

**SOUTHERN OKLAHOMA LIBRARY SYSTEM
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
JUNE 30, 2016**

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

TABLE OF CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS	3
COMBINED GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, STATEMENT OF BUDGET TO ACTUAL	22
INDEPENDENT AUDITORS' REPORT	23
FINANCIAL STATEMENTS	
GOVERNMENT-WIDE STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS-CASH BASIS AND GOVERNMENTS FUNDS ASSETS, LIABILITIES AND FUND BALANCES-CASH BASIS	25
GOVERNMENT-WIDE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS-CASH BASIS AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-CASH BASIS	26
GOVERNMENTAL FUND STATEMENT OF CASH FLOWS - CASH BASIS	27
NOTES TO FINANCIAL STATEMENTS	28
SUPPLEMENTAL INFORMATION	32
SCHEDULE OF PROGRAM AND SUPPORT SERVICES EXPENSES - CASH BASIS	33
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE	34
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	35

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

MISSION STATEMENT

“The Mission of the Southern Oklahoma Library System (previously 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, the (Chickasaw Regional (Public) Library System) serves approximately 97,296 people in the five (5) county area of Atoka, Carter, Johnston, Love and Murray. At the end of FY 2016 SOLS had 74,055 registered borrowers, correlating to 76% of the population of the region. This is an increase of 2,150 library customers; and an increase from 74% to 76% 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 per capita in Oklahoma. Most

**Management Discussion & Analysis
 Southern Oklahoma Library System
 Previously the
 (Chickasaw Regional Library System)
 For the Year Ending June 30, 2016
 (Unaudited)**

multi-county 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.

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 2016/17 Trustees are as follows:

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

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

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

**Being Replaced by Jared Wilson October/November, 2016

PERSONNEL

Paid employees for FY 2015/16 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 \$1,204,147 for FY 2015/16. 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 three 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!

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

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. 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. At the Ardmore Headquarters, SOLS has two (2) NetBook computers which are checked out to library customers in good standing.

ANNUAL CIRCULATION & USE OF LIBRARIES

Customer use of all SOLS libraries and resources for FY 2016 totals 1,106,892. This includes circulation of materials, use of public access computers, in-house use of materials (newspapers, reference books, periodicals, microfilm, etc.), program attendance and reference questions. This is an increase of 22,380 uses, and correlates to 11.37 transactions per capita.

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

A statistical review patron activity at SOLS libraries shows the following breakdown for FY 2015/16:

Circulation-----	1,148,937	-----	(up 64,425 or 11.81 per capita)
Computer/Internet-----	144,795	-----	(up 67,485)
In-house Use-----	258,780	-----	(up 21,462)
Program Attendance-----	28,758	-----	(up 7,054)
Interlibrary Loan-----	774	-----	(down 85)
Reference Transactions----	32,136	-----	(618 per week or .33 per capita)

All SOLS libraries have an increasing number of people using wireless services both in the facilities and in our parking lots. In 2015/16, 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 2016.

Roughly \$208,916 was spent in FY 2016 to provide informational and recreational materials, as well as electronic access, in an effort to better serve the public. This does not include over \$50,000 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 42 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.

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

FINANCIAL OVERVIEW FOR FISCAL YEAR 2015/2016

FY 2016 Budget (Income & Expenditures)	-	\$2,013,401
FY 2016 Actual Income	-	\$1,914,132
FY 2016 Expenditures	-	\$2,257,769
FY 2016 Expenditures (with depreciation)	-	\$2,416,459

Carry over funding from the previous year and transfer of monies for renovation were used to cover expenditures. The major portion of SOLS' funding comes from county ad valorem taxes of two (2) mills, as mentioned above. Ad Valorem generated \$1,608,928 in income for FY 2015/16.

Another source of SOLS' income is State Aid, administered by the Oklahoma Department of Libraries (ODL). FY 2016 State Aid of \$54,861 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.

"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 2015/16 royalty income was \$18,032, a significant decrease of \$4,978 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

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

programming includes donations and grants. In FY 2016, SOLS received approximately \$122,527 for Summer Reading Program and other miscellaneous income. This does not reflect matching "grants" from the Oklahoma Humanities Council (OHC) for "Let's Talk About It, Oklahoma" programs which are held in SOLS libraries.

