



SOUTHEAST OKLAHOMA LIBRARY SYSTEM

Special Investigative Audit

March 10, 2025

Cindy Byrd, CPA
State Auditor & Inspector

**SOUTHEAST OKLAHOMA LIBRARY SYSTEM
COAL COUNTY LIBRARY**

SPECIAL INVESTIGATIVE AUDIT

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**TO THE HONORABLE TIM WEBSTER DISTRICT ATTORNEY, OF THE 19TH
DISTRICT**

Presented herein is the special investigative audit report of the Coal County Library operated by the Southeast Oklahoma Library System. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide services to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act in accordance with 51 O.S. §§ 24A.1, *et seq.*

Sincerely,

A handwritten signature in blue ink that reads "Lisa Hodges".

LISA HODGES, CFE, CGFM
DEPUTY OKLAHOMA STATE AUDITOR & INSPECTOR



Executive Summary

Why We Conducted This Audit

The District Attorney for the 19th District, in accordance with 74 O.S. § 212(H), requested a special investigative audit to determine the operating costs of the Coal County Library, which is operated by the Southeast Oklahoma Library System.

What We Found

Ad Valorem Revenue (Page 2)

Ad valorem taxes remitted from Coal County to the Southeast Oklahoma Library System were deposited and included in the financial records of the System.

Operating Costs of the Coal County Library (Page5)

The costs of operating the Library for FYE June 30, 2022, was \$466,007.¹ These costs include overhead and shared costs with other libraries in the System.

Other Issues (Page 5)

Coal County and the City of Coalgate were not operating with an approved interlocal agreement with the Southeast Oklahoma Library System. Currently, the only document that could be produced was an unsigned Interlocal Agreement more than 40 years old. This Agreement between the System and the City of Coalgate, reflects Choctaw Nation Multi-County Library System which is the previous name of the library system.

If the association between the City, the County, and the System is to continue an Interlocal Agreement should be signed and approved by all parties. The Agreement should properly document the responsibilities and support of each party in their continued funding and management of the Library.

The City of Coalgate recently appointed a member to the Board of Trustees for the Southeast Oklahoma Library System effective March 26, 2024. Prior to this, the position had been vacant since June 21, 2022. The City and the County should ensure that they timely appoint members to the System's Board of Trustees to ensure that the entities and their respective taxpayers are properly represented.

¹ See the detailed Income and Expense Statement at Exhibit 1.

TABLE OF CONTENTS

Introduction..... 1

Objectives

Ad Valorem Revenue..... 2

Operating Costs of the Coal County Library 5

Final Thoughts 7

Exhibit 1 - Income and Expenses Statement..... 8

Exhibit 2 - Interlocal Agreement (Unsigned) 10

Exhibit 3 - City of Coalgate Ordinance #H366..... 13

Introduction

The Coal County Library (the Library) is located in the City of Coalgate and is managed through the Southeast Oklahoma Library System pursuant to 65 O.S. § 4-101 and financed under Article 10 Section 10A of the Oklahoma Constitution. The Library joined the system in 1980 at which time the system was named the Choctaw Nation Multi-County Library System before being renamed the Southeast Oklahoma Library System (the System). On June 30, 1980, the Coal County Commissioners passed a resolution and an interlocal agreement was drafted between Coal County (the County) and the City of Coalgate (the City) outlining details for providing and paying for utility services. Neither party has been able to locate a signed agreement.² This has led to disagreements between all parties involved as to which party is responsible for the Library's utility payments.

Since the Library's inception into the System, the City has paid its utility costs. In May 2022, the City, upon advice of legal counsel, voted to stop paying the utility costs since there was no official interlocal agreement in place requiring payment. The City now represents that they no longer intend to pay these costs. The System argues that it should not be responsible for paying the utility costs and suggests that the City continue to pay the costs or that the County pay the costs. The County holds that it should not be responsible for paying the utility costs and suggests that the System should pay the costs. Since May 2022 utility costs have been paid by private donations.

