

**SOUTHERN OKLAHOMA LIBRARY SYSTEM
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
JUNE 30, 2020**



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

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**Management Discussion & Analysis
Southern Oklahoma Library System
For the Year Ending June 30, 2020
(Unaudited)**

INTRODUCTION

The purpose of this Management Discussion and Analysis statement is to provide a narrative explanation of our organization, The Southern Oklahoma Library System, (SOLS) including our financial statements that enable our individuals to better understand our budgetary status. The MD&A should be read in conjunction with the financial statement which includes the results of SOLS' financials for the year 2019-2020. Certain historical information is presented to evaluate trends of current results.

BACKGROUND

The Southern Oklahoma Library System operates under Section 501 (C)(3) and was established in the 1960s as a multi-county library system. The library system is regulated in Oklahoma as set forth by Title 65, Article 4, Section 202-206 of the Oklahoma Statutes. In accordance with Title 65 of the Statutes, member counties voted to approve ad valorem taxes to support the multi-county library system known at that time as the Chickasaw Library System.

Today, the library system serves a population of 100,119 in the five (5) county area of Atoka, Carter, Johnston, Love and Murray.

At the end of FY 2020 SOLS had 70,569 registered borrowers in the system. This number shows that more than 70% of the population has a library card. However, that number is lower from last year which may be impacted by the migration of information from the previous system, TLC, to SirsiDynix which was implemented this past year. Being closed to the public because of COVID-19 may also reflect change.

The financial support for SOLS remains at two (2) mills per \$1,000 assessed valuation in all five counties, making SOLS one of the lowest funded library systems in Oklahoma.

Our greatest asset is our dedicated team of staff and volunteers throughout our service areas in Southern Oklahoma that carry out our mission on a day to day basis.

GOVERNANCE

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

Business pertaining to SOLS is conducted by its employees and managers under the direction of its Executive Director.

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FY 2019-2020 Trustees are as follows:

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

MISSION STATEMENT

“The Southern Oklahoma Library System strengthens communities by providing easy access to information, inspiring curiosity, empowering the mind and expanding opportunities to advance quality of life.” Revised and Board approved November 11, 2019

VISION

“Southern Oklahoma Library System is customer focused, providing information in multiple formats including remote access to resources along with educational development opportunities for citizens of diverse rural communities. By integrating innovative experiences to inspire lifelong enrichment, SOLS fosters a welcoming, engaging and trustworthy environment for all ages supporting discovery, reflection and application of knowledge.”
Revised and Board approved November 11, 2019

STRATEGIES AND TRENDS

The library invests in improving the educational, economic and cultural conditions in Southern Oklahoma with an emphasis on reducing disparities facing all people of all ages (low-income, illiterate, diverse ethnicities, et al.). Taking an active role in advancing one’s pathway of opportunity SOLS promotes cultural enthusiasm, literacy, learning, engagement and mutual support and sustainability in the communities in which we serve.

The library and staff members employ an array of methods to address and advance a set of well-defined programmatic objectives. These are included in the Southern Oklahoma Library System’s Long-Range Plan approved by the Board of Trustees. The funding methods utilized are general operating and project support grants, as well as funding obtained from the Oklahoma Department of Libraries. Additionally, SOLS has focused on earning some financial interest for future projects through CD investments in local banks.

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We focus our efforts in and around 8 branch library communities and the many rural towns in our service area. Home to over 100,000 people, SOLS' tax base gives us the greatest potential to open the door of possibilities for people of all ages, particularly those lacking educational opportunities and digital access. SOLS fosters creativity by engaging its communities in literacy and learning practices through innovative programming and an array of resources.

The library maintains a broad field of services which have become successful tools and defined programming: Early Literacy, Health Literacy, Career Development, Technology, Community Engagement, Digital Inclusion and Human Services. Each has a particular point of view with long-term goals and strategies to guide our grant-writing and resource development. We partner with those committed to the needs of our unique communities as we work together to provide excellent programming and a wealth of services. Civic clubs and associations, schools, businesses and organizations of all sizes in public and private sectors who share our mission become lifelong partners of SOLS.

