
Committed net assets	<u>1,021</u>
Total Net Assets	<u>\$ 1,577,931</u>

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 \$121,801 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, 2012, are as follows:

<u>Deposits</u>	<u>Risk Category</u>			<u>Bank Balance</u>	<u>Financial Statement Carrying Amount</u>
	1	2	3		
Demand deposits	\$ 35,435	-0-	\$ -0-	\$ 24,292	\$ 35,435
Certificates of Deposit	-0-	-0-	-0-	-0-	-0-
Money Market	-0-	624,075	-	-0- 624,074	624,074
Totals	<u>\$ 35,435</u>	<u>\$ 624,075</u>	<u>\$ -0-</u>	<u>\$648,366</u>	<u>\$659,509</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.

Chickasaw Regional Library System
Notes to Financial Statements – Continued
June 30, 2012

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, 2011	\$ 166,000	\$ 723,178	\$589,489	\$ 350,581	\$1,040,396	\$ 134,051	\$ 3,003,696
Increases	0	39,286	46,817	0	87,294	0	173,397
Decreases	0	0	0	0	77,067	0	77,067
Balance June 30, 2012	166,000	762,466	636,306	350,581	1,050,623	134,051	3,100,027
Accumulated Depreciation Balance July 1, 2011	0	553,534	381,279	281,621	835,132	126,667	2,178,233
Increase	0	56,792	6,648	15,181	112,979	4,664	196,264
Decrease	0	0	0	0	77,067	0	77,067
Balance June 30, 2012	0	610,326	387,927	296,802	871,044	131,331	2,297,430
Net Governmental Activities Balance June 30, 2012	\$ 166,000	\$ 152,140	\$ 248,379	\$ 53,779	\$ 179,579	\$ 2,720	\$ 802,596

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, 2002 (10 years).

Note J – Subsequent Events

Management has evaluated all events subsequent to the balance sheet date of June 30, 2012 through the date of issuance of these financial statements, October 30, 2012, 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, 2012
(Unaudited)**

Salaries	\$ 729,591
Payroll Taxes	60,320
Employee Benefits	140,103
Contractual Expense	138,002
Equipment Repair and Maintenance	14,611
Supplies	37,186
Postage	7,586
Janitorial	13,395
Insurance	12,555
Utilities, Telephone	16,110
Vehicle Operations	9,467
Dues	14,517
Continuing Education	18,832
Travel and Mileage	10,687
Revaluation	23,934
Miscellaneous, other	<u>12,492</u>
TOTAL	<u>\$1,259,388</u>

Chickasaw Regional Library System
Schedule of Federal and State Financial Assistance
Year ended June 30, 2012
(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		\$ 61,863	\$ 61,863	\$ 61,863
United States Government passed through the Oklahoma Department of Libraries				
Library Sciences and Technology Act 45.310				
Continuing Education Grant		1,877	1,877	1,877
United States Department of Education passed Through the Oklahoma State Regents for Higher Education				
GEARUP Plan4College		2,000	2,000	2,000
National Endowment for the Humanities passed Through the Oklahoma Humanities Council				
Let's Talk About It		709	709	709
Let's Talk About It		716	716	716
Let's Talk About It		820	820	820
Total State of Oklahoma Assistance		<u>\$ 67,985</u>	<u>\$ 67,985</u>	<u>\$ 67,985</u>

CHAMBERS, JACKSON & FOX

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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, 2012, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 30, 2012. 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

Management of the Library is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

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 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 on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Library's financial statements are free of 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*.

This report is intended solely for the information and use of management, the audit committee, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chamber Jackson and Fox PC

Ardmore, Oklahoma
October 30, 2012