Based on this information, the District Attorney requested a special investigative audit of the Library to help determine:

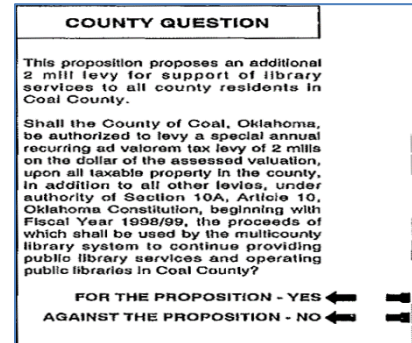
- 1) If ad valorem revenue amounts from the County have been properly remitted to the System, and
- 2) If costs associated with operating the Library include overhead and shared costs with other libraries in the System.

² See the unsigned agreement at Exhibit 2.

Ad Valorem Revenue

Overview

In December of 1979, the Choctaw Nation Multi-County Library System, which is now the Southeast Oklahoma Library System, was approached by a resident of Coalgate about the possibility of Coal County joining the Multi-County Library System. During this time, representatives of the Oklahoma Department of Libraries were contacted, and they recommended the Choctaw Nation Multi-County Library System consider accepting Coal County because the County had withdrawn from another system in November 1979. This system was the only other library system that bordered Coal County. On April 8, 1980, the Coal County Board of County Commissioners presented a letter to the Choctaw Nation Multi-County Library System, requesting to join their system. The Board voted to accept Coal County into the system under the conditions that the city and county would provide a library facility and utilities, vote a 2-mill ad valorem tax levy for library support, and pending final approval by the Oklahoma Department of Libraries Board.



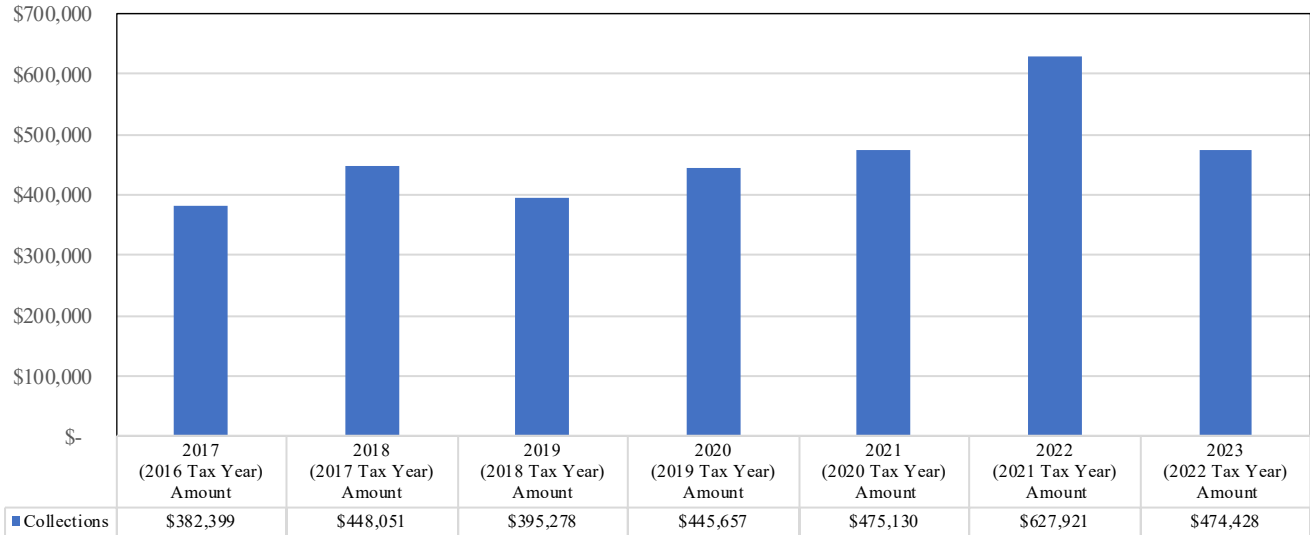
On June 24, 1980, the residents of Coal County voted and approved a 2-mill ad valorem tax levy to join the Choctaw Nation Multi-County Library System. On June 1, 1998, the Coal County Board of County Commissioners approved for a special election to be held on August 25, 1998, for an additional 2-mill ad valorem tax levy for support of library services in Coal County. This was approved by the voters and went into effect during the fiscal year ending June 30, 1999.