One important source of funding for SOLS for the past fifteen (15) 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 2015/16 discount for Internet and telephone services for all libraries was over \$50,000. 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 are absolutely essential for SOLS to provide high speed Internet access and efficient telephone and operating systems. 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. Oklahoma USF program no longer funds regional toll free lines for SOLS, but it does fund a portion of Internet connectivity.

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.

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

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 2016 included 215 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:

FY 2016	-	9,225
FY 2015	-	7,939
FY 2014	-	7,532
FY 2013	-	5,017

The increase in the number of programs and the attendance has been significant for the past four (4) years.

- **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.

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

- ***“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 Council (OHC) and partially funded by the National Endowment for the Humanities. OHC grants for FY 2016 programing totaled \$4,989. 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.

MAJOR PROJECTS FOR FY 2015/16

There were two (2) major projects under taken by the System during FY 2015/16. One was the Marketing and Branding Study that led to a System name change and naming of the Ardmore Headquarters Library. The other large project was the renovation of the Ardmore Headquarters Library while continuing to provide public services during all but about one week of that time frame.

MARKETING/BRANDING STUDY

During FY 2014/15 the Board of Trustees agreed that the System should entertain the possibility of engaging a reputable marketing firm to do a study that would provide information on the System’s name and the public’s confusion about the “Chickasaw Library System’s identity, purpose and “ownership.”

A small Board/Staff Committee was set up to interview Oklahoma Marketing firms who specialize in “branding” studies. Three outstanding firms based in Oklahoma City were interviewed by the Director and then the full committee.

Waddell Pointer & Associates was selected to do the Marketing/Branding Study. At the **September 8, 2014** meeting, the Board of Trustees voted to hire Jeaneen Pointer and pay up to \$50,000 for a comprehensive study. As outlined by Pointer, the study would consist of

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

telephone surveys, focus groups in each of the System's library communities and in depth interviews by key leaders in each community.

In February, 2015, 200 Ardmoreites were interviewed via telephone by a credited research call center. Those interviewed were randomly selected. Fifty-four percent (54%) of those interviewed were female; forty-six percent (46%) were male. The 200 calls "achieved a plus/minus 96% confidence level." The survey questions were drafted by Pointer and approved by the Board/Staff Committee.

Overall, the telephone survey revealed many interesting responses. There was a clear indication that, as we expected, there was a lot of confusion on the part of the public on who the Chickasaw Regional Library System serves and who owns the entity. In many cases, the respondents' answers contradicted an answer from a previous question.

For instance in questions #18 – 23, "*The Chickasaw Library System...is open to everyone.*" Eighty-five (85%) of the respondents strongly agreed.

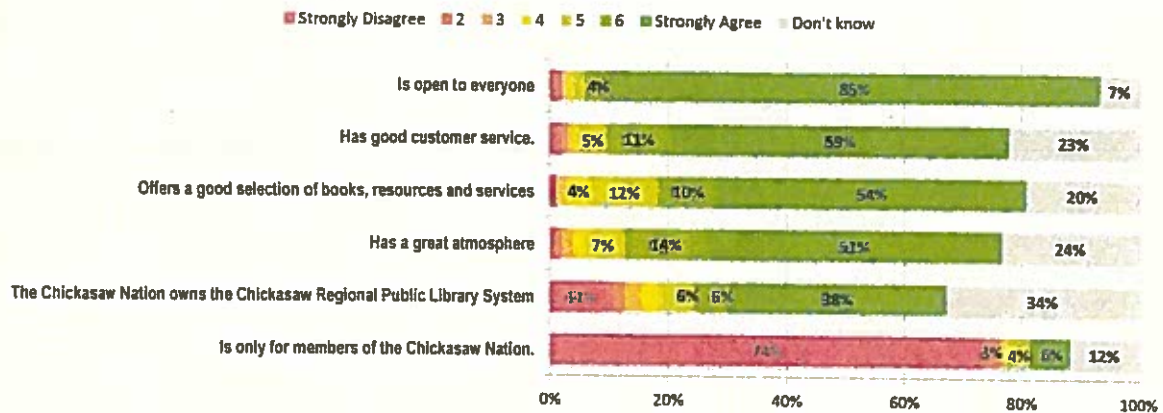
However, to the statement that "The Chickasaw Nation owns the Chickasaw Regional Library System," thirty-eight (38%) of the respondents **strongly** agreed; another twelve percent (12%) rather agreed; sixteen percent (16%) disagreed; and thirty-four percent (34%) did not know.

