

**SOUTHERN OKLAHOMA LIBRARY SYSTEM  
FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT  
JUNE 30, 2022**



**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, 2022  
(Unaudited)**

**INTRODUCTION**

As the Executive Director of the Southern Oklahoma Library System (SOLS), a management discussion and analysis (MD&A) of the Southern Oklahoma Library System's financial statement for the fiscal year ending June 30, 2022, 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 2021-2022. Historical information is also included to evaluate trends of current results.

**BACKGROUND**

The Southern Oklahoma Library System 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, SOLS serves a population of 96,850. At the end of FY 2022 SOLS had 82,638 registered borrowers in the system. This number indicates 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 been led by only five directors in its history: Billee Day (1960-1985), Joel Robinson (1986-1992), Karen Ruddy (1992-1995) Lynn McIntosh (1996-2019) and the current director, Gail Oehler. The Chickasaw Regional Library System was renamed Southern Oklahoma Library System and was rebranded to better reflect the scope of the service area and correct confusion about ownership.

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.

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

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FY 2021-2022 Trustees:

<u>Board Member</u>	<u>Represents</u>	<u>Location</u>
Tommi Weatherford	City	Ardmore
Janice Price	County	Carter
Jan Cochran	City	Atoka
Janyce Scroggins	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 (Vice Chair)	City	Marietta
Corie Delashaw	County	Love
Donna Plunkett	City	Sulphur
Rex Morrell	City	Tishomingo
Katie Sparks	County	Murray
Jamie Guthrie	City	Wilson

**PERSONNEL/ORGANIZATIONAL STRUCTURE**

Paid employees for FY2022 include 15 full time staff members and eight 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. They are David Moran, cataloguer, Pam Bean, Reference/Adult Programming, Alyson Blankenship, Outreach Coordinator, Neshia Crane, Love County Branch Manager and Gail Oehler, Executive Director.

SOLS' staff salaries are considered competitive within the regional library profession. SOLS provides health insurance benefits to its employees with optional dental and vision insurance through the state of Oklahoma. This new policy is saving over \$13,000 for the system as well as significant savings for staff. 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 FY 2021-22 FY were \$55,802.84. 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*



**Management Discussion & Analysis**  
**Southern Oklahoma Library System**  
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**(Unaudited)**

**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*

**STRATEGIES AND TRENDS**

Libraries are emerging from the pandemic stronger, more resilient, and more pivotal than ever before. According to *Library Journal*, three trends are shaping the future of libraries. The shift to digital services and delivery models is helping customers access materials no matter where they are. As libraries are increasingly asked to do more with less, the right technologies can also help librarians make better decisions about where to spend their limited resources, so they get the most impact from their investment. Resource sharing is one method where SOLS can partner with other libraries to save costs. OverDrive is one example and provides a consortium of materials that are shared across the state among libraries.

Additionally, it is important for SOLS to have a responsive lending platform. This allows us to make changes as needed. For example, SOLS has been navigating complex licensing agreements on electronic content and keeping current is important as we look to the future.

**Customer Experience:** At SOLS, we want to put aside our “wants” for our customers as we meet with them and intentionally listen to understand their needs. This connection will turn a one-time experience into a lifelong partnership. Visibility fosters growth at SOLS. These occurrences are happening every day at the local parks, during our involvement in civic organizations and daily in the library.

Finally, censorship filled the news and media in the library world and SOLS remains proactive and responsive. The number of attempts to challenge library resources in schools, universities and public libraries exceeded record counts from 2021. SOLS has collection development policies in place and promotes its mission to encourage intellectual freedom.

**EXPLANATORY INSIGHTS**

**Rethinking Rural:** While most of the U.S. population lives in urban counties, rural counties account for two-thirds of all counties in the US. Like many libraries, rural communities struggle with an increasing assortment of social issues well beyond the traditional scope of providing information. Moreover, these issues may be compounded by economic, demographic, geographic and other factors. SOLS remains a positive and necessary entity in the public’s view of all eight library branches across our service area. While we emphasize access to a global body of information, SOLS is also highlighting access to local information that will assist so many in rural Oklahoma. Our focus on community events, resilient accomplishments and local history has become the center of attention in SOLS libraries.