Title 65 O.S. § 4-101 provides, in part:

Counties, cities, and towns are hereby authorized and empowered to join in creation, development, operation and maintenance of public libraries to serve multicounty systems, and to appropriate and allocate funds for the support of such systems. Such systems shall provide equitable library services in the district.

Ad Valorem Collections Comparison for Fiscal Years 2017 through 2023

Coal County Library Ad Valorem Tax Revenue



The Ad Valorem Collections for Coal County have gradually increased from fiscal year 2017 through fiscal year 2023 due to oil and gas activity within the County. During this comparison range, fiscal year 2022 had the highest amount for collections totaling \$627,921. This was followed by a decrease of \$153,493 in collections for fiscal year 2023, which totaled \$474,428. This percentage decrease of (24.44%) is due to protested tax amounts. Upon reviewing the Independent Auditor’s Report for the Southeast Oklahoma Library System for fiscal year ending June 30, 2023, there was a Going Concern Note in the Notes to the Financial Statements for this significant amount of Ad Valorem Tax being protested.

NOTE 12 – GOING CONCERN

As of year ending June 30, 2023, the System is currently has a significant amount of Ad Valorem Tax being protested by Coal County.

The protested tax amounts from the Coal County Treasurer’s Office were reviewed and it was determined that tax years 2022, 2021, and 2020 are being protested in the amounts of \$2,426,523, \$2,601,537, and \$2,741,746, respectively. The estimated amounts that would be remitted to the System if the taxes were not being protested would be \$87,477, \$100,727, and \$122,195, for the respective tax years.

Ad Valorem Remitted from Coal County

During the fiscal year ending June 30, 2022, the ad valorem tax remitted to the System from the County totaled \$627,921. This amount agrees to the financial records of both the System and the County. The County is under the assumption that ad valorem tax collected and remitted to the System is utilized dollar for dollar for Coal County; however, that is not the case. The System is responsible for utilizing those funds to provide the best services for the System as a whole and at the discretion of their Board of Trustees.

Title 65 O.S. § 4-105(d) provides:

Funds levied and collected pursuant to Article 10, Section [10-10-A] of the Oklahoma Constitution shall be controlled and administered under the direction of the system board.

No Finding *Ad Valorem amounts remitted from Coal County to the Southeast Oklahoma Library System for fiscal year ending June 30, 2022, were deposited, and included in the financial records of the System.*

*Ad Valorem Taxes Remitted to Southeast Oklahoma Library System
for Fiscal Year Ending June 30, 2022*

Remitted by Coal County	Amount Deposited
August 2021	\$ 5,581
September 2021	\$ 4,414
October 2021	\$ 2,545
December 2021	\$ 11,205
January 2022	\$ 273,500
February 2022	\$ 80,078
March 2022	\$ 11,307
April 2022	\$ 83,263
May 2022	\$ 9,178
June 2022	\$ 76,582
July 2022	\$ 70,268
Total	\$627,921

Operating Costs of the Coal County Library

Overview

By law, the System requires participation from both the City and County where the library is located. Per the original agreement³ between the City and the County, and the Choctaw Nation Multi-County Library System, it was contracted that the City and County would provide the necessary facilities and utilities for the Coal County Library. The County owns the library building and collects and distributes applicable ad valorem taxes and the City, per Ordinance H366, provides the maintenance and utilities and is eligible to appoint one member to the multi-county library board.⁴

Costs

The costs of operating the Library for FYE June 30, 2022, was \$466,007.⁵ These costs include overhead and shared costs with other libraries in the System.

Other Issues

Finding ***Coal County and the City of Coalgate are not operating under an approved agreement with the Southeast Oklahoma Library System. The only documents that can be produced are an unsigned interlocal agreement and city ordinance that references the former name, Choctaw Nation Multi-County Library System from the Oklahoma Department of Libraries.***

If the association between the City and the County is to continue, an interlocal agreement should be completed and signed by the City and approved by the Board of County Commissioners annually.

Because of the lack of an official interlocal agreement, the City, upon advice of legal counsel, voted to stop paying the utility costs of the Library. As previously discussed, neither the City, the Council, nor the System have agreed to pay the utility costs necessary to continue the Library services.

