

**SOUTHERN OKLAHOMA LIBRARY SYSTEM
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
JUNE 30, 2021**

**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, 2021
(Unaudited)**

INTRODUCTION

As the Executive Director of the Southern Oklahoma Library System (SOLS), a management's discussion and analysis (MD&A) of the Southern Oklahoma Library System's financial statement for the fiscal year ending June 30, 2021 has been prepared. The purpose is to provide a narrative explanation of our organization, 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 2020-2021. Historical information is also included to evaluate trends of current results.

BACKGROUND

The Southern Oklahoma Library System (SOLS) serves residents in southern Oklahoma in the five counties of Atoka, Carter, Love, Murray and Johnston. Established in the 1960s as a multi-county library system, SOLS operates under Section 501 (C)(3). 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 97,280. At the end of FY 2021 SOLS had 82,709 registered borrowers in the system. This number shows that more than 85% of the population in our five-county area has a library card.

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. The constitutional maximum funding level for rural multi-county library systems in Oklahoma is four mills. Municipal single-county libraries (Metropolitan, Tulsa) are allowed a maximum level of six mills.

SOLS has had only five directors in its history. The first executive director of the system was Billee Day who served for 25 years (1960-1985). Joel Robinson followed Ms. Day from 1986-1992. Next, Karen Ruddy (1992-1995) was director during the name change to Chickasaw Regional Library System and Lynn McIntosh served as director from 1996-2019 when Southern Oklahoma Library System was rebranded to better reflect the scope of the service area and correct confusion about ownership. In February of 2019, Gail Oehler was promoted to the SOLS Executive Director's position where she currently serves.

As stated previously, 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

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

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

FY 2020-2021 Trustees:

<u>Board Member</u>	<u>Represents</u>	<u>Location</u>
Tommi Weatherford	City	Ardmore
Gary Farabough	County	Carter
Jan Cochran	City	Atoka
Vonda Miller	County	Atoka
Heath Foster (Board Chair)	City	Davis
Melissa Hudson	City	Healdton
Pam Rickords (Treasurer)	City	Lone Grove
Rebecca Jacobs-Pollez, PhD.	County	Johnston
Dottie Gwin	City	Marietta
Corie Delashaw	County	Love
Janet Carter	City	Sulphur
Rex Morrell	City	Tishomingo
Katie Sparks (Vice Chair)	County	Murray
Jamie Guthrie	City	Wilson

PERSONNEL/ORGANIZATIONAL STRUCTURE

Paid employees for FY21 include 16 full time staff members and 4 part-time staff members. All employees who work 30+ hours per week are counted as full-time. Five of the employees working for SOLS have a master’s degree in Library and Information Studies.

SOLS’ staff salaries are very competitive within the regional library industry thanks to our participation in compensation studies in Oklahoma among various library systems. SOLS provides Blue Cross Blue Shield insurance benefits to its employees with optional dental and vision insurance. Retirement benefits are also provided to staff using a salary percentage according to number of years of service with SOLS. Plans are administered by Ozanne Financial Services. Total expenditures for 2020-21 FY were \$52,912.47. Additionally, SOLS’ Technology Manager works under contract with the system.

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

“SOLS 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

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STRATEGIES AND TRENDS

Engagement of our communities is more important today than ever following the onset of the pandemic and being faced with uncertain times. Finding ways to promote literacy and learning in support of an optimistic future is SOLS' primary focus for the System. Moreover, SOLS has made a tremendous impact on its population through a variety of grants this year. Funds were a relative way to sustain successful programming and helped grow the budget.

One significant grant program this year focused on digital inclusion and connectivity where staff was able to take library services to very rural communities in the SOLS service area. Visitors checked out materials, accessed the Internet or applied for a library card at the various stops every Friday. The motive was to bridge the digital divide which is so prevalent in Oklahoma. SOLS looks to the future with a continued focus on a digital presence. Meanwhile, the mobile library van is now being used to visit various events across the five counties to include local fairs and community events, homecoming parades and county affairs.

Other grants targeted literacy and learning, health literacy and Lets Talk About It

SOLS will maintain its investment in improving the educational, economic and cultural conditions in Southern Oklahoma with an emphasis on reducing disparities facing all people of all ages. By taking an active role in advancing one's pathway of opportunity, SOLS will promote cultural enthusiasm, literacy, learning, engagement and a mutual support and sustainability in the communities in which we serve.