**Management Discussion & Analysis  
Southern Oklahoma Library System  
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(Unaudited)**

Currently, Oklahoma struggles with lack of Broadband and SOLS is facilitating devices (hotspots) to those in need. As more people work from home, study from home, and look to the internet for daily use, SOLS is proud to offer high speed access 24/7 at all locations. Even the parking lots are busy after hours as visitors park to access the wi-fi. Access and internet connectivity is needed to foster economic revitalization and educational success.

Moving forward, the role of library as a partner will likely become even more important.

**SERVICES**

Increased programming at SOLS is cultivating the many requests of patrons. As a publicly funded organization, library staff works to provide positive learning experiences for all ages, economic status, and diverse needs. As patrons continue to seek personal informational requests, SOLS pursues unique ways to provide them with resolutions.

SOLS boasts a diverse collection of print and digital format, and we are pleased to provide printing, faxing, scanning and notary services to our patrons. Many of our rural communities rely on the library for these services as it is the only place in the community to fulfill this type of need.

SOLS provides access to information in a seamless manner to the public utilizing many formats. While print collections remain important and will always be available to patrons with an abundance of resources, the database and digital offerings are extremely popular, and SOLS will continue to be proactive in growing the collection.

Guests may peruse eBooks, audiobooks, and electronic databases at the library or remotely 24/7. Class instruction and programming is targeted towards infants, toddlers, children, tweens, teens, young adults, and adults. DVDs, hotspots, magazines, newspapers, and microfilm are once again available resources. Plans to digitize the microfilm are underway with grant proposals and partnerships.

Meeting room use is essential in all communities as it remains the only free space for organizational/civic meetings, learning application space for homeschooled students, social events and most recently, a weekly bridge club.

Library staff answer reference requests daily as well as engaging in reader's advisory on books for all ages. SOLS participates in Interlibrary Loans between other library collections when patrons cannot locate materials from our collection or vice versa. A small fee of \$1.50 is requested to pay for postage.

Passport applications are offered at the Champion Public Library, as well as photos. Last year SOLS made \$36,375.24. This service still draws attention from the library profession with speaking engagements on how to become a passport facility.

**Management Discussion & Analysis  
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**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 at Love County Library, Atoka County Library, Champion Public Library, Healdton Community Library, Parker Memorial Library, and Johnston County Library. Plans are underway to build on these groups and include all libraries across SOLS. Book sales are quite popular with Friend's groups to raise funds for the library.

SOLS decided to provide \$7,000 to each branch library to update furnishings. The Atoka County Friends contributed \$3,000 towards furnishings for the Atoka County Library.

**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 2021-2022:

Circulation	850,398
Computer/Internet	79,910
In-house Use	195,236
Program Attendance	106,590
Interlibrary Loan (ILL)	285
Reference Transactions	35,608
E-Book Circulation	31.313
Passport Services	728

The above statistics reflect some changes that the Oklahoma Department of Libraries has implemented in the annual report. Access to the Internet continues to be a big draw for many users of SOLS facilities. Because applications and documents require completion online, SOLS may be their only option for access.

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 or Ancestry for genealogy research. Currently, SOLS offers these and other licensed databases all accessible from the library or remotely with a library card number.

**FINANCIAL OVERVIEW FOR FISCAL YEAR 2021-22**

The Southern Oklahoma Library System 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 \$2,382,204.56 in FY 2021-22.

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



**Management Discussion & Analysis  
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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.

In addition to ad valorem tax, State Aid from the Oklahoma Department of Libraries (ODL) was awarded to SOLS in the amount of \$45,972.00.

Another labor intensive and on-going effort is that of grant writing. Grant opportunities and needs change from year to year. During FY 2021-2022 our focus has primarily been on securing financial stability in all areas of library activities. This year's awards totaled \$128,724.74.