Finding ***Effective March 26, 2024, the City of Coalgate appointed a member to the System's Board of Trustees. Prior to this appointment, the position had been vacant since June 21, 2022.***

Former Trustee Joe Pasquali sent an email to Michael Hull, Executive Director of the System on June 1, 2022, stating “please accept this email as my formal letter of resignation effective 06/02/2022.” During the meeting on June 21, 2022, the Board of Trustee seat for the City of Coalgate was declared vacant. A review of the Board Meeting minutes back to July 21, 2020, reflected that Pasquali had been absent eight of the 13 meetings held.

³ See Exhibit 2

⁴ See Exhibit 3

⁵ See the detailed Income and Expense Statement at Exhibit 1.

Cities and counties have a statutory obligation to appoint members to the library system board. The City of Coalgate's position was vacant for 21 months before a board member was appointed. Stephanie Wilson-Bellentini was appointed to the vacated position effective March 26, 2024.

Title 65 O.S. § 4-103(A) provides, in part:

The Board of Trustees of a library system containing two or more counties, herein defined as a multicounty library system, shall consist of at least five (5) members. There shall be at least one member from each county appointed by the board of county commissioners. Additional members shall be appointed by each city within the system with a public library located in the city, with these appointments to be made by the governing body of the city.

Final Thoughts

Going forward, the County should consider the best option for the taxpayers of Coal County.

Should the County stay within the System, they would need to work with the City of Coalgate and SOLS to enter into an agreement that outlines the responsibilities of each of the parties. That could include maintenance, utilities, or capital improvements to the library located in Coal County.

The County could withdraw from the System pursuant to 65 O.S. § 4-102 which states in part:

Any library system created under the provisions of this Code may be terminated, or a part thereof may withdraw and resulting special tax levies shall be discontinued only by majority vote of qualified electors voting in an election called by petitions signed by not less than twenty (20%) percent of the qualified electors voting in the latest preceding general election of the county or counties wishing to terminate or withdraw.

Should this occur, the assets and other property located in the Coal County Library would be disposed by the Oklahoma Department of Libraries Board pursuant to 65 O.S. § 4-105(C) which states in part:

In case of withdrawal of a county or abolishing of a library system, disposal assets, including capital equipment and other property of the library district, shall be made in the most equitable manner possible as determined by the Oklahoma Department of Libraries Board, who shall give consideration to such items as the original source of the property, the amount of funds raised from each county of the system, and the ability of the counties to make further use of such property or equipment for library purposes.

Any funds collected pursuant to Article 10, Section [10-10-A] of the Oklahoma Constitution shall be controlled and administered under the direction of the System Board pursuant to 65 O.S. § 4-105(D).

Coal County could join another multi-county library system as long as the County is adjacent to another County that is a member of that system. This would still require a vote of the people and approval by the Oklahoma Department of Libraries Board, as well as the board of the system for which they would join.

Coal County is currently collecting ad valorem tax at a levy rate of 4 mills. Through a vote of the people, Coal County could reduce the levy rate collected to no less than 1 mill pursuant to Article 10, Section [10-10-A] of the Oklahoma Constitution which states in part:

In a county having less than one hundred fifty thousand (150,000) population, according to the most recent Federal Decennial Census, the special annual recurring ad valorem tax levy shall not be less than one (1) mill nor more than four (4) mills on the dollar of the assessed valuation of all taxable property in the county.

Exhibit - 1

**Southeast Oklahoma Library System
County Equity Report (Coal County)
Income and Expenses
Fiscal Year Ended June 30, 2022**

	<u>Coal County</u>
Income	
Ad Valorem Taxes (Remitted by County)	\$ 627,921
State of Oklahoma (State Aid)	4,593
Fees and Charges	1,989
Donations (Branch Discretionary)	474
Grant Income	3,162
In Kind Donations	111
Total Income June 30, 2022	<u>638,250</u>
Expenses	
Payroll Expenses:	
Salaries	105,941
FICA/Medicare Expense	8,037
Unemployment Tax	523
Retirement Fund Contribution	15,085
Health Insurance Compensation	23,826
Public and Technical Services:	
Maintenance Contracts	5,593
Special Programs & Supplies	2,339
Operating Expenses:	
Human Resources	949
Telephone Expense	924
Continuing Education	375
Postage & Box Rent	80
Board Travel	80
Employee Travel	626
Vehicle	84
Equipment Rental & Repair	3,467
Insurance Expense	1,062
System Supplies	1,186
Advertising and Marketing	963
Memberships	50
Furniture & Equipment	5,367
Revaluation Fees	4,566

