

**SOUTHERN OKLAHOMA LIBRARY SYSTEM  
FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT  
JUNE 30, 2017**

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**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, 2017  
(Unaudited)**

**MISSION STATEMENT**

**“The Mission of the Southern Oklahoma Library System (previously named the Chickasaw Regional Library System) is to provide free, open and equal access to informational, educational, cultural and recreational materials and services to all members of the community.”\***

**\*Adopted by the Board of Trustees in May, 2004**

**BACKGROUND**

**Today, the Southern Oklahoma Library System (SOLS), previously named, the Chickasaw Regional (Public) Library System, serves approximately 97,368 people in the five (5) county area that includes Atoka, Carter, Johnston, Love and Murray. At the end of FY 2017 SOLS had 76,616 registered borrowers, correlating to 79% of the population of the region. This is an increase of 2,561 library customers; and an increase from 76% to 79% of the service area population.**

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

Presently, financial support for SOLS is at two (2) mills per \$1,000 assessed valuation in all five counties. SOLS is the lowest funded library system in Oklahoma. Most multi-county

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system libraries in the state are funded at a four (4) mill level for all or the majority of their counties. Pioneer (Multi-County) Library System, headquartered in Norman, is now funded at six (6) mills. Municipal single county libraries are at five (5) + mills (such as Metropolitan Library System in Oklahoma City and Tulsa City County Library System in metropolitan Tulsa).

**TRUSTEES**

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 the spring of 2013, the Oklahoma State Legislature passed legislation that allows cities that have a branch within the library system and a population under 2,000 to have a representative to the Board of Trustees. This applies to the City of Wilson, Oklahoma, thus giving SOLS fourteen (14) Trustees.

FY 2017/18 Trustees are as follows:

<u>Board Member</u>	<u>Represents</u>	<u>Location</u>
Tracie Mordy	City	Ardmore
Gary Farabough	County	Carter
Tara Huddleston	City	Atoka
Glenda Graham-Byrd	County	Atoka
Tabbe Drake	City	Davis
Jared Wilson	City	Healdton
Janice Price	City	Lone Grove
Novice Boyd	County	Johnston
Ron Jacobs	City	Marietta

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Lisa Hamilton	County	Love
Janet Carter	City	Sulphur
Dr. Rebecca Jacobs-Pollez	City	Tishomingo
Janet Mathis	County	Murray
Colby Mitchell	City	Wilson

**PERSONNEL**

Paid employees for FY 2016/17 include eighteen (18) full-time professional, paraprofessional and other support staff along with two (2) part-time personnel. For accounting purposes, branch managers who work 30+ hours per week are considered "full-time" employees. Total personnel expenditures were \$1,176,684 for FY 2016/17. As with most service industries, personnel expenditures is the largest line item in the budget. SOLS has had a **significant increase in programming and customer assistance** at all libraries for the past four years. Headquarters staff covers branch libraries when the branch managers are away for professional development and personal time. SOLS continues to use a technology consultant who is under contract for all IT work and responsibilities. This cost is reflected in the contractual area of the budget.

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

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**SERVICES**

In the spirit of “free public access” endorsed, promoted and practiced by libraries throughout the United States, SOLS serves the citizens in the five-county region and beyond in a multitude of ways. SOLS provides information and access to information in a seamless manner in many formats: print, electronic within the library and to remote locations (home, office, etc.), specialized on-line databases, E-Books, instruction through classes and individual assistance as needed, programs for young people and adults, DVDs and microfilm (i.e., *The Ardmoreite* from beginning of publication). Services include, but are not limited to, reference, reader’s advisory, Interlibrary Loan and diverse programming for all ages. Many of SOLS’ customers do not know how to access specialized information, resources, employment applications and other forms without the assistance of skilled library personnel. E-Reader classes and one-on-one assistance is ongoing. Many customers need help downloading E-books and learning more about their particular E-reader device. Whenever possible, SOLS partners with other state, regional and local community organizations to provide resources and programs with a cost savings and some resources that would not be readily available without these networks. All SOLS libraries have meeting rooms that are available and free to the public.