EXPLANATORY INSIGHTS

The unexpected COVID-19 pandemic affected all SOLS branch libraries beginning in early March and we found ways to adapt as SOLS continued to conduct and provide much needed services. The idea of a library being a community hub wherein we encourage the public to explore, touch and congregate is the exact opposite of social distancing. Yet, as a tax funded entity, we had an obligation to resume some kind of service to the public as soon as we could. While staff worked from home during the month of April they participated in webinars, educational trainings, conducted inventory and recorded/produced an array of programming to upload and present on our website and social media platforms. These virtual programs are now catalogued in our ILS system for customers to peruse and for future viewings. SOLS' online usage doubled during our closure, and as we trimmed our physical materials budget, we increased the purchase of virtual resources (Electronic Materials). Our statistics will reflect a decrease due to our closure and also as a result of a population not ready to get out in public because of the health risk.

In the meantime, SOLS developed a plan of action for opening the libraries that could be implemented in multiple phases. During Phase I, library staff in all positions returned to work as we provided a one stop, "grab and go" model of customer service. Phase II allowed customers to browse the stacks, spend limited time on the computer and curb side services continued if desired. Phase III reinstated programming in small settings. Finally, Phase IV has become the "new normal" as we continue to focus on safe practices with social distancing, face coverings and an awareness of keeping materials, our buildings, furnishings, etc. clean.

The onset of COVID-19 signified the importance of updating the business continuity plan for SOLS which is included with this MD&A for peruse.

SERVICES

The library is customer focused, providing information in multiple formats including remote access to resources along with educational development opportunities for people of all ages in diverse, rural communities. By integrating innovative experiences to inspire life-long enrichment, SOLS cultivates a welcoming atmosphere that many customers appreciate and oftentimes comment on during their visits. Services include access to many formats of materials comprising of print, electronic, specialized databases, E-Books, classroom instruction and a

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multitude of programs, book clubs and activities for all ages. Additionally, DVDs, Blu-rays and microfilm are available to the public. SOLS provides its customers with the ability to request items from a library outside of the system using an Interlibrary Loan (ILL) process if an item is not in the system's catalog. Through ILL, SOLS will also loan items to other libraries across the United States.

Our newest addition to SOLS is a passport service center at our Champion Public Library location in Ardmore. Customers may apply for passports, have their photos taken and obtain assistance with passport renewals. Staff has been trained and customers have expressed great appreciation for this available service, especially on Saturdays. Even with our closure due to COVID-19, SOLS has executed 138 passports since January 2020! In addition to passports, guests may request notary services at seven of our branch locations for a nominal fee.

FRIENDS

Friends Groups are an important asset to libraries. Currently, SOLS has Friends Groups at Love County Library, Atoka County Library and Johnston County Library. The reorganization of the friends' group in Ardmore along with a new name; *Friends of Champion Public Library* occurred this year. Additionally, SOLS is excited to welcome new groups in Healdton and Sulphur as they have begun recruitment of members to form their organizations.

ANNUAL CIRCULATION OF USE OF LIBRARIES

Circulation of materials, public access to computers and more are reflected in statistics gathered and reported to the Oklahoma Department of Libraries (ODL) annually. Program attendance, meeting room use, checkouts of materials, computer access and reference questions are considered in the reporting of these statistics. Below is a breakdown of the statistics for SOLS for FY 2019-2020:

Circulation	887,206	
Computer/Internet	103,421	
In-house Use	191,421	
Program Attendance	160,271	
Interlibrary Loan (ILL)	329	(Loaned- 204; Borrowed-125)
Reference Transactions	42,213	
E-Book Circulation	39,714	
Passport Services	138	