In question #17, the surveyor asked, "What comes to mind when you think of the Chickasaw Regional Library System?" Seventeen percent (17%) responded that it is a "Good Library/Nice Place." Fourteen percent (14%) responded, "Indian Territory Owned." Sixteen percent (16%) answered, "Don't Know."

Answers to questions 18-23 and 24-29 reveal some interesting responses as well. Compare and contrast how these 200 participants answered questions about the Chickasaw Regional Library System (Q 18-23) and The Ardmore Public Library (Q 24-29). (See following page.)

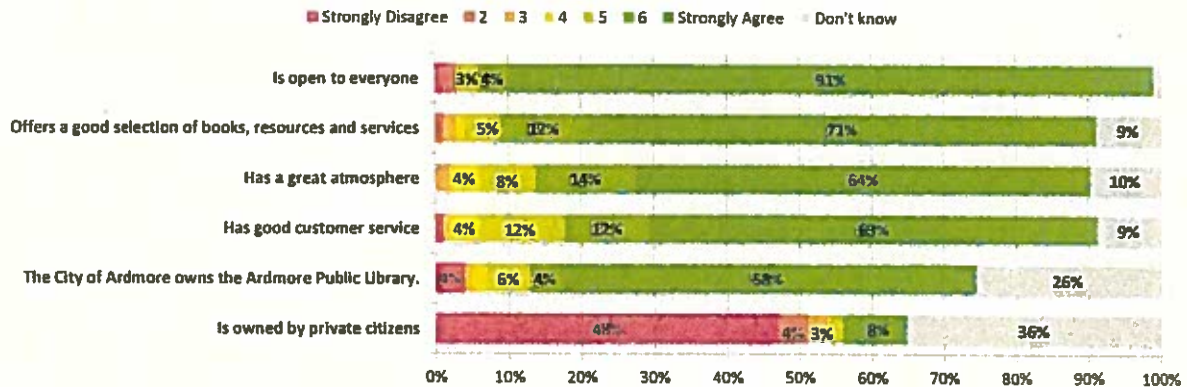
The Chickasaw Public Library System... Q18-23

18



The Ardmore Public Library System... Q24-29

19



Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

The Marketing/Branding Study also included interviews and roundtable discussion groups (focus groups) with key community leaders and “influencers.” Questions for both purposes were written by Pointer and Associates and approved by the Board/Staff Committee.

All staff members and Trustees submitted lists of key leaders/influencers in their communities. The Board/Staff Committee edited the lists and submitted names to Pointer. The Executive Director contacted every person in each community asking them to participate. The response was very positive.

Nine (9) roundtable discussion groups were held at neutral sites rather than library locations. Approximately sixty-four (64) people attended the roundtables and were served breakfast or lunch. Two roundtable groups with a total of twenty-four (24) people were held in Ardmore because of the larger population and because Ardmore is the community where there seemed to be the most uncertainty over the “Chickasaw” name and the library “ownership.”

A total of 114 people were interviewed or participated in a discussion group. During these two phases of the study, it was again made quite clear that the greatest confusion regarding the name was in the Ardmore community. People in branch communities regard their library as their city library (i.e., Davis Public Library) and do not think much about the System name. The largest number of personal interviews were in the Ardmore/Lone Grove area and were also conducted in neutral locations. A few had to be done by telephone.

The roundtable discussions and interviews brought many perspectives and a great deal of useful information to the table. Much of what was gathered was positive, but there were some comments that were not so positive. For Ardmore, 55% of those participating

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

were library users either at Chickasaw or Ardmore Public. Non library users were 45% of this group.