SOLS is dedicated to excellence and efficiency, always striving to excel as a public library system, investing in priorities that will address key challenges in literacy and promote innovation and growth in learning and engagement. The library system welcomes collaboration opportunities with civic organizations, schools, businesses and establishments of all sizes who share in our mission.

EXPLANATORY INSIGHTS

The residual of the pandemic continues to affect many organizations including SOLS. Finding ways to serve our public has been challenging yet successful compared to many other businesses and establishments. We have found ways to adapt programming, save money and tap into grant opportunities that target libraries and learning centers. As a result, SOLS was able to continue to conduct and provide the services our communities so greatly need.

SOLS remains open to its public with safe practices underway. Moreover, our ability to add to our digital collection has helped provide resources to those who wish to use our services remotely. The addition of Hoopla was well received with no wait times for materials along with an assortment of options including movies, music, audiobooks, eBooks and comics for a variety of ages.

Providing a trustworthy practice to serve individuals was appreciated by our patrons who have returned to in-person events and are coming to our libraries for Summer Reading Program, book clubs, craft classes and story time sessions. SOLS has also received continuous words of gratitude from those who realize the impact being made with our services.

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SOLS earned and received recognition with features in the headlines on several occasions this past year. Chosen as an Oklahoma Non-Profit Excellence Awards (ONE Awards) recipient, the executive director and branch coordinator traveled to Tulsa to receive the honorable distinction in this statewide event. Also of note is the coverage the library received in *Library Journal* Magazine and *American Libraries* Magazine showcasing the Digital Inclusion project.

Finally, being selected as a host site for the Smithsonian Exhibit's *Museum on Mainstreet* was a significant honor for the Johnston County Library and the Southern Oklahoma Library System. The application process took approximately two years and included multiple interviews before being selected among many competitive applications. The event features the theme **Crossroads: Change in Rural America** which opened September 11, 2021 and continues through October 23, 2021.

SERVICES

As a publicly funded organization, SOLS continues to provide information and access to information in a seamless manner to its public utilizing many formats. While print collections will always be available to patrons with an abundance of resources, the database and digital offerings have been extremely popular during this time. For this reason, SOLS is proactive in growing the collection.

Guests may still peruse eBooks, audiobooks and electronic databases at the library or remotely 24/7. Class instruction and programming for infants, toddlers, children, tweens, teens, young adults and senior adults have resumed including the use of meeting room space. DVDs, Hotspots, magazines, newspapers, and microfilm are once again available resources.

Additionally, meeting room use has gained the attention of EPIC charter schools and home-schooled groups who book them regularly to meet with students.

Patrons may still seek reference advice and reader's advisory when necessary. The Interlibrary Loans offers patrons the opportunity to check out items that are not in SOLS' collection for a low cost of \$1.50 to offset postage costs.

By far, the most popular new service is the passport application option. SOLS has received numerous compliments from those who have come to apply for passports, oftentimes as a family. The ability to wait in the library and enjoy books or other services has been noticed and noted! To date, funds for passports have reached over \$30,000. This service has inspired other libraries and systems to reach out to us for information. The call for speaking engagements at the Oklahoma Library Association, American Library Association and Association for Rural and Small Libraries were requested, and the Executive Director and Branch Outreach Coordinator fulfilled slots at these conferences.

FRIENDS

SOLS believes in the support of Library Friends Groups. The advocacy and fundraising efforts of these groups are critical in the sustainability of our mission. SOLS is proud to receive support from Friends Groups in Love County Library, Atoka County Library, Champion Public Library, Healdton Community Library, Parker Memorial Library, and Johnston County Library.

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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 2020-2021:

Circulation	692,763	
Computer/Internet	61,637	
In-house Use	130,133	
Program Attendance	115,575	
Interlibrary Loan (ILL)	344	(Loaned- 247; Borrowed-97)
Reference Transactions	23,980	
E-Book Circulation	34,248	
Passport Services	178	

Statistics were greatly affected by the ongoing pandemic as many are not yet comfortable with in-person options. However, the addition of passport services is growing and profiting to SOLS.

Access to the Internet continues to be a big draw for many users of SOLS facilities. Applications and documents often require completion online and SOLS may be their only option for access. Hotspot checkouts remained one of the most popular items on hold as users can check out a device for one week. According to survey, Hotspots are used for education, employment application and entertainment. Furthermore, those needing Wi-Fi after hours may visit a library parking lot for access 24/7.

E-Rate discounts for Internet services at approximately 90% of costs helps offset the expense for SOLS. 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 licensed databases all accessible from the library or remotely with a library card number. Genealogy is a popular reason many use our Ancestry database.