Wi-Fi continues to draw many users into SOLS facilities as most applications and documents now must be completed online. Furthermore, those needing Wi-Fi after hours are often seen in library parking lots for access 24/7. E-Rate discounts for Internet services at approximately 90% of costs helps to offset the expense. As the shift to online presence continues, SOLS is reaching customers with remote use of databases including: Brainfuse which provides live one-on-one tutoring with expert instructors. Currently, SOLS offers 57 licensed databases all accessible from the library or remotely with a library card number. This figure is up 10 from last year and includes very popular genealogy options as well. Hotspot usage remains a prevalent resource for patrons at Love County Library, Atoka County Library and the Davis Public Library. Some of the funding was made

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available through the Atoka County and Love County friends groups. Customers can check out a mobile hotspot for one week and have Internet available for multiple devices.

FINANCIAL OVERVIEW FOR FISCAL YEAR 2019-20

The Southern Oklahoma Library System is funded mainly through ad valorem taxes at a 2.06 millage rate. The total amount is reduced by 10% for uncollectible taxes, but most often is received by SOLS by the end of the year. Ad valorem is collected by county and totals just under \$2,000,000 before the 10% reduction.

Branch income includes charges for copies, faxes, fines, fees, sales, donations and a small charge for ILL requests.

In addition to Ad Valorem, State Aid from the Oklahoma Department of Libraries (ODL) was awarded to SOLS in the amount of \$47,425.

Grant funding also assists with various projects to include Health Literacy, Let's Talk About It, Oklahoma and others based on need. The amount of grant awards totaled \$92,119.40.

The library received two grants as part of the CARES ACT to assist with cleaning supplies and safety equipment for keeping library staff and patrons protected during the COVID-19 pandemic. This grant was in the amount of \$4,000. Additionally, SOLS was awarded a \$12,100 grant for digital inclusion to purchase and outfit a van for mobile Wi-Fi services for the next fiscal year.

Businesses and patrons throughout the communities contribute to the SOLS Summer Reading Program (SRP) to assist with programming, guest entertainers and more for this popular annual program. However, due to the pandemic and health risks, all Summer Reading Programs were presented digitally. For FY 2019-20, SOLS received \$17,860 earmarked for SRP. This amount indicates an increase in donations. Some donations have been reserved for Fall programs due to social distancing practices.

The Universal Service Administration Company (USAC) provides discounts to schools and libraries through the Federal Communication Commission (FCC). Rates are reduced for Internet services, technology access, and connectivity while the assigned discount is approved after an extensive and time-consuming report process. SOLS currently uses the consulting firm of Kellogg and Sovereign to assist with the application and request for proposal process.

PROGRAMMING

The library serves its communities with a variety of programming to expand the opportunities of individuals. These programs include book clubs, craft classes, cooking classes, health literacy, exercise classes, story time programs, 3D printing instruction, workforce development with classes and more. During FY 2019-2020 SOLS sponsored a total of 4,416 programs with 41,495 participants throughout the system.

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Summer Reading Program (SRP)

Sponsored by the Oklahoma Department of Libraries (ODL), the Summer Reading Program revolves around a common theme and engages professional storytellers and performers such as magicians, puppeteers, zookeepers and educators. In FY 2020 SOLS relied on virtual programming as a result of the pandemic and had to reschedule/cancel the outsourced entertainers. A heightened online presence affected numbers as well, but SOLS continued to promote reading logs with incentives to those who wished to participate. Pop up story times, weekly family challenges and a few in person programs to Community in Schools (CIS) and boys' and girls' clubs allowed staff to engage at the end of the summer. Take home activities were also part of the pursuits to motivate learning at home.

Summer Reading Program Statistics are as follows:

May: 2 Virtual story time programs with 4,912 views.

June: 24 Virtual Programs with 31,848 views.

July: 4 Virtual Programs with 5,232 views.

Preschool Story Time Programs

During the school year, all branch libraries host weekly story time classes in the library and at remote locations to serve those who cannot come to the library. These programs include curriculum using crafts and songs geared towards early literacy for babies, toddlers and their parents or caregivers.