In comparing CRLS' Ardmore Library with Ardmore Public, users found CRLS' staff friendly, helpful and service oriented. They felt we are known for our Summer Reading Programs and a lot of other programming. They stated that our facility was small and "box – like," and that we had fewer computers. Some also thought our location was "off the beaten path." However, they felt that CRLS' staff is known in the community and perceived positively.

As to who owns the Chickasaw Regional Library System and how it is funded, very few in the Ardmore area knew the answer. There were a variety of answers. In the branch communities there were more who knew that the System was not owned by the Chickasaws, but it was not clear for many.

When asked if they considered libraries serving Ardmore and Lone Grove valuable resources contributing to the overall culture of the community, the answers were overwhelmingly "yes". Even those more affluent citizens who rarely use a library expressed that they felt the libraries provide access to services that help with literacy, education, job searches and entertainment.

A possible millage increase to better fund the System was not viewed positively by those in Ardmore or outlying communities. Some expressed that they felt that a private fundraising effort would be more successful. Eighty percent (80%) of the Ardmore participants said "they would support a library fundraising program"...if the library tells their story as to why funding is needed. **All Ardmore participants felt the name should be changed if new avenues of funding are pursued.**

**Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)**

In outlying communities there was also no support for a millage increase, but many indicated that they would support other fundraising efforts, especially if they thought the “money would stay in their local community to support the local library.”

The Marketing/Branding Study concluded with the following recommendations;

Recommendations

- ▶ The Chickasaw Regional Library System should refrain from pursuing a millage increase at this time.
- ▶ The name of the system should be changed to eliminate any obstacles to funding and to strategically position the system for future growth and greater funding. However, none of the rural facility names should be changed but rather, continue to reflect the system as they have in the past.
 - ▶ Establish Mission – Vision – Core Values – Why does the system exist?
 - ▶ Define the System's Story – What is our value to the communities we serve?
- ▶ The CRLS should define, initiate, and implement a fundraising campaign in each community that offers a broad range of short and long-term opportunities for giving as well as means to achieve a sustainable effort.
 - ▶ Define specific needs
 - ▶ Involve a broad base of defined groups
 - ▶ Create a wide range of methods in order to generate participation from different groups
- ▶ Reinvigorate the Friends of the Library in each of the communities served.

Recommendations - Continued

- ▶ A comprehensive rebranding and marketing plan should be formulated that includes:
 - ▶ A new logo that will be utilized across the system with particular emphasis in Ardmore and Lone Grove since the system name also serves as the local library name.
 - ▶ Integrating the nostalgia of the Book Mobile into campaign.
 - ▶ A communication plan designed to educate, inform and engage all of the communities served in greater utilization of the libraries and the services offered, broaden the scope of audiences interfacing with the library, and position the library system for growth. The plan will be multi-pronged in approach, will utilize all methods of promotion, and will be tailored to the individual markets represented in the CRLS. Areas of emphasis will include:
 - Website/Social Media/eCommunication
 - Print Materials – brochures, flyers, posters, signage, promotional items
 - Program Offerings
 - Advertising – television, print and radio
 - Media Promotions and Coverage
 - Direct Mail and Promotional messaging
 - Integration of CRLS into community events, activities and civic organizations

Recommendations - Continued

- ▶ Develop a technology plan to address the extensive need for increased accessibility to this component in each of the libraries.
 - ▶ Address both long and short-term goals
- ▶ Address the ongoing frustration associated with limited library hours in all markets.
- ▶ Design a program to integrate and connect the CRLS more effectively with schools, universities, school librarians and parents of students in order to facilitate greater utilization and perceived value among this particular group of constituents for the purpose of cultivating the next generation of library users and supporters.

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

At the September 14, 2015 meeting, after a great deal of discussion and consideration, the Board of Trustees voted unanimously to change the name of the System to the "Southern Oklahoma Library System." At this meeting, the Board also voted to change the name of the Ardmore Headquarters Library and asked Pointer to bring potential names to a future meeting.

At the March 14, 2016 meeting, the Board of Trustees voted to change the name of the Ardmore Library to "Champion Public Library," in honor of the Champion/Mordy family who donated the land for the building.