FINANCIAL OVERVIEW FOR FISCAL YEAR 2020-21

The Southern Oklahoma Library System (SOLS) relies on ad valorem taxes at a 2.06 millage rate for most of the funding. 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 totaled \$1,870,044.00 with 10% reduction included.

The natural classes of Library expenses include personnel, materials and supplies and technology. Expenditures in the general fund reflect overall efforts of the library to contain costs.

Branch income includes charges for copies, faxes, fines, fees, sales, notary services, passport processing fees, passport photos and donations. The small charge for ILL requests is not reflected due to the increasing costs of postage. Therefore, our ILL is considered more of a service to our patrons.

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In addition to Ad Valorem, State Aid from the Oklahoma Department of Libraries (ODL) was awarded to SOLS in the amount of \$45,928.00 plus PPP Fed Grant funds of \$207,635.00.

Another labor intensive and on-going effort is that of grant writing. Grant opportunities and needs change from year to year. During FY 2020-2021 our focus has primarily been on securing financial stability in all areas of library activities as we were faced with the onset of a pandemic. Despite pandemic setbacks, SOLS continued to apply for and receive various grant funds. This year's awards totaled \$289,773.48

Awarded Grants and Funding:

- Oklahoma Partnership for School Readiness: \$16,000
- Let's Talk About It: \$12,948.48
- Oklahoma Department of Libraries Digital Inclusion: \$12,100
- Carolyn Watson Rural OK Community Grant: \$8,000
- US Census: \$9,090
- PPE: \$4,000
- Health Literacy: \$9,000
- Payroll Protection Plan: \$207,635.00
- EPSCoR in Johnston County (approximated value of \$7,000)
- Grow with Google: \$1,000
- Oklahoma Department of Libraries Funding, courtesy of the **Institute of Museum and Library Services (IMLS)** through the Library Services and Technology Act (LSTA) for technology to include headphones and webcams (\$3,000).

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. This was a stellar year for SOLS' SRP donations totaling \$23,480!

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 RFP process.

PROGRAMMING

Quality programming geared toward the SOLS' users base has always driven customers into our library buildings. Monthly book clubs, craft classes, health literacy programs, exercise classes, story time programs, 3D printing instruction, workforce development and others help serve a variety of interests.

During the 20-21 Summer Reading Program, several libraries held performances off-site due to capacity constraints of the current library buildings and to follow social distancing practices as we resumed to in-persons programming.

Additionally, SOLS provides age-appropriate incentives to award those who reach a reading goal. Branch Libraries encourage children to sign up and complete the challenge and to foster the mission of SOLS. To

**Management Discussion & Analysis
Southern Oklahoma Library System
For the Year Ending June 30, 2021
(Unaudited)**

ensure the interests and excitement of children, all branches offer craft times, story times and other early literacy programs.

Teen and tween programming are essential to our system's continued growth. Programming for this group is the most difficult; however, it is ultimately worthwhile and provides an opportunity to help these young people become lifelong learners. The 3D printing classes have been most attractive to this age group. The influx of homeschooled and charter school students who meet in the libraries also gives SOLS an opportunity to reach those who are interested in age specific programming.

During FY 2020-2021 SOLS sponsored a total of 4,416 programs with 41,495 participants throughout the system.

Summer Reading Program (SRP)

Sponsored by the Oklahoma Department of Libraries (ODL), the Summer Reading Program (SRP) revolves around a common theme and engages professional storytellers and performers such as magicians, puppeteers, zookeepers and educators. SOLS made the decision to offer in-person programs and several branch libraries formed partnerships with local organizations to ensure proper space was available to house audiences. Branch libraries encourage children to sign up and complete the challenge of reaching a reading goal. SOLS attracts large crowds that then discover and utilize library materials in addition to signing their children up for the reading challenge. The statistics reflect the need for in-person programming to resume.

FY 2021 Summer Reading Program Statistics are as follows:

<u>SCHEDULED</u>	<u>PASSIVE</u>
May: 309	779
June: 5,035	1,165
July: 2,066	1,366
<u>7,410</u>	<u>3,310</u>
Total: 10,720	

These figures include both passive and active programming statistics with in-person attendance. This year's SRP was determined not only very successful based on pandemic crisis, but guests traveled from out of the SOLS service area on several occasions to attend programs because SOLS was hosting in-person opportunities. Comments were made to include gratitude for making these programs available to youth who are desperately wanting and needing to engage in cultural and educational programs.