Let's Talk About It, Oklahoma

This well-liked adult reading and discussion series is funded through grants made available through the Oklahoma Humanities and with partial funds from the National Endowment for the Humanities. The theme-based series features thought provoking books along with discussion lead by visiting scholars. Most series review 4-5 books with programs spread out among several months.

Health Literacy Programming

Southern Oklahoma Library System has received grant funding from the Oklahoma Department of Libraries for five years to conduct health literacy programming for all ages. This grant funds a variety of programs, resources and classes including exercise, healthy cooking, Diabetes, Alzheimer's, Tai Chi and other health related topics. Some of the programming is geared towards outreach to include local Veteran's Centers, assisted living facilities and other organizations. This year several nursing homes received I-Pads along with health information so residents could have face to face calls with loved ones to encourage emotional support during isolation. All programs emphasize healthy living and are modified for multiple age groups. Additionally, SOLS has been recognized for the success of its Health Literacy Programming which granted them funds to send a librarian to the National Health Literacy Convention.

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CHANGING TRENDS

Libraries must stay innovative to embrace the changes in technology and the needs of diverse populations. With electronic resources, books and greater demand for computer access, SOLS is strengthening communities by expanding educational opportunities in a variety of ways. The addition of hotspot lending is one example that was incorporated into the library's collection last year with the assistance of funding from respective Friends groups of select communities. This program was introduced into the Atoka County Library, Love County Library and the Davis Public Library with great success. Finding methods to help citizens connect and receive internet access will continue to be an important mission for SOLS. Additionally, charter schools and home-schooled families are relying heavily on libraries for the testing of students, the use of resources and a place to meet with students and parents. Engaging communities in activities outside of the physical building will empower citizens to receive and utilize resources as well. Passports and notary services lend favorably to the movement of progressive services available at the library.

We will continue to follow up with surveys and activities to gauge the success and effectiveness of changes we implemented in 2019 aimed at increasing engagement with our staff and communities across the organization. We will use that valuable feedback to identify prospect areas to make improvements with the goal of being a more impactful organization for working and seeking opportunities.

FUTURE PROJECTS

A significant component of our strategic plan was to increase funding by bringing the SOLS millage rate in line with other library systems across Oklahoma. However, with the impact of COVID-19, SOLS will postpone a millage campaign as we focus on other avenues and make improvements with the goal of being a more impactful organization. We will seek strong partnerships by developing new and existing Friends groups. Additionally, we will continue to increase the online presence of the library as well as our presence in local community events. Strong engagement from Trustees, Friends of the libraries and other key constituents will make SOLS relevant, distinctive and more meaningful in the eyes of our communities.

DIRECTOR'S STATEMENT

Southern Oklahoma Library System looks to the future with a strong position and poised to deepen our service to patrons as one of the finest library systems in Oklahoma. With engagement within our eight (8) unique library communities, and by securing funding for major initiatives to advance digital inclusion and literacy, SOLS will support the needs of our library users with a multitude of opportunities. Finally, with a clear vision and purpose, our goal is to prepare and advance Southern Oklahoma's population for a successful and productive future.

Sincerely,

Gail Oehler
Executive Director

Southern Oklahoma Library System
Combined Statements of Revenues, Expenditures & Changes in Fund Balances
Budget to Actual
For the fiscal year ended June 30, 2020
(Unaudited)

	Proposed Budget	Approved Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Ad Valorem Taxes	\$ 1,656,760	\$ 1,730,358	\$ 1,833,928	\$ 103,570
Oklahoma Department of Libraries:				
State Aid	50,000	45,000	56,425	11,425
Other Grant Revenues	0	0	35,694	35,694
Interest Revenue	2,000	3,000	10,681	7,681
Miscellaneous & Gift Revenue	77,000	74,000	76,841	2,841
Total Revenues	1,785,760	1,852,358	2,013,569	161,211
<u>EXPENDITURES</u>				
Current				
Staff Expenditures	1,220,000	1,220,000	1,179,438	40,562
Operating Expenditures	339,760	368,400	383,768	(15,368)
Capital Expenditures	126,000	163,958	60,912	103,046
Library Materials	100,000	100,000	61,121	38,879
Total Expenditures	1,785,760	1,852,358	1,685,239	167,119
<u>OTHER FINANCING SOURCES (USES)</u>				
Gain (Loss) on Disposal of Assets			(21,584)	(21,584)
Depreciation		-	(153,166)	(153,166)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$	\$	\$153,580	\$ 153,580