The System name, as well as the Ardmore library name, remained confidential until a grand opening of the newly renovated Ardmore library on May 24, 2016.

REMODEL OF THE ARDMORE HEADQUARTERS LIBRARY

Along with the Marketing/Branding Study the other major project of FY 2015-2016 was the remodel of the Ardmore Headquarters Library. Fundraising for this project began in FY 2010/11 when we received a \$50,000 grant from the Oklahoma Department of Libraries (ODL) for the renovation. Over several years a total of \$427,387 was raised for the renovation, new furnishings and signage.

In FY 2012/13, a remodel design was drafted by CRLS staff, consultants from ODL and other industry specialists. Most of the new flooring was purchased and held in storage until more money could be raised for the project.

RFD Construction, LTD put together a contract for the remodel in October 2015. The contract was signed in November 2015 with Corner, Greer & Associates as the architects

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

for the project. Demolition and construction of the library proper was scheduled to begin in January 2016.

In November 2015, staff began weeding, sorting and moving all library materials. Storage trailers (5 in all) were rented and moved to the back of the building for storage of materials and furniture. An office trailer was rented and placed in the parking lot to be used as "meeting room space." With the assistance of DOC workers and a supervisor, the meeting room was set up as a mini library out of which we could continue to provide library services, including computer and Internet connectivity. The remainder of library materials, computers and furniture was moved to storage trailers that could be accessed on a daily basis for materials for customers.

Demolition and construction of the library space began in late January 2016. During the months of April and May, shelving was rebuilt and the move back into the library began. RFD workers demolished the meeting room and bathrooms, and then began renovation construction in those spaces. Throughout the entire renovation, the Ardmore library was only closed one week! We were fortunate enough to have two (2) DOC workers and a supervisor assist with the move back into the building.

We (staff and Board), as well as library customers, are pleased with the remodel of both the library and meeting room. Our only regret is that we were unable to include the office space in the renovation due to the cost and the inconvenience of relocating the business staff, office equipment and files. Renovation of the office space will be delayed until a future date.

To date, RFD Construction has been paid \$302,968. Corner, Greer & Associates has been paid \$13,806 for architectural services. Cultural Surroundings has been paid \$186,756 for furnishings. There are a few additional furnishings coming in the near future.

Management Discussion & Analysis
Southern Oklahoma Library System
Previously the
(Chickasaw Regional Library System)
For the Year Ending June 30, 2016
(Unaudited)

On May 24, 2016 we hosted a Grand Opening to “unveil” the newly renovated Ardmore library and announce the new System name...the “Southern Oklahoma Library System” and the “Champion Public Library” as the Ardmore branch. Over two hundred (200) people attended and were given book bags, tumbler cups, note pads, mouse pads and magnets sporting the new System name, logo and colors to help market the name changes and the new look of the Ardmore Champion Public Library. Susan McVey, Director of the Oklahoma Department of Libraries, made introductory remarks at the event. Board Chair John Veazey and the Executive Director Lynn McIntosh talked about the name change for the System and the Ardmore Branch Library.

DIRECTOR’S STATEMENT

SOLS continues to move forward with recommendations made by Waddell Pointer in the Marketing/Branding Study. Our focus for the past few months has been on revising and updating our Web Page and putting together a comprehensive brochure that will serve as a marketing tool. The Web Page and brochure will assist with our “rebranding” efforts in all communities.

Though the past dedicated staff members and supportive communities, SOLS has made much progress in the past twenty (20) 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.”

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

**Southern Oklahoma Library System
 Combined Government-Wide and Fund Financial Statements
 Statement of Budget to Actual
 For the fiscal year ended June 30, 2016
 (Unaudited)**