**Awarded Grants and Funding:**

- Let's Talk About It: \$2,795.56
- NASA Grant \$1,600
- United States Treasury F-941 sick leave: \$4,977.28
- Health Literacy: \$9,000
- Continuing Education (ODL): \$1,248.72
- State Aid: \$45,972
- Community for Immunity: \$1,050
- American Rescue Plan Grant \$54,081
- American Rescue Digital Navigator \$4,000
- Libraries Transforming Communications: \$3,000
- Dollar General Literacy: \$1,000
- **TOTAL: \$128,724.74**
  
- **IN KIND**
  - ARPA Excel Gale Online High School Program (estimated cost \$1,000 per student x 3) \$3,000
- Dollar Tree donated Projectors (in kind - \$500)

Please make note of a TIF reimbursement from the City of Ardmore in the amount of \$178,453.53.

Passports generated \$36,375.24 for the 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 event. This was a stellar year for SOLS' SRP donations totaling \$22,695!

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. This past year SOLS was able to apply for additional support to purchase more hotspots and laptops using E-Rate federal funding.



**Management Discussion & Analysis  
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**PROGRAMMING**

Quality programming geared toward the SOLS’ user 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 2021-22 Summer Reading Program, several libraries held performances off-site due to capacity constraints of the current library buildings.

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. To ensure the interests and excitement of children, all branches offer craft classes, 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 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 2021-2022, SOLS sponsored a total of 6,860 programs with 116,826 participants throughout the system. These numbers reflect online access and views as well.

**Youth Services and Summer Reading Program (SRP): Raised over \$22,000**

Touch a Truck program served over 400.

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. Branch libraries encourage children to sign up and complete the challenge of reaching a reading goal. SOLS attracts large crowds that discover and utilize library materials in addition to signing their children up for the reading challenge.

FY 2022 Summer Reading Program Statistics are as follows:

<u>SCHEDULED</u>	<u>PASSIVE</u>
May: 3004	480
June : 8,954	1,565
July: 1,415	810
<u>13,373</u>	<u>2,855</u>
<b>Total: 16,228</b>	

These figures include both passive and active programming statistics with in-person attendance.

**Management Discussion & Analysis  
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**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 foster early literacy curriculum using crafts and songs geared towards babies, toddlers and their parents or caregivers.

**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. 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.

**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. Homecoming parades and community events are prevalent events where SOLS participates.

**CHANGING TRENDS**

SOLS is maintaining its mission to encourage life-long learning in all communities of the Southern Oklahoma Library System. Meeting people where they are may be challenging but staff of SOLS is providing innovative opportunities to serve our communities and customer needs.

Positive customer experiences nurture good relationships. Preserving history and collections for easy access also supports the success of libraries. Finally, continuing to cultivate local partnerships who share in the mission of SOLS will positively impact all in our service area.

**FUTURE PROJECTS**

SOLS will continue to move forward with the idea of making a difference in all our communities with positive partnerships and programming. SOLS advocates on bridging the digital divide. Remaining active in community events and in communication with our constituents will keep the library's mission on the forefront and meaningful.

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(Unaudited)**

**DIRECTOR'S STATEMENT**

Hearing personal impact stories from those we serve indicates how well we are doing our job. I listen to and read monthly reports from staff and branch managers across our service area. Some are related to patrons finding jobs and entering the workforce while others share personal encounters of library customers who engaged in health literacy or a summer reading challenge. These stories determine our value as library professionals and cultivate our positive influence on our population.

SOLS looks to the future with a healthy budget and supportive communities.