**ANNUAL CIRCULATION & USE OF LIBRARIES**

Customer use of all SOLS libraries and resources for FY 2016/17 totals 1,170,832. This includes circulation of materials and E-books; use of public access computers; in-house use of materials (newspapers, reference books, periodicals, microfilm, etc.); program attendance and reference questions. This is an increase of 21,895 uses over the previous year.

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E-Books and E formats have become an increasingly popular and important source of reading, audio and video materials for SOLS customers. The System has its own "Advantage Account" for these items. SOLS also belongs to an Oklahoma Public Library Consortium for these downloadable resources. Although we pay a small portion the Consortium is primarily supported by a grant from the Oklahoma Department of Libraries.

A statistical review of patron activity for SOLS libraries shows the following breakdown for FY 2016/17:

Circulation-----	1,170,832	-----	(12% per capita)
Computer/Internet-----	159,334	-----	(up 14,539)
In-house Use-----	249,566	-----	(down 9,214)
Program Attendance-----	36,891	-----	(up 8,133)
Interlibrary Loan-----	398	-----	(down 376)
Reference Transactions---	45,493	-----	(874 per week or 47% per capita)
Advantage Account -----	23,627	-----	out of 557 items (paid for by SOLS)
Consortium Account -----	928	-----	out of 44,587 items (public library membership)

All SOLS libraries have an increasing number of people using wireless services both in the facilities and in our parking lots. In 2016/17, we have been able to track wireless use on a relatively reliable basis....but not perfect by any means. This is partially reflected in the large increase in Internet usage for the year. New wireless devices were installed at all libraries. Licensing and support was renewed in FY 2017. Wireless use is estimated to be 134,593 for 2016/17.

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Roughly \$188,037 was spent in FY 2017 to provide informational and recreational materials, as well as electronic access, in an effort to better serve the public. This does not include over \$135,680 in E-Rate discounts for Internet and Telecommunications access. These discounts are discussed later in this report. While traditional print formats are important, SOLS' focus is on offering more electronic online resources throughout the region to reach more citizens and those who have been classified as "non-users" and/or "non-readers." All of SOLS' databases can be used remotely, but statistical data for these services is difficult to track. Currently a total of 41 Licensed Databases are available for SOLS patrons. These Databases are available to patrons within SOLS libraries and are accessible remotely at their home and/or at their office if they have a library card.

**FINANCIAL OVERVIEW FOR FISCAL YEAR 2016/2017**

FY 2017 Budget (Income & Expenditures)	-	\$1,803,385
FY 2017 Actual Income	-	\$2,124,600
FY 2017 Expenditures	-	\$1,748,392
FY 2017 Expenditures (with depreciation)	-	\$1,903,241

The major portion of SOLS' funding comes from county ad valorem taxes of two (2) mills, as mentioned above. Ad Valorem generated \$1,565,606 in income for FY 2016/17.

Another source of SOLS' income is State Aid, administered by the Oklahoma Department of Libraries (ODL). FY 2017 State Aid of \$52,122 was received. Because of funding cuts at the state level, state aid continues to be reduced annually. This downward trend will continue for the foreseeable future due to budget cuts at the state level. The formula is based on population and the square miles within the multi-county district.



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"Other income" for SOLS varies from year to year, depending on projects, programming, available grant funding and miscellaneous income. Another variation in income is shown in the area of "Royalty Income" from the Michael Bevins estate. In FY 2016/17 royalty income was \$8,261, showing a significant decrease from the previous year.

Funding for programming is a small but extremely important part of SOLS' income. While it is a marginal dollar amount of the overall budget, it is significant in the "value added" range of SOLS' services targeting young people, families and adults. It supports the fact that community businesses, organizations and individuals feel that SOLS' programming for infants and toddlers, young people and adults is important for our communities. Funding for programming includes donations and grants. In FY 2016/17, SOLS received approximately \$504,041 for Summer Reading Program and other miscellaneous income. This income includes a \$425,000 grant from the Children's Charitable Reading Trust, which is to be spent over a three (3) year time frame. This does not reflect matching "grants" from the Oklahoma Humanities (OH) for "Let's Talk About It, Oklahoma" programs which are held in SOLS libraries.