Preschool Story Time Programs

Following SRP, all branch libraries plan for fall story time classes to resume. These classes typically start when public schools are in session. Story times implement early literacy curriculum using crafts and songs geared towards babies, toddlers and their parents or caregivers. The pandemic again influenced numbers in attendance. Several of the offsite schools and organizations did not allow SOLS to bring programs to their establishments because of the pandemic.

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(Unaudited)

Let's Talk About It

This popular 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. Many this year were presented virtually through the Zoom platform allowing participants to attend from home. Scholars for the program were also leading groups virtually. These theme-based series feature a variety of themed books along with discussion lead by visiting scholars. Most series review 4-5 books with programs spread out among several months.

Health Literacy Programming

The Health Literacy Grant funds a variety of programs, resources and classes to include 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. With the pandemic, however, many organizations took a pause on these programs.

Because of the success of Health Literacy Programming, SOLS was contacted by University of Oklahoma for interviews on a research project. Additionally, Pam Bean, coordinator, was selected to speak at the Oklahoma Library Associations' annual conference to other librarians across the state.

Digital Bookmobile: Library staff has been able to include the digital bookmobile for participation in parades and local events in the various communities served by SOLS. The Atoka Food Bank and Healdton's Oil Field Days were popular events to expand visibility. As more events are planned, SOLS will be able to take the bookmobile to other areas in the Southern Oklahoma service area.

CHANGING TRENDS

Maintaining the mission to encourage life-long learning in all communities of the Southern Oklahoma Library System can be challenging during a pandemic. However, the innovative options discussed and implemented among staff has kept SOLS in the public's eye with positive outcomes. And although SOLS continues to provide resources in many formats, we have come to realize that by engaging our populations through literacy and learning opportunities, we are also empowering our ability to serve a multitude of ages, economic status and educational levels.

Investing in the customer experience will foster good relationships. Preserving history and collections for easy access will also support the success of libraries. Finally, cultivating local partnerships who share in the mission of SOLS will strengthen and positively impact all in our service area.

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FUTURE PROJECTS

While the idea of a millage campaign continues to take a back seat due to the pandemic, SOLS will continue to move forward with the idea of making a difference in all our communities with positive partnerships and programming. Keeping active in community events and being visible in the eyes of our constituents will keep the library mission meaningful and full of purpose. Communication through web presence, news articles, television and in personal engagement helps reach a multitude of library users.

Digital inclusion will continue to be supported by SOLS as we work together to bridge the digital gap in Oklahoma.

DIRECTOR'S STATEMENT

The stories we hear from our library patrons reinforce the importance of our job every day. Helping those with technology training or assisting a patron with a resume to get back into the workforce can be the most valuable resource one may encounter.

Libraries are the keepers of the knowledge, especially in a time of misinformation. In the library profession, trustworthy resources and advice will keep our mission active and sustained.

SOLS will continue to advocate for a strong position as an essential means for so many unique requests by our customers. Our ability to assist these patrons in a welcoming manner will advance our purpose while encouraging a productive society.

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, 2021
(Unaudited)

	Preliminary Budget	Approved Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 1,634,227	\$ 1,870,044	\$ 2,042,704	\$ 172,660
OK Dept of Libraries: State Aid	45,000	45,000	45,928	928
Other Grant Revenues	0	0	282,197	282,197
Reimbursements and Branch Income	53,000	53,000	61,089	8,089
Interest Revenue	5,000	5,000	3,736	(1,264)
Miscellaneous & Gift Revenue	27,000	27,000	35,380	8,380
Total Revenues	1,764,227	2,000,044	2,471,034	470,990
EXPENDITURES				
Current				
Staff Expenditures	1,187,000	1,187,000	1,087,556	99,444
Operating Expenditures	302,760	302,760	273,010	29,750
Capital Expenditures	165,867	401,684		401,684
Revaluation and Supplies	33,600	33,600	79,849	(46,249)
Library Materials	75,000	75,000	62,190	12,810
Total Expenditures	1,764,227	2,000,044	1,502,605	497,439
OTHER FINANCING SOURCES (USES)				
Gain (Loss) on Disposal of Assets				
Depreciation			(143,803)	(143,803)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$	\$ -	\$824,626	\$ 824,626

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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, 2021, 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, 2021, 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 3-11 and the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual on