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, 2022**  
**(Unaudited)**

	<b>Preliminary Budget</b>	<b>Approved Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b><u>REVENUES</u></b>				
Ad Valorem Taxes	\$ 1,665,000	\$ 1,985,876	\$ 2,382,205	\$ 396,329
OK Dept of Libraries: State Aid	45,000	45,000	45,972	972
Royalty Revenues	5,000	5,000	17,444	12,444
Reimbursements and Branch Income	50,000	50,000	77,557	27,557
Interest Revenue	1,000	1,000	2,954	1,954
Miscellaneous & Gift Revenue	25,000	25,000	128,457	103,457
<b>Total Revenues</b>	<b>1,791,000</b>	<b>2,111,876</b>	<b>2,654,589</b>	<b>542,713</b>
<b><u>EXPENDITURES</u></b>				
Current				
Staff Expenditures	1,125,200	1,189,340	1,147,717	41,623
Operating Expenditures	330,760	327,560	302,681	24,879
Capital Expenditures	226,640	486,576	17,928	468,648
Revaluation and Supplies	33,400	33,400	84,896	(51,496)
Library Materials	75,000	75,000	62,497	12,503
<b>Total Expenditures</b>	<b>1,791,000</b>	<b>2,111,876</b>	<b>1,615,719</b>	<b>496,157</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Gain (Loss) on Disposal of Assets				
Depreciation			(139,349)	(139,349)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$</b>	<b>\$ -</b>	<b>\$899,521</b>	<b>\$ 899,521</b>



# JACKSON, FOX, and RICHARDSON

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Southern Oklahoma Library System  
Ardmore, Oklahoma

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying 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, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library, as of June 30, 2022, and the respective changes in 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 for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles for the modified cash basis of accounting, and 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 response 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The accompanying expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

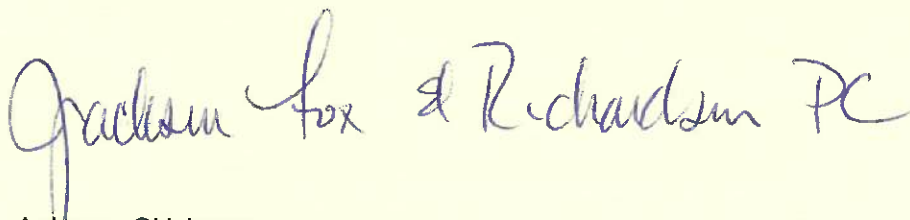
#### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, 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 solely 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 the effectiveness of the Library's 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.

A handwritten signature in blue ink that reads "Jackson Fox & Richardson PC". The signature is written in a cursive style with a large initial 'J'.

Ardmore, Oklahoma  
October 28, 2022



**Southern Oklahoma Library System**  
**Government-Wide Statement of Net Position-Modified Cash Basis and**  
**Governments Funds Balance Sheet-Modified Cash Basis**  
**June 30, 2022**

<b><u>ASSETS AND OTHER DEBITS</u></b>	<b><u>General</u></b>	<b><u>Adjustments</u></b>	<b><u>Statement of</u></b> <b><u>Net Position</u></b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,669,964		\$ 3,669,964
Grant Cash & Renovation Fund-Note D	-		-
Receivables-Note E	-		-
Prepaid Expenses	-		-
<b>Property, Plant and Equipment:</b>			
Vehicles	55,236		55,236
Land	166,000		166,000
Building	983,004		983,004
Materials Collection	365,270		365,270
Equipment and Furniture	528,513		528,513
Less: Accumulated Depreciation	(1,266,689)		(1,266,689)
<b>Deferred Outflows of Resources</b>			
<b>Other Debits</b>			
Total Assets and Other Debits	<u>\$ 4,501,298</u>		<u>\$ 4,501,298</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>Liabilities:</b>			
Accounts Payable	\$ -		\$ -
Accrued Payroll and Related Costs	(6,712)		(6,712)
PPP Loan Payable	-		-
Due to Other Funds	-		-
Total Liabilities	<u>\$ (6,712)</u>		<u>\$ (6,712)</u>
<b>Deferred Inflow of Resources</b>			
<b>Fund Balances:</b>			
Nonspendable	831,334	(831,334)	-
Spendable			
Committed	81,845	(81,845)	-
Unrestricted	\$ 3,594,832	\$ (3,594,832)	\$ -
Total Equity and Other Credits	<u>4,508,010</u>	<u>(4,508,010)</u>	<u>-</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,501,299</b>		
 <b>Net Position:</b>			
<b>Net Investment in Capital Assets</b>		<b>831,334</b>	<b>831,334</b>
<b>Spendable</b>			<b>-</b>
Restricted		81,845	81,845
Unrestricted		\$ 3,594,832	3,594,832
Total Net Position		<u>\$ 4,508,010</u>	<u>\$ 4,508,010</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, 2022**