	<u>Proposed</u>	<u>Approved</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Budget</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>REVENUES</u>				
Ad Valorem Taxes	\$ 1,483,201	\$ 1,483,201	\$ 1,608,928	\$ 125,727
Oklahoma Department of Libraries:				
State Aid	61,000	59,000	54,861	(4,139)
Other Grant Revenues	225,000	400,000	188,805	(211,195)
Interest Revenue	1,400	1,200	1,004	(196)
Miscellaneous & Gift Revenue	72,000	70,000	60,534	(9,466)
Total Revenues	1,842,601	2,013,401	1,914,132	(99,269)
<u>EXPENDITURES</u>				
Current -				
Staff Expenditures	1,005,000	1,050,000	1,226,458	(176,458)
Supplies & Other Expenditures	349,763	510,000	422,862	87,138
Capital Expenditures -	320,000	353,401	522,610	(169,209)
Library Materials	110,000	100,000	107,785	(7,785)
Total Expenditures	1,784,763	2,013,401	2,279,715	(266,314)
<u>OTHER FINANCING SOURSES (USES)</u>				
Gain (Loss) on Disposal of Assets				
Depreciation	-	-	(139,744)	(139,744)
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>				
	\$ 57,838	\$ -	\$(505,327)	\$ (505,327)

The above does include library construction receipts and expenditures

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

Southern Oklahoma Library System

Ardmore, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of Southern Oklahoma Library System, as of and for the year ended June 30, 2016, 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 cash basis of accounting described in Note A; this includes determining that the 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- cash basis, that are free from material misstatement, whether due to error or fraud.

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.

Management has elected to use the cash basis of accounting, whereby income is recorded when received and expenses are recorded when paid. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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 assets, liabilities, and net position-cash basis of the governmental activities and general fund of Southern Oklahoma Library System, as of June 30, 2016, and the respective changes in revenues, expenses, and net positions-cash basis and general fund cash flows-cash basis, thereof for the year then ended in conformity with the cash basis of accounting.

Other Matters

Required Supplementary Information

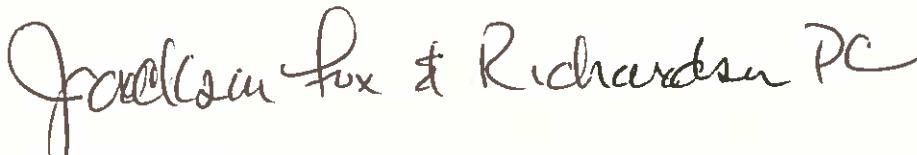
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying supplemental information, including the schedule of federal and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used in the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016, 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.



Ardmore, Oklahoma
November 9, 2016

Southern Oklahoma Library System
Government-Wide Statement of Assets, Liabilities and Net Position-Cash Basis and
Governments Funds Assets, Liabilities and Fund Balances-Cash Basis
June 30, 2016

<u>ASSETS AND OTHER DEBITS</u>	General	Adjustments	Statement of Net Position
Assets:			
Cash and Cash Equivalents	\$ 682,688		\$ 682,688
Grant Cash - Note D	0		0
Renovation Fund – Note D	18,174		18,174
Receivables – Note E	120,292		120,292
Prepaid Expenses			
Property, Plant and Equipment:			
Vehicles	116,831		116,831
Land	166,000		166,000
Building	963,609		963,609
Materials Collection	502,646		320,879
Equipment and Furniture	873,764		1,316,180
Less: Accumulated Depreciation	(1,490,967)		(1,490,967)
Deferred Outflows of Resources			0
Other Debits			0
Total Assets and Other Debits	\$ 1,953,037	0	\$ 1,953,037
<u>LIABILITIES, FUND BALANCE/NET ASSETS</u>			
Liabilities:			
Accounts Payable	\$ (40)		\$ (40)
Accrued Payroll and Related Costs	13,897		13,897
Due to Other Funds			
Total Liabilities	13,857	0	13,857
Deferred Inflow of Resources	0	0	0
Fund Balances:			
Nonspendable	1,131,883	(1,131,883)	0
Spendable			
Committed	18,174	(18,174)	0
Unrestricted	789,123	(789,123)	0
Total Equity and Other Credits	1,939,180	(1,939,180)	0
Total Liabilities Fund Balances	\$ 1,953,037		0
Net Position:			
Invested in Capital Assets		1,131,883	1,131,883
Spendable			
Committed		18,174	18,174
Unrestricted		789,123	789,123
Total Net Assets		\$ 1,939,180	\$ 1,939,180