Continued to next page

Source: *County Financial Report (presented for informational purposes)*

Exhibit 1 - continued

**Southeast Oklahoma Library System
County Equity Report (Coal County)
Income and Expenses
Fiscal Year Ended June 30, 2022 - Continued**

	<u>Coal County</u>
Continued from previous page	
Operating Expenses (Continued):	
Computer Equipment & Software	6,013
Automation Support	2,898
Professional Fees	3,938
Miscellaneous Expense	35
Branch Information Materials:	
Bibliographic Services	29,431
Downloadable Materials	3,109
Outreach Materials-Reading Center	4,663
Online Information	3,867
Grant & Donation Expenses:	
Undesignated Donation Expense	459
Grant Expense	3,162
In Kind Expense	111
Capitalized Expenses:	
Furniture & Equipment	82,191
Computers and Electronics	8,728
Total Direct Expenses	<u>329,728</u>
Allocated Shared Expenses:	
Administrative Share	78,293
Marketing & Outreach Share	17,215
Technical Service Share	26,944
Bookmobile	13,827
Total Shared	<u>136,279</u>
Total Expenses June 30, 2022	<u>\$ 466,007</u>
Net Income June 30, 2022	<u>\$ 172,243</u>

Audited financial statements are available by searching 'Southeast Oklahoma Library System' under the *Audit Report Search* on the website: www.sai.ok.gov.

Source: *County Financial Report (presented for informational purposes)*

Exhibit 2 - Interlocal Agreement (Unsigned)

CONTRACT

This contract made and entered into this ____ day of _____, 1980, by and between the City of Coalgate and the County of Coal, Oklahoma, hereinafter referred to as City/County, and the Board of Trustees of the Choctaw Nation Multi-County Library System, hereinafter referred to as the Library System:

WITNESSETH:

WHEREAS, the City/County (has heretofore been and) is now the owner of a complete library operated for the benefit of the public within the trade area of the City; and

WHEREAS, the Library System has been established pursuant to Title 65, Chapter 3, Oklahoma Session Laws 1967, and the residents of Coal County, Oklahoma, have approved a two-mill levy under the provisions of Article X, Section 10-A, of the Oklahoma Constitution; and

WHEREAS, it appears to be in the best interests of the residents of the City of Coalgate, County of Coal, and other counties comprising the Library System, that the parties hereto combine their efforts to provide the best possible library service;

NOW, THEREFORE, in consideration of the promises, the benefits to accrue to the parties hereto, and the mutual covenants, conditions and obligations of the parties hereinafter set forth to be faithfully kept and performed by them, it is expressly understood and agreed as follows:

THE CITY/COUNTY HEREBY AGREES TO DO AND PERFORM THE FOLLOWING:

- (1) To provide and make available to the Library System, a suitably sheltered space, hereinafter referred to as the Library, to house the materials and personnel necessary for the Library System's performance of this contract; and
- (2) To provide within the Library suitable wall, floor, and ceiling coverings, moldings, doors, windows, and all permanent equipment and fixtures associated with the structure and with the utilities supplied for the structure; and
- (3) To provide the landscaping and maintenance of the Library grounds; and to be responsible for all expenditures for damage to the exterior of the building, windows, parking lots, air conditioning and heating, structure, and structural equipment and fixtures of said Library facility; and
- (4) To provide and promptly pay for adequate heating, lighting, air conditioning, telephone, and other utility services for said Library; and

Exhibit 2 - Interlocal Agreement (Unsigned) - Continued

(5) To provide fire and extended coverage insurance of the Library facility, and further, to provide public liability insurance for said Library facility and grounds; and

(6) That the City/County agrees to comply with all policies established by the Library System; and

(7) That the City/County make available any statistics necessary for the operation of the Library, ad valorem revenue information and provide ad valorem receipts on a monthly basis as is presently being done by other counties in the Library System.