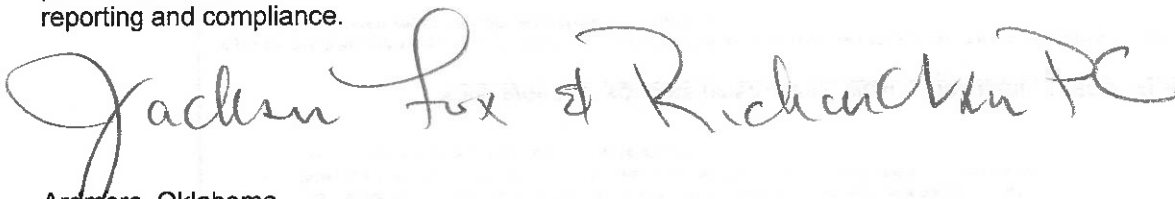
page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements 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 October 8, 2021, 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
October 8, 2021

Southern Oklahoma Library System
Government-Wide Statement of Net Position-Modified Cash Basis and
Governments Funds Balance Sheet-Modified Cash Basis
June 30, 2021

<u>ASSETS AND OTHER DEBITS</u>	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and Cash Equivalents	\$ 2,652,438		\$ 2,652,438
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	392,573		392,573
Equipment and Furniture	513,267		513,267
Less: Accumulated Depreciation	(1,219,822)		(1,219,822)
Deferred Outflows of Resources			
Other Debits			
Total Assets and Other Debits	<u>\$ 3,542,695</u>		<u>\$ 3,542,695</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ -		\$ -
Accrued Payroll and Related Costs	(2,006)		(2,006)
PPP Loan Payable	-		-
Due to Other Funds	-		-
Total Liabilities	<u>\$ (2,006)</u>		<u>\$ (2,006)</u>
Deferred Inflow of Resources			
Fund Balances:			
Nonspendable	890,258	(890,258)	-
Spendable			
Committed	37,797	(37,797)	-
Unrestricted	\$ 2,616,646	\$ (2,616,646)	\$ -
Total Equity and Other Credits	<u>3,544,700</u>	<u>(3,544,700)</u>	<u>-</u>
Total Liabilities and Fund Balance	\$ 3,542,694		
 Net Position:			
Net Investment in Capital Assets		890,258	890,258
Spendable			-
Restricted		37,797	37,797
Unrestricted		\$ 2,616,646	2,616,646
Total Net Position		<u>\$ 3,544,700</u>	<u>\$ 3,544,700</u>

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, 2021

<u>EXPENDITURES</u>	General Fund	Adj	Statement of Activities
Current			
Staff Expenditures	\$ 1,087,556		\$ 1,087,556
Supplies and Other Expenditures	47,336		47,336
Operations	305,523		305,523
			-
Capital Outlay			-
Equipment/Furnishing & Other			-
Fixed Assets-Depreciation	143,803		143,803
			-
Total Expenditures	<u>1,584,218</u>		<u>1,584,218</u>
<u>REVENUES</u>			
Ad Valorem, Sales Tax & City Support	2,042,704		2,042,704
Oklahoma Dept of Libraries	15,000		15,000
State Aid	45,928		45,928
Other Grants/Donations	294,466		294,466
Fundraising Income (net of expense)	22,306		22,306
Other Revenues	46,894		46,894
			-
Operating Revenues	<u>2,467,297</u>		<u>2,467,297</u>
<u>OPERATING INCOME</u>	883,079		883,079
<u>NON-OPERATING ACTIVITIES</u>			
Interest Income	3,736		3,736
Loss on Disposition of Assets	-		-
			-
Total Non-Operating Activities	<u>3,736</u>		<u>3,736</u>
CHANGE IN NET POSITION	886,815		886,815
FUND BALANCE/NET POSITION, JULY 1, 2020	<u>2,657,887</u>		<u>2,657,887</u>
ADJUSTMENTS			
FUND BALANCE/NET POSITION, JUNE 30, 2021	<u>\$ 3,544,702</u>	<u>\$ -</u>	<u>\$ 3,544,702</u>

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	2,467,297
Cash paid to suppliers for goods, services and program expenses	(352,859)
Increase(decrease) in payroll liabilities	(18,408)
Cash paid to and for employees	<u>(1,087,556)</u>

Net cash provided (used) by operations 1,008,474

Cash flows from capital and related financing activities:

Cash used to purchase assets	(62,190)
Increase (decrease) in PPP Loan payable	(207,635)
Cash received from sale of assets	

Net cash provided (used) by capital and related financing activities (269,825)

Cash flows from Investing Activities

Investment-Interest Income	<u>3,736</u>
----------------------------	--------------