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

Southern Oklahoma Library System
Government-Wide Statement of Revenues, Expenses, and Changes in Net Position-Cash
Basis and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund
Balances-Cash Basis
For the Fiscal Year Ended June 30, 2016

	<u>General Fund</u>	<u>Statement Adjustments of Activities</u>
<u>EXPENDITURES</u>		
Current--		
Staff Expenditures	\$ 1,226,458	\$ 1,226,458
Supplies & Other Expenditures	33,678	33,678
Operations	389,185	389,185
Capital Outlay		
Equipment/Furnishing & Other		
Fixed Assets-Depreciation	139,744	139,744
Total Expenditures	<u>1,789,065</u>	<u>1,789,065</u>
<u>REVENUES</u>		
Ad Valorem, Sales Tax &		
City Support	1,608,928	1,608,928
Oklahoma Dept of Libraries	13,907	13,907
State Aid	54,861	54,861
Other Grants/Donations	177,904	177,904
Fundraising Income (net of expense)	0	0
Other Revenues	57,528	57,528
Interest Revenue	1,004	1,004
Total Revenues	<u>1,914,132</u>	<u>1,914,132</u>
CHANGE IN NET POSITION	125,067	125,067
FUND BALANCE/NET ASSETS, JULY 1, 2015	<u>1,798,573</u>	<u>1,798,573</u>
PRIOR PERIOD ADJUSTMENT	15,540	15,540
FUND BALANCE/NET ASSETS JUNE 30, 2015	<u><u>\$ 1,939,180</u></u>	<u><u>\$ 1,939,180</u></u>

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

**Southern Oklahoma Library System
Governmental Fund Statement of Cash Flows - Cash Basis
Year ended June 30, 2016**

<u>Cash flows from Operating Activities:</u>	
Cash received from taxes, grants, gifts and charges	\$ 1,913,128
Cash paid to suppliers for goods, services and program expenses	(422,863)
Prior period adjustment for underreported income	15,540
Reduction in payroll liabilities	(3,883)
Cash paid to and for employees	<u>(1,226,458)</u>
 Net cash provided (used) by operations	 275,464
 Cash flows from capital and related financing activities:	
Transfers from Renovation Account Informational materials	 (107,785)
 Building Renovation	 (327,228)
Furniture & Fixtures	(186,756)
Net cash provided (used) by capital and related financing activities	 <u>(621,769)</u>
 <u>Cash flows from Investing Activities</u>	
Investment (interest income)	<u>1,004</u>
Net cash provided (used) from investing activities	<u>1,004</u>
 Net increase (decrease) in cash and cash equivalents	 (345,301)
 Cash and cash equivalents July 1, 2015	 <u>1,046,162</u>
 Cash and cash equivalents June 30, 2016	 <u>\$ 700,861</u>
 Reconciliation of operating income to net cash provided (used) by operating activities:	
Net income	\$ 139,603
Adjustments to reconcile operating income to net cash provided by operations	
Decrease in Receivables	0
Depreciation	139,744
(Decrease) Increase in liabilities	<u>(3,883)</u>
Cash provided by operating activities	<u>\$ 275,464</u>

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

Southern Oklahoma Library System
Notes to Financial Statements
June 30, 2016

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

2. Budgets

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

3. Depreciation

Property and equipment are recorded at cost. Depreciation of property and equipment is provided using the straight-line method over the estimated service lives of the assets. Service lives are 30 years for building and 5-7 years for all other assets.

Southern Oklahoma Library System
Notes to Financial Statements - Continued
June 30, 2016

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, 2016 were \$58,443.

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, 2016, was \$81,258.