<b><u>EXPENDITURES</u></b>	<b>General Fund</b>	<b>Adj</b>	<b>Statement of Activities</b>
Current			
Staff Expenditures	\$ 1,147,717		\$ 1,147,717
Supplies and Other Expenditures	53,928		53,928
Operations	322,703		322,703
			-
Capital Outlay			-
Equipment/Furnishing & Other			-
Fixed Assets-Depreciation	139,349		139,349
			-
Total Expenditures	1,663,696		1,663,696
 <b><u>REVENUES</u></b>			
Ad Valorem, Sales Tax & City Support	2,382,205		2,382,205
Oklahoma Dept of Libraries	63,081		63,081
State Aid	45,972		45,972
Other Grants/Donations	43,787		43,787
Fundraising Income (net of expense)	10,650		10,650
Other Revenues	77,557		77,557
			-
Operating Revenues	2,623,251		2,623,251
			-
<b><u>OPERATING INCOME</u></b>	959,555		959,555
 <b><u>NON-OPERATING ACTIVITIES</u></b>			
Interest Income	2,954		2,954
Gain/Loss on Disposition of Assets	800		800
			-
Total Non-Operating Activities	3,754		3,754
			-
<b>CHANGE IN NET POSITION</b>	963,309		963,309
			-
<b>FUND BALANCE/NET POSITION, JULY 1, 2021</b>	3,544,702		3,544,702
<b>ADJUSTMENTS</b>			
<b>FUND BALANCE/NET POSITION, JUNE 30, 2022</b>	\$ 4,508,011	\$ -	\$ 4,508,011

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	2,634,195
Cash paid to suppliers for goods, services and program expenses	(387,575)
Increase(decrease) in payroll liabilities	(4,706)
Cash paid to and for employees	<u>(1,147,717)</u>

Net cash provided (used) by operations 1,094,198

**Cash flows from capital and related financing activities:**

Cash used to purchase assets	(80,425)
Increase (decrease) in PPP Loan payable	
Cash received from sale of assets	<u>800</u>

Net cash provided (used) by capital and related financing activities (79,625)

**Cash flows from Investing Activities**

Investment-Interest Income	2,954
----------------------------	-------

Net cash provided (used) from investing activities 2,954

Net increase(decrease) in cash and cash equivalents 1,017,526

Cash and cash equivalents July 1, 2021 2,652,438

Cash and cash equivalents June 30, 2022 3,669,964

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

Operating Income	959,555
Depreciation Expense	139,349
Increase (decrease) in liabilities	(4,706)

Cash provided by operating activities 1,094,198

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

**Southern Oklahoma Library System**  
**Notes to Financial Statements**  
**June 30, 2022**

**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. 87* have been implemented with the presentation of the year end June 30, 2022, 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 29,450 sq ft 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, 2022**

**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, 2022 were \$55,803.

**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, 2022, was \$103,504.

**Note D - Commitments and Contingencies and Restricted Assets**

**Grants**

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

	2020-2021 Grant Funds Remaining	2021-2022 Grant Funds Received	2021-2022 Funds Spent	Remaining Restricted
Digital Inclusion	2386.7		\$ 2,305.88	\$ 80.82
Dollar General Literacy		1,000.00	1,472.16	\$ -
OPSRF Grant	9,997.54		3,473.10	\$ 6,524.44
ODL ARPA		54,081.18	5,248.66	\$ 48,832.52
State of Oklahoma Web Grant	52.14		54.98	\$ -
AARP Digital Navigator Davis		4,000.00		\$ 4,000.00
ALA Libraries Transforming Communities		3,000.00	306.73	\$ 2,693.27
Communities for Immunities		1,050.00	315.00	\$ 735.00
Health Literacy Grant		9,000.00	6,421.34	\$ 2,578.66
Small/Rural Library Grant	3,000.00			\$ 3,000.00
American Library NASA		1,600.00	196.06	\$ 1,403.94
Let's Talk about it, Oklahoma	13,160.32	2,795.56	4,200.87	\$ 11,755.01
OK Initiative Grant	9,200.00		8,958.93	\$ 241.07
	<u>\$ 37,796.70</u>	<u>\$ 76,526.74</u>	<u>\$ 32,953.71</u>	<u>\$ 81,844.73</u>