One important source of funding for SOLS for the past nineteen (19) years that is not directly reflected in the budget is the Universal Service (aka E-Rate) discounts for telephone and Internet services for schools, public libraries and rural health agencies. For SOLS, the FY 2016/17 discount for Internet and telephone services for all libraries was over \$135,680. Annually, it varies depending on the discount percentage which is based on the free and reduced school lunch rate for each local district in which the community library is located. Universal Service discounts are approved by the Schools and Libraries Division (SLD) of the Universal Service Administration Company, a division of the Federal Communication Commission (FCC). As previously noted, there is a multi-tiered annual application process which is complex, time consuming and problematic at best. The discounts for these services

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are absolutely essential for SOLS to provide high speed Internet access and Wi-Fi access. Over the past couple of years, improved technology access and higher “speeds” has allowed SOLS to increase broadband speeds at all libraries. The application process for E-Rate discounts has become so complex and time consuming, we have hired the consulting firm of Kellogg & Sovereign to work with us on our applications for the past few years. Oklahoma USF program no longer funds regional toll free lines for SOLS, but it does fund a portion of Internet connectivity, that is not covered by the Schools and Libraries Division of the FCC.

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

**PROGRAMING**

**SOLS’ programming includes, but is not limited to, the following:**

- **Summer Reading Program (SRP)**

SOLS participates in the statewide program sponsored by the Oklahoma Department of Libraries. More programs were held at each SOLS library from May through July. Funding to engage regional performers, such as magicians, ventriloquists, puppeteers and professional storytellers is supported by local businesses, organizations and private partners. SRP in FY 2017 included 499 programs with an increase in teen and family programs. Total program attendance for children and teens system-wide for the past four (4) years is as follows:

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FY 2017	-	13,350
FY 2016	-	9,225
FY 2015	-	7,939
FY 2014	-	7,532

The increase in the number of programs and the attendance has been significant for the past four (4) years. Because of staff focusing on additional programming, attendance made huge gains in FY 2017. This year's SRP theme was "Build A Better World."

- **Preschool Story Time Programs**

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

- **"Let's Talk About It, Oklahoma"**

For many years SOLS has hosted this adult reading and discussion series which is a theme-based program. It is funded by the Oklahoma Humanities (OH) and partially funded by the National Endowment for the Humanities. OH grants for FY 2017 programming totaled \$5,000. Each theme-based series has four (4) to five (5) literary works pre-selected for participants to read and discuss with a guest scholar and as a group.

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- **Carolyn Watson Rural Oklahoma Community Foundation Grant for Atoka County**

With this \$8,800 grant staff provided a variety of programming for 906 citizens, mostly low income, and of all ages in Atoka, Stringtown and Tushka. Programs ranged from computer classes for older adults; Snap Circuit classes for tweens and teens; crockpot cooking; and story times at which literacy packets were distributed in the schools and at the library.

With some of the funding, a learning center was established in the Atoka County Library. It is used by students of all ages.

- **Health Literacy Programming**

Having received two (2) previous grants from the Oklahoma Department of Libraries (ODL) for health literacy programming, staff applied for and received a \$6,103 grant to continue with this programming which included a variety of classes for all ages. Programs ranged from “hoops” classes for Seniors as a form of exercise; health harvest canning classes at every SOLS library that taught people how to make cranberry jam or sauce and salsa; chair exercise classes at the Veteran’s Center; exercise classes at the Boys and Girls Club after school; creative cooking and health choices for two people and for brown bag lunches; Tai Chi classes and many other programs emphasizing health habits.

During FY 16/17 SOLS sponsored 110 healthy living programs, with 1,795 citizens attending throughout the System.