Net cash provided (used) from investing activities 3,736

Net increase(decrease) in cash and cash equivalents 742,385

Cash and cash equivalents July 1, 2020 1,910,054

Cash and cash equivalents June 30, 2021 2,652,439

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

Operating Income	883,079
Depreciation Expense	143,803
Increase (decrease) in liabilities	(18,408)

Cash provided by operating activities 1,008,474

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

Southern Oklahoma Library System
Notes to Financial Statements
June 30, 2021

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, 2021

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 Grant Funds Remaining	2020-2021 Grant Funds Received	2020-2021 Funds Spent	Remaining Restricted
Digital Inclusion		\$ 12,100.00	\$ 9,713.30	\$ 2,386.70
Carolyn Watson Rural OK			2,313.00	
OPSRF Grant	9076.87	10,000.00	9,079.33	9,997.54
Census Grant	972.32		2,357.05	
State of Oklahoma Web Grant		2,963.00	2,910.86	52.14
Health Literacy Grant	5718.98		11,567.15	
Small/Rural Library Grant		3,000.00		3,000.00
Cares PPE Grant		4,000.00	4,185.53	
Let's Talk about it, Oklahoma		16,459.48	3,299.16	13,160.32
OK Initiative Grant		15,000.00	5,800.00	9,200.00
			-	
	\$ 15,768.17	\$ 63,522.48	\$ 51,225.38	\$ 37,796.70

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, 2021**

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, 2021, are as follows:

Deposits	Risk Category			Bank Balance	Financial Statement Carrying Amount
	1	2	3		
Demand deposits	\$ 28,483	-0-	\$ -0-	\$ 28,483	\$ 17,773
Certificates of Deposit	250,000	254,235	-0-	504,235	504,235
Money Market	250,000	1,880,430	-0-	2,130,430	2,130,430
Totals	<u>\$ 528,483</u>	<u>\$2,134,665</u>	<u>\$ -0-</u>	<u>\$ 2,663,148</u>	<u>\$2,652,438</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, 2020	\$ 166,000	\$ 139,830	\$983,004	\$ 373,437	\$438,167	\$ 55,236	\$ 2,155,674
Increases	0	0	0	0	62,190	0	62,190
Decreases	0	0	0	0	107,785	0	107,785
Balance June 30, 2021	166,000	139,830	983,004	373,437	392,573	55,236	2,110,079
Accumulated Depreciation Balance July 1, 2020	0	104,472	458,413	294,103	283,563	43,253	1,183,804
Increase	0	9,750	21,279	29,123	78,515	5,136	143,803
Decrease	0	0			107,785		107,785
Balance June 30, 2021	0	114,222	479,692	323,226	254,293	48,389	1,219,822
Net Governmental Activities Balance June 30, 2021	\$ 166,000	\$ 25,608	\$ 503,312	\$ 50,211	\$ 138,280	\$ 6,847	\$ 890,257

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, 2016 (5 years).

Note J – Subsequent Events

Management has evaluated all events subsequent to the balance sheet date of June 30, 2021 through the date of issuance of these financial statements, October 8, 2021 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, 2021
(Unaudited)**

Salaries	\$ 938,785
Payroll Taxes	72,494
Employee Benefits	182,427
Contractual Expense	157,425
Equipment Repair and Maintenance	6,368
Supplies	22,950
Postage	69
Publicity/Marketing	943
Janitorial	3,078
Grant Expense	65,489
Insurance	17,663
Utilities, Telephone	24,386
Vehicle Operations	3,022
Dues	4,253
Continuing Education	12,278
Travel and Mileage	590
Revaluation	32,513
Outreach Expense	2,624
Miscellaneous, other	<u>1,834</u>
TOTAL	<u>\$1,549,191</u>

**Southern Oklahoma Library System
Schedule of Federal and State Financial Assistance
Year ended June 30, 2021
(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	\$ 45,928	\$ 47,840
United States Government PPP			\$ 207,635	\$207,635
Library Sciences and Technology Act				
Digital Inclusion	45310	12,000	12,100	9,713
OK Initiative Grant	45310	15,000	15,000	5,800
National Endowment for the Humanities passed Through the Oklahoma Humanities Council				
Let's Talk About It Oklahoma		<u>15,000</u>	<u>16,459</u>	<u>3,299</u>
Total State of Oklahoma Assistance		<u>\$87,000</u>	<u>\$297,122</u>	<u>\$274,287</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, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated October 8, 2021.

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.

Ardmore, Oklahoma
October 8, 2021