The above does include library construction receipts and expenditures

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Oklahoma Library System
Ardmore, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Southern Oklahoma Library System (the Library), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities of the Southern Oklahoma Library System as of June 30, 2020, and the respective changes in modified cash basis financial position and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note B.

Basis of Accounting

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 and the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual on

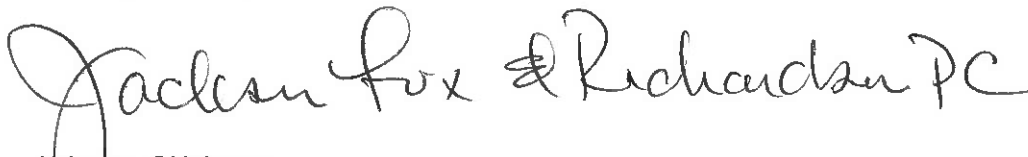
page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements 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 Schedule of Program and Support Services Expenses – Modified Cash Basis and Schedule of Federal and State Financial Assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Ardmore, Oklahoma
September 25, 2020

Southern Oklahoma Library System
Government-Wide Statement of Net Position-Modified Cash Basis and
Governments Funds Balance Sheet-Modified Cash Basis
June 30, 2020

<u>ASSETS AND OTHER DEBITS</u>	<u>General</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Net Position</u>
Assets:			
Cash and Cash Equivalents	\$ 1,910,054		\$ 1,910,054
Grant Cash & Renovation Fund-Note D	-		-
Receivables-Note E	-		-
Prepaid Expenses	-		-
Property, Plant and Equipment:			
Vehicles	55,236		55,236
Land	166,000		166,000
Building	983,004		983,004
Materials Collection	438,167		438,167
Equipment and Furniture	513,267		513,267
Less: Accumulated Depreciation	(1,183,804)		(1,183,804)
Deferred Outflows of Resources			
Other Debits			
Total Assets and Other Debits	\$ 2,881,924		\$ 2,881,924
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ -		\$ -
Accrued Payroll and Related Costs	16,402		16,402
PPP Loan Payable	207,635		\$ 207,635
Due to Other Funds	-		-
Total Liabilities	\$ 224,037		\$ 224,037
Deferred Inflow of Resources			
Fund Balances:			
Nonspendable	971,870	(971,870)	(0)
Spendable			
Committed	15,768	(15,768)	-
Unrestricted	\$ 1,670,249	\$ (1,670,249)	\$ -
Total Equity and Other Credits	2,657,887	(2,657,887)	(0)
Total Liabilities and Fund Balance	\$ 2,881,924		
 Net Position:			
Net Investment in Capital Assets		971,870	971,870
Spendable			-
Restricted		15,768	15,768
Unrestricted		\$ 1,670,249	1,670,249
Total Net Position		\$ 2,657,887	\$ 2,657,887

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

Southern Oklahoma Library System
Government-Wide Statement of Activities-Modified Cash Basis and Governmental Fund Statement of
Revenues, Expenditures and Changes in Fund Balances-Modified Cash Basis
For the Fiscal Year Ended June 30, 2020