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- **Other Programs**

Throughout the year a variety of programs are held at all SOLS libraries. Staff continues to conduct Brainfuse classes in the schools so that school teachers and teens learn how to use this valuable tutoring database. Healdton has a variety of instructional classes, including sewing on a sewing machine. In addition to "Let's Talk About It, Oklahoma", the Love County Library hosts an adult book club. The Davis Public Library has a weekly program for teens called "Magic the Gathering". The Youth Services Coordinator does programs weekly for Cities and Schools after school program. The Branch Coordinator teaches craft classes throughout the year at all SOLS libraries. These are **only a few** programs offered throughout the System.

### **MAJOR PROJECTS FOR 2016/17**

After nearly two years of planning and coordinating the renovation of the Ardmore Headquarters Library, as well as completing a Marketing/Branding Study leading to a name change for the System and a name for the Ardmore Library, staff settled into promoting all SOLS library services. There was and still is a focus on getting the public accustomed to our new name, Southern Oklahoma Library System. The feedback from library customers and supporters has been positive.

SOLS continues to move forward with recommendations made by Waddell Pointer in the Marketing/Branding Study. A large focus for the past year has been on revising and updating the Web Page. A comprehensive brochure that serves as a marketing tool was put together with the assistance of Waddell Pointer. The Web Page and brochure have assisted with "rebranding" efforts in all communities served by SOLS.

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**DIRECTOR'S STATEMENT**

With dedicated staff members and supportive Trustees and communities, SOLS has made much progress in the past twenty (21) plus years. But we still have miles to go. Increasing the millage in each county will be an enormous hurdle and require a huge investment of time and resources from staff, Trustees and "Friends." Though the Marketing/Branding Study did not recommend a millage increase at that time, this Director feels it is critical to the future of the Southern Oklahoma Library System as we make every effort to provide the best possible services to the citizens in our five (5) counties. The cost of qualified staff, as well as library materials and resources is impacted by continuous economic inflation.

For additional information contact Lynn A. McIntosh at (580) 223.3164.

**Southern Oklahoma Library System**  
**Combined Statements of Revenues, Expenditures & Changes in Fund Balances**  
**Budget to Actual**  
**For the fiscal year ended June 30, 2017**  
**(Unaudited)**

	Proposed Budget	Approved Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Ad Valorem Taxes	\$ 1,474,220	\$ 1,496,885	\$ 1,565,606	\$ 68,721
Oklahoma Department of Libraries:				
State Aid	56,000	55,000	60,916	5,916
Other Grant Revenues	175,000	175,000	463,375	288,375
Interest Revenue	1,500	1,500	1,327	(173)
Miscellaneous & Gift Revenue	72,000	75,000	33,476	(41,524)
<b>Total Revenues</b>	<b>1,781,720</b>	<b>1,803,385</b>	<b>2,124,700</b>	<b>321,315</b>
<b><u>EXPENDITURES</u></b>				
Current -				
Staff Expenditures	1,200,000	1,300,000	1,177,073	122,927
Operating Expenditures	350,000	350,000	448,587	(98,587)
Capital Expenditures -	121,720	38,385	32,933	5,452
Library Materials	110,000	115,000	89,799	25,201
<b>Total Expenditures</b>	<b>1,781,720</b>	<b>1,803,385</b>	<b>1,748,392</b>	<b>54,993</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Gain (Loss) on Disposal of Assets				
Bad Debt Expense			(120,317)	(120,317)
Depreciation	-	-	(157,264)	(157,264)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ \$ -</b>	<b>\$ \$ -</b>	<b>\$98,727</b>	<b>\$ 98,727</b>

The above does include library construction receipts and expenditures

## **JACKSON, FOX and RICHARDSON**

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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 of Southern Oklahoma Library System, as of and for the year ended June 30, 2017, 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 Library as of June 30, 2017, 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 A.