**Note E - Related Parties**

In order to facilitate support for the Library in the local communities, local chapters known as Friends of the Library are established to receive contributions for library improvements. Each chapter has an advisory board. Some of these chapters have separately incorporated as IRS Code 501(c)(3) non-profit organizations. They raise funds for informational materials, fixtures and equipment, and construction funds for the local community library. 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, 2022**

**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, 2022, are as follows:

Deposits	Risk Category			Bank Balance	Financial Statement Carrying Amount
	1	2	3		
Demand deposits	\$ 10,419	-0-	\$ -0-	\$ 10,419	\$ -6,542
Certificates of Deposit	450,724	53,835	-0-	504,559	504,559
Money Market	250,000	2,921,946	-0-	3,171,946	3,171,946
Totals	<u>\$ 711,143</u>	<u>\$2,975,781</u>	<u>\$ -0-</u>	<u>\$ 3,686,924</u>	<u>\$3,669,963</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, 2022**

**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, 2021	\$ 166,000	\$ 139,830	\$983,004	\$ 373,437	\$392,573	\$ 55,236	\$ 2,110,080
Increases	0	17,928	0	0	62,497	0	80,425
Decreases	0	2,682	0	0	89,799	0	92,481
Balance June 30, 2022	166,000	155,076	983,004	373,437	365,271	55,236	2,098,024
Accumulated Depreciation Balance July 1, 2021	0	114,222	479,692	323,226	254,293	48,389	1,219,822
Increase	0	11,905	21,277	27,975	73,054	5,135	139,346
Decrease	0	2,682	0	0	89,799	0	92,481
Balance June 30, 2022	0	123,445	500,969	351,201	237,548	53,524	1,266,687
Net Governmental Activities Balance June 30, 2021	\$ 166,000	\$ 31,631	\$ 482,035	\$ 22,236	\$ 127,723	\$ 1,712	\$ 831,337

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, 2022 through the date of issuance of these financial statements, October 28, 2022 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, 2022**  
**(Unaudited)**

Salaries	\$ 927,737
Payroll Taxes	75,493
Employee Benefits	144,487
Contractual Expense	146,128
Equipment Repair and Maintenance	8,429
Supplies	28,926
Postage	1,275
Publicity/Marketing	392
Janitorial	5,824
Grant Expense	56,085
Insurance	17,547
Utilities, Telephone	25,002
Vehicle Operations	3,893
Dues	4,495
Continuing Education	15,904
Travel and Mileage	8,768
Revaluation	30,961
Outreach Expense	10,939
Miscellaneous, other	<u>12,063</u>
TOTAL	<u>\$1,524,348</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	\$ 45,972	\$ 45,972
United States Government FFCRA			\$ 4,977	\$4,977
American Rescue Plan Targeted Grants to Libraries	453100000	54,081	54,081	5,249
Digital Navigator	453100000	4,000	4,000	
National Endowment for the Humanities passed Through the Oklahoma Humanities Council				
Let's Talk About It Oklahoma		<u>4,200</u>	<u>2,796</u>	<u>4,201</u>
Total State of Oklahoma Assistance		<u>\$107,281</u>	<u>\$111,826</u>	<u>\$60,399</u>

# JACKSON, FOX, and RICHARDSON

## A Professional Corporation

### *Certified Public Accountants*

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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 28, 2022.

### Report on 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) as a basis for designing 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.

### Report on 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 28, 2022