<u>EXPENDITURES</u>	<u>General</u> <u>Fund</u>	<u>Adj</u>	<u>Statement</u> <u>of Activities</u>
Current			
Staff Expenditures	\$ 1,179,438		\$ 1,179,438
Supplies and Other Expenditures	30,618		30,618
Operations	353,150		353,150
			-
Capital Outlay			-
Equipment/Furnishing & Other			-
Fixed Assets-Depreciation	153,166		153,166
			-
Total Expenditures	1,716,372		1,716,372
<u>REVENUES</u>			
Ad Valorem, Sales Tax & City Support	1,833,928		1,833,928
Oklahoma Dept of Libraries	9,000		9,000
State Aid	47,425		47,425
Other Grants/Donations	60,764		60,764
Fundraising Income (net of expense)	-		-
Other Revenues	51,772		51,772
			-
Operating Revenues	2,002,888		2,002,888
<u>OPERATING INCOME</u>	286,517		286,517
<u>NON-OPERATING ACTIVITIES</u>			
Interest Income	10,681		10,681
Loss on Disposition of Assets	(21,584)		(21,584)
			-
Total Non-Operating Activities	(10,903)		(10,903)
CHANGE IN NET POSITION	275,614		275,614
FUND BALANCE/NET POSITION, JULY 1, 2019	2,382,273		2,382,273
ADJUSTMENTS			
FUND BALANCE/NET POSITION, JUNE 30, 2020	\$ 2,657,887	\$ -	\$ 2,657,887

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

**Southern Oklahoma Library System
Statement of Cash Flows – Modified Cash Basis
Year ended June 30, 2020**

Cash flows from Operating Activities:

Cash received from taxes, grants, gifts and charges	2,002,888
Cash paid to suppliers for goods, services and program expenses	(383,768)
Increase (decrease) in PPP Loan payable	207,635
Increase(decrease) in payroll liabilities	1,613
Cash paid to and for employees	<u>(1,179,438)</u>

Net cash provided (used) by operations 648,930

Cash flows from capital and related financing activities:

Cash used to purchase assets	(122,033)
Cash received from sale of assets	<u>425</u>

Net cash provided (used) by capital and related financing activities (121,608)

Cash flows from Investing Activities

Investment-Interest Income	<u>10,681</u>
----------------------------	---------------

Net cash provided (used) from investing activities 10,681

Net increase(decrease) in cash and cash equivalents 538,003

Cash and cash equivalents July 1, 2019 1,372,052

Cash and cash equivalents June 30, 2020 1,910,055

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

Operating Income	286,516
Depreciation Expense	153,166
Increase (decrease) in liabilities	209,248

Cash provided by operating activities 648,930

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

Southern Oklahoma Library System
Notes to Financial Statements
June 30, 2020

Note A - Organization

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

Note B – Summary of Significant Accounting Policies

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

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

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

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

1. Basis of Accounting

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

2. Budgets

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

3. Depreciation

Property and equipment are recorded at cost. Depreciation of property and equipment is provided using the straight-line method over the estimated service lives of the assets. Service lives are 39 years for building and 5-15 years for all other assets.

4. Contributed Facilities

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

**Southern Oklahoma Library System
Notes to Financial Statements - Continued
June 30, 2020**

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 a 403 (b) plan wherein the Library contributes up to 7% after five or more consecutive years of service and makes all employee contributions into the plan. Contributions for the year ended June 30, 2020 were \$56,539.

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 on June 30, 2020, was \$55,967.

Note D - Commitments and Contingencies and Restricted Assets

Grants

Some grants are restricted by purpose, the following schedule reflects the remaining amounts.

Southern Oklahoma Library System
Restricted Grant Amounts Remaining

	2019-2020	2019-2020	
	Grant Funds	Funds	Remaining
	Received	Spent	Restricted
Health Literacy Grant	9,000.00	3,281.02	5,718.98
OPSRF Grant	16,000.00	6,923.13	9,076.87
Atoka/Carolyn Watson Grant	8,000.00	8,000.00	-
Let's Talk about it, Oklahoma	4,898.00	4,898.00	-
Cares Act PPE Grant	4,000.00	4,000.00	-
Census Grant	9,090.00	8,117.68	972.32
			-
			15,768.17

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. All related party transactions were conducted on terms equivalent to an arm's length transaction.