**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**

*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 management's discussion and analysis and budgetary comparison information on pages 3-14, which are the responsibility of management, 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 13, 2017, on our consideration of the Southern Oklahoma Library System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Jackson Fox" followed by a stylized flourish.

Ardmore, Oklahoma  
October 13, 2017

**Southern Oklahoma Library System**  
**Government-Wide Statement of Net Position-Modified Cash Basis and**  
**Governments Funds Balance Sheet-Modified Cash Basis**  
**June 30, 2017**

<u><b>ASSETS AND OTHER DEBITS</b></u>	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and Cash Equivalents	\$ 1,061,157		\$ 1,061,157
Grant Cash & Renovation Fund-N	-		-
Receivables-Note E	-		-
Prepaid Expenses	18,770		18,770
Property, Plant and Equipment:			
Vehicles	116,831		116,831
Land	166,000		166,000
Building	984,582		984,582
Materials Collection	505,151		505,151
Equipment and Furniture	885,724		885,724
Less: Accumulated Depreciation	(1,560,862)		(1,560,862)
Deferred Outflows of Resources			
Other Debits			
Total Assets and Other Debit:	<u>\$ 2,177,353</u>		<u>\$ 2,177,353</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:			
Accounts Payable	\$ -		\$ -
Accrued Payroll and Related Cost	16,714		16,714
Due to Other Funds	-		-
Total Liabilities	<u>\$ 16,714</u>		<u>\$ 16,714</u>
Deferred Inflow of Resources			
Fund Balances:			
Nonspendable	1,097,426	(1,097,426)	-
Spendable			
Committed	-		-
Unrestricted	\$ 1,063,213	\$ (1,063,213)	\$ -
Total Equity and Other Credit	<u>2,160,639</u>	<u>(2,160,639)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 2,177,353</u>		

Net Position:			
Net Investment in Capital Assets		1,097,426	1,097,426
Spendable			
Restricted		0	-
Unrestricted	\$ 1,063,213		1,063,213
Total Net Assets	<u>\$ 2,160,639</u>		<u>\$ 2,160,639</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, 2017**

<b><u>EXPENDITURES</u></b>	<b>General Fund</b>	<b>Statement Adjustments of Activities</b>
Current		
Staff Expenditures	\$ 1,177,073	\$ 1,177,073
Supplies and Other Expenditures	29,081	29,081
Operations	419,506	419,506
Bad Debt Expense	120,317	120,317
Capital Outlay		
Equipment/Furnishing & Other		
Fixed Assets-Depreciation	157,264	157,264
<b>Total Expenditures</b>	<b>1,903,241</b>	<b>1,903,241</b>
<b><u>REVENUES</u></b>		
Ad Valorem, Sales Tax		
& City Support	1,565,606	1,565,606
Oklahoma Dept of Libraries	8,794	8,794
State Aid	52,122	52,122
Other Grants/Donations	463,375	463,375
Fundraising Income (net of expense)	-	-
Other Revenues	33,476	33,476
Interest Revenue	1,327	1,327
<b>Total Revenues</b>	<b>2,124,700</b>	<b>2,124,700</b>
<b>CHANGE IN NET POSITION</b>	<b>221,459</b>	<b>221,459</b>
<b>FUND BALANCE/NET POSITION, JULY 1, 2016</b>	<b>1,939,180</b>	<b>1,939,180</b>
<b>ADJUSTMENTS</b>		
<b>FUND BALANCE/NET POSITION, JUNE 30, 2017</b>	<b>\$ 2,160,639</b>	<b>\$ - \$ 2,160,639</b>

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, 2017**

**Cash flows from Operating Activities:**

Cash received from taxes, grants, gifts and charges	2,123,373
Cash paid to suppliers for goods, services and program expenses	(448,587)
(increase) decrease in prepaid expenses	(18,770)
Increase(decrease) in payroll liabilities	2,777
Cash paid to and for employees	<u>(1,177,073)</u>

Net cash provided (used) by operations 481,720

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

Informational materials	(89,799)
Building Renovation	(20,992)
Furniture & Fixtures	<u>(11,960)</u>