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 Library undertook the renovation of the Champion Public Library, Ardmore Branch and main library in 2015 and 2016. As of June 30, renovation is complete

**Southern Oklahoma Library System
Notes to Financial Statements - Continued
June 30, 2016**

	Ardmore Renovation Fund	Total
Beginning Committed Cash	\$220,864	\$ 220,864
Interest Income		0
Total Local Support	155,377	155,377
Total Grants, Contributions	376,241	376,241
Transfers	119,645	119,645
Construction Costs	514,060	514,060
Committed Cash	\$18,174	\$ 18,174

The \$18,174 of committed cash is 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	\$ 1,921,081
Committed net assets	18,174
Total Net Assets	\$ 1,939,255

Note E - Related Parties

In order to facilitate support for the Library in the local communities, local chapters known as Friends of the Library are established to receive contributions for library improvements. Each chapter has an advisory board. Some of these chapters have separately incorporated as IRS Code 501-(c)-(3) non-profit organizations. They raise funds for informational materials, fixtures and equipment, and construction funds for the local community library. The Receivables balance of \$120,292 is for funds advanced for the completion of the Mary Parker Library in Sulphur..

Note F - Concentrations of Credit Risk

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

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

Deposits by type at June 30, 2016, are as follows:

Deposits	Risk Category			Bank Balance	Financial Statement Carrying Amount
	1	2	3		
Demand deposits	\$ 24,211	-0-	\$ -0-	\$ 24,211	\$ 24,211
Certificates of Deposit	-0-	-0-	-0-	-0-	-0-
Money Market	-0-	676,651	-0-	676,651	676,651
Totals	\$ 24,211	\$ 676,651	\$ -0-	\$700,862	\$ 700,862

- (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, 2016

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, 2015	\$ 166,000	\$ 768,433	\$636,306	\$ 352,439	\$1,113,294	\$ 116,831	\$ 3,153,303
Increases	0	0	327,303	186,756	107,785	0	621,844
Decreases	0	413,263	0	20,601	718,433	0	1,152,297
Balance June 30, 2016	166,000	355,170	963,609	518,594	502,646	116,831	2,622,850
Accumulated Depreciation Balance July 1, 2015	0	748,682	409,371	342,632	908,097	94,663	2,503,445
Increase	0	12,299	8,547	12,459	100,528	5,911	139,744
Decrease	0	413,263	0	20,601	718,433	0	1,152,297
Balance June 30, 2016	0	347,718	417,918	334,490	290,192	100,574	1,490,892
Net Governmental Activities Balance June 30, 2016	\$ 166,000	\$ 7,452	\$ 545,691	\$ 184,104	\$ 212,454	\$ 16,257	\$ 1,131,958

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, 2013 (3 years).

Note J – Subsequent Events

Management has evaluated all events subsequent to the balance sheet date of June 30, 2016 through the date of issuance of these financial statements, November 9, 2016, 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, 2016
(Unaudited)**

Salaries	\$ 955,695
Payroll Taxes	77,289
Employee Benefits	193,474
Contractual Expense	168,595
Equipment Repair and Maintenance	20,847
Supplies	40,593
Postage	4,778
Publicity/Marketing	34,051
Janitorial	10,298
Grant Expense	30,081
Insurance	18,283
Utilities, Telephone	20,353
Vehicle Operations	2,567
Dues	3,465
Continuing Education	2,790
Travel and Mileage	6,964
Revaluation	28,787
Outreach Expense	26,464
Miscellaneous, other	<u>3,947</u>
TOTAL	<u>\$1,649,321</u>

**Southern Oklahoma Library System
 Schedule of Federal and State Financial Assistance
 Year ended June 30, 2016
 (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	\$ 54,861	\$ 54,861	\$ 54,861
United States Government passed through the Oklahoma Department of Libraries				
Library Sciences and Technology Act				
Health Literacy	45310	8,000	4,461	4,461
Network Assessment	45310	4,202	4,202	4,202
Continuing Education Grant	453100000	3,705	759	759
STEM Grant	45310		12,474	12,474
National Endowment for the Humanities passed Through the Oklahoma Humanities Council				
Let's Talk About It		<u>4,989</u>	<u>5,898</u>	<u>5,898</u>
Total State of Oklahoma Assistance		<u>\$ 75,757</u>	<u>\$ 82,655</u>	<u>\$ 82,655</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Southern Oklahoma Library System
Ardmore, Oklahoma

We have audited the accompanying financial statements of the governmental activities of Southern Oklahoma Library System (the Library), as of and for the year ended June 30, 2016, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 9, 2016. 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.

Jackson Fox & Richardson PC

Ardmore, Oklahoma
November 9, 2016