**Southern Oklahoma Library System
Notes to Financial Statements - Continued
June 30, 2020**

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 on June 30, 2020, are as follows:

Deposits	Risk Category			Bank Balance	Financial Statement Carrying Amount
	1	2	3		
Demand deposits	\$ 18,229	-0-	\$ -0-	\$ 18,229	\$ 8,161
Certificates of Deposit	250,000	252,083	-0-	502,083	502,083
Money Market	250,000	1,149,810	-0-	1,399,810	1,399,810
Totals	<u>\$ 518,229</u>	<u>\$ 1,401,893</u>	<u>\$ -0-</u>	<u>\$ 1,920,122</u>	<u>\$ 1,910,054</u>

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

Note G - Economic Dependency

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

Note H - Risk Management

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

Southern Oklahoma Library System
Notes to Financial Statements – Continued
June 30, 2020

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, 2019	\$ 166,000	\$ 398,421	\$984,582	\$ 530,554	\$487,513	\$ 117,944	\$ 2,685,014
Increases	0	5,500	55,412	0	61,121	0	122,033
Decreases	0	264,091	56,990	157,117	110,467	62,708	651,373
Balance June 30, 2020	166,000	139,830	983,004	373,437	438,167	55,236	2,155,674
Accumulated Depreciation Balance July 1, 2019	0	358,378	472,538	421,943	306,320	100,825	1,660,004
Increase	0	10,185	20,856	29,277	87,710	5,136	153,164
Decrease	0	264,091	34,981	157,117	110,467	62,708	629,364
Balance June 30, 2020	0	104,472	458,413	294,103	283,563	43,253	1,183,804
Net Governmental Activities Balance June 30, 2020	\$ 166,000	\$ 35,358	\$ 524,591	\$ 79,334	\$ 154,604	\$ 11,983	\$ 971,870

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, 2015 (5 years).

Note J – Subsequent Events

Management has evaluated all events subsequent to the balance sheet date of June 30, 2020 through the date of issuance of these financial statements, September 25, 2020 and has determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

SOUTHERN OKLAHOMA LIBRARY SYSTEM

SUPPLEMENTAL INFORMATION

**Southern Oklahoma Library System
Schedule of Program and Support
Services Expenses – Modified Cash Basis
Year ended June 30, 2020
(Unaudited)**

Salaries	\$ 922,640
Payroll Taxes	74,371
Employee Benefits	182,427
Contractual Expense	160,009
Equipment Repair and Maintenance	8,392
Supplies	27,572
Postage	318
Publicity/Marketing	2,969
Janitorial	7,570
Grant Expense	50,395
Insurance	20,258
Utilities, Telephone	25,949
Vehicle Operations	2,822
Dues	4,112
Continuing Education	6,042
Travel and Mileage	5,267
Revaluation	30,841
Outreach Expense	1,901
Miscellaneous, other	<u>29,351</u>
TOTAL	<u>\$1,563,206</u>

Southern Oklahoma Library System
Schedule of Federal and State Financial Assistance
Year ended June 30, 2020
(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	\$ 45,000	\$ 47,425	\$ 56,567
United States Government passed through the Oklahoma Department of Libraries				
Library Sciences and Technology Act				
Health Literacy	45310	9,000	9,000	7,447
ODL Census Grant	45310	10,000	9,090	8,118
National Endowment for the Humanities passed Through the Oklahoma Humanities Council				
Let's Talk About It Oklahoma		<u>5,000</u>	<u>4,898</u>	<u>5,239</u>
Total State of Oklahoma Assistance		<u>\$ 69,000</u>	<u>\$ 70,413</u>	<u>\$ 77,371</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
Southern Oklahoma Library System
Ardmore, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Southern Oklahoma Library System (the Library) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated September 25, 2020.

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

Compliance and Other Matters

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

Purpose of this Report

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

Jackson Fox & Richardson PC

Ardmore, Oklahoma
September 25, 2020