Net cash provided (used) by capital and related financing activities (122,751)

**Cash flows from Investing Activities**

Investment-Interest Income	<u>1,327</u>
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Net cash provided (used) from investing activities 1,327

Net increase(decrease) in cash and cash equivalents 360,296

Cash and cash equivalents July 1, 2016 700,861

Cash and cash equivalents June 30, 2017 1,061,157

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

Net Income	221,459
Interest income	(1,327)
(increase) decrease in receivables	120,317
(increase) decrease in prepaid expenses	(18,770)
depreciation	157,264
Increase (decrease) in liabilities	2,777

Cash provided by operating activities 481,720

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

**Southern Oklahoma Library System**  
**Notes to Financial Statements**  
**June 30, 2017**

**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, 2009, 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 Net Assets and Statement of Cash Flows display information about the reporting government as a whole.

1. Basis of Accounting

The Library prepares its financial statements on the 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 30 years for building and 5-7 years for all other assets.

**Southern Oklahoma Library System**  
**Notes to Financial Statements - Continued**  
**June 30, 2017**

**4. Contributed Facilities**

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

**5. Grants**

The Library records income from grants in the period received.

**6. Cash and Cash Equivalents**

The Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair value, which is determined using a selected basis. Short-term investments are reported at cost, which approximates fair value.

**7. Income Taxes**

No provision is made for income taxes. The Library is exempt from taxes under the Internal Revenue Code Section 501(c)(3). The Library files a Form 990 with the IRS annually. Generally, income tax returns related to the current and three prior years remain open for examination by taxing authorities.

**Note C - Employee Benefits**

**1. Retirement**

The Library maintains two retirement plans; a deferred compensation plan under Internal Revenue Code Section 457, wherein the Library contributed up to 7% of an employee's salary after five or more years of consecutive service and a 403 (b) plan wherein the Library contributes up to 7% after five or more consecutive years of service. The Library froze entrance into the IRC Section 457 plan and makes all employee contributions into the new plan. Contributions for the year ended June 30, 2017 were \$55,753.

**2. Compensated Absences**

Compensated absence is paid for terminating employees up to 240 hours of accumulated annual leave. No sick leave or holiday leave is vested. Total potential liability for compensated absences at June 30, 2017, was \$86,901.

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

**Federal Grants**

The Library undertook the expansion and renovation of the Mary E. Parker Memorial Library, Sulphur branch in Sulphur, Oklahoma. As of June 30, 2011 construction is complete, but funding and/or commitments are not complete. The board elected to forgive the receivable from the Sulphur library and a bad debt expense of 120,316.52 was recorded.

The Library undertook the renovation of the Champion Public Library, Ardmore Branch and main library in 2015 and 2016. As of June 30, 2017 renovation is complete and all associated costs have been paid.

**Southern Oklahoma Library System  
Notes to Financial Statements - Continued  
June 30, 2017**

	Ardmore Renovation Fund	Total
Beginning Committed Cash	\$18,174	\$ 18,174
Construction Costs	18,174	18,174
Committed Cash	\$0	\$ 0

The committed cash was restricted by third parties and/or the library for the specific use of library construction. The remaining net assets in the amount of \$1,921,081 are unrestricted by third parties.

Unrestricted net assets	\$ 1,063,213
Committed net assets	0
<b>Total Net Assets</b>	<b>\$ 1,063,213</b>

**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.

**Note F - Concentrations of Credit Risk**

During the year, the Library maintained deposits of cash in excess of the federally insured amounts. However, the Bank has pledged sufficient collateral to secure the deposits. The following schedule discloses the insured and collateralized amounts.

The Library's bank deposits are categorized below per GASB Statement 3 to give an indication of the level of risk assumed at year-end. Deposits of the Library are carried at cost. The carrying amount of deposits is stated in the balance sheet as "cash" and "certificates of deposits and savings."

Deposits by type at June 30, 2017, are as follows:

Deposits	Risk Category			Bank Balance	Financial Statement Carrying Amount
	1	2	3		
Demand deposits	\$ 8,934	-0-	\$ -0-	\$ 8,934	\$ (29,193)
Certificates of Deposit	-0-	-0-	-0-	-0-	-0-
Money Market	250,000	840,350	-0-	1,090,350	1,090,350
Totals	\$ 258,934	\$ 676,651	\$ -0-	\$1,099,284	\$ 1,061,157

- (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.

**Southern Oklahoma Library System**  
**Notes to Financial Statements – Continued**  
**June 30, 2017**

**Note G - Economic Dependency**

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

**Note H - Risk Management**

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

**Note I – Changes in Capital Assets**

The following provides a summary of changes in capital assets:

	Land	Automated Equipment	Building	Furniture and Fixtures	Informational Materials	Vehicles	Totals
Balance July 1, 2016	\$ 166,000	\$ 355,170	\$963,609	\$ 518,594	\$502,646	\$ 116,831	\$ 2,622,850
Increases	0	0	20,973	11,960	89,799	0	122,732
Decreases	0	0	0	0	87,294	0	87,294
Balance June 30, 2017	166,000	355,170	984,582	530,554	505,151	116,831	2,658,288
Accumulated Depreciation Balance July 1, 2016	0	347,793	417,918	334,490	290,192	100,574	1,490,892
Increase	0	4,363	17,548	28,414	101,028	5,911	157,264
Decrease	0	0	0	0	87,294	0	87,294
Balance June 30, 2017	0	352,156	435,466	362,904	303,926	106,485	1,560,862
Net Governmental Activities Balance June 30, 2017	\$ 166,000	\$ 3,014	\$ 549,116	\$ 167,650	\$ 201,225	\$ 10,346	\$ 1,097,426

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, 2012 (5 years).

**Note J – Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date of June 30, 2017 through the date of issuance of these financial statements, October 13, 2017, 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 - Cash Basis  
Year ended June 30, 2017  
(Unaudited)**

Salaries	\$ 907,890
Payroll Taxes	73,110
Employee Benefits	196,073
Contractual Expense	155,886
Equipment Repair and Maintenance	10,847
Supplies	29,081
Postage	2,244
Publicity/Marketing	27,707
Janitorial	14,020
Grant Expense	102,599
Insurance	20,001
Utilities, Telephone	18,386
Vehicle Operations	3,565
Dues	3,518
Continuing Education	9,539
Travel and Mileage	10,926
Revaluation	29,489
Outreach Expense	8,506
Miscellaneous, other	<u>2,273</u>
TOTAL	<u>\$1,625,660</u>

**Southern Oklahoma Library System  
Schedule of Federal and State Financial Assistance  
Year ended June 30, 2017  
(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	\$ 52,122	\$ 52,122	\$ 52,122
United States Government passed through the Oklahoma Department of Libraries				
Library Sciences and Technology Act				
Health Literacy	45310	8,000	7,294	8,461
STEM Grant	45310	1,500	1,500	1,553
National Endowment for the Humanities passed Through the Oklahoma Humanities Council				
Let's Talk About It		<u>5,000</u>	<u>5,000</u>	<u>4,887</u>
Total State of Oklahoma Assistance		<u>\$ 66,622</u>	<u>\$ 65,916</u>	<u>\$ 67,023</u>

# JACKSON, FOX and RICHARDSON

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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 the accompanying financial statements of the governmental activities of Southern Oklahoma Library System (the Library), as of and for the year ended June 30, 2017, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 13 2017. Those financial statements are presented on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles and, accordingly, are not intended to present financial position and results of operations in accordance with generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

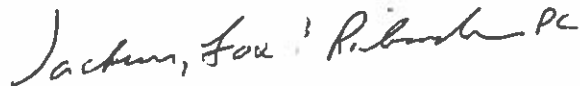
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during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

Compliance and Other Matters:

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

Purpose of this Report

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



Ardmore, Oklahoma  
October 13, 2017