THE LIBRARY SYSTEM HEREBY AGREES TO DO AND PERFORM THE FOLLOWING:

(1) To provide at the Library, a library staff, library materials, supplies, equipment and furnishings associated with the storage, retrieval, and use of library materials, and services sufficient to meet the community's library needs; and

(2) To provide such special library services as deemed advisable by the Library System to accommodate the library needs of residents of the counties comprising the Library System who are not adequately served from a library; and

(3) To provide the City/County an annual audit of Library System expenditures by a Certified Public Accountant; and

(4) To provide fire and extended coverage insurance on the library materials, supplies, and the equipment and furnishings associated with the storage, retrieval, and use of library materials, contained in the Library; and

(5) To provide from the Library System Service Center, those library services which result in the greatest economies and benefits to the residents of the counties comprising the Library System, through centralization, such services to include, but not be restricted to, technical services, interlibrary loan, administration, audio-visual coordination; and

(6) To cooperate with other libraries within the area served by the Library System, and with other libraries and multi-county library systems outside said area, to share resources and services for the greatest economies and benefits to the residents of the counties comprising the Library System.

IT IS FURTHER MUTUALLY UNDERSTOOD AND AGREED AS FOLLOWS:

(1) That title to all real estate and the improvements thereon, which are the subject of this agreement, which is now vested in the City/County shall remain in the City/County and shall not be affected by this agreement; and

Exhibit 2 - Interlocal Agreement (Unsigned) - Continued

(2) That all library materials, furniture, fixtures, and equipment owned by the City/County prior to the inception of this agreement, or purchased or received as gifts by the City/County thereafter, excluding that given as gifts to the Library System or purchased by the Library System, insofar as is readily ascertainable, shall remain the property of the City/County and will be housed in the Library; and

(3) That the City/County maintains the right to enter the Library at any time during normal business hours of said Library for the purpose of making inspections of the premises; and

(4) That the use of the Library facility for functions other than Library business, shall be governed by the Meeting Room Policy of the Library System which is attached hereto and made a part hereof; and

(5) That the number of hours the Library shall be open to the public shall be established by the Library System as a function of revenue and budgeting; and

(6) That the governing board of this Library System shall consist of two members from Coal County; one to be appointed by the governing body of the City of Coalgate, and one to be appointed by the Board of County Commissioners of Coal County, Oklahoma; and

(7) That this agreement shall continue in force until the first day of July, 1981, and shall thereafter be extended automatically for successive periods of one (1) year, unless either party shall, at least ninety (90) days prior to the end of any such year, give notice in writing to the other that the agreement is to terminate on June 30, next; and

(8) That all contracts and parts of contracts in conflict herewith are hereby repealed.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed by their respective officers as of July 1, 1980.

CITY OF COALGATE

by (Mayor)

ATTEST:

by (City Clerk)

(s.s.)

Exhibit 3 - City of Coalgate Ordinance #H366

SAMPLE ORDINANCE

ORDINANCE NO. #366

An ordinance providing for library service to the City of Coalgate .

Be it ordained by the Mayor and Council of the City of Coalgate ,

Sec. 1 It is the desire of the governing body of the City of Coalgate to provide good library service to city residents, by participation in a multi-county library organized under the Oklahoma Library Code, 65 O.S. 1971, Sections 1 through 7, and financed according to the provisions of the Statutes and of Article 10, Section 10A, Oklahoma Constitution.

Sec. 2. The City of Coalgate is located adjacent to a multi-county library district served by the Choctaw Library System, established and created under the Oklahoma Library Code and approved by the Oklahoma Department of Libraries.

Sec. 3. The governing board of the multi-county library consists of members appointed from each county, including one member appointed by the governing body of each city of two thousand or more population according to the latest Federal census, as provided for in the Oklahoma Library Code.

Sec. 4. The City of Coalgate is eligible to appoint one member to the multi-county library board, having attained a population of 2,000 or more as established by the Federal Census of 1970.

Sec. 5. The City of Coalgate agrees to appoint one person to represent the City on the multi-county library board and to cooperate with the other cities and counties included in the multi-county library district; provided that additional counties may be added to the district upon qualification under State law and approved by the Oklahoma Department of Libraries Board.

Sec. 6. The City of Coalgate will maintain suitable quarters for the Choctaw Library as a branch of the multi-county library, and provide maintenance and necessary utility services of the library quarters and may from time to time at its option appropriate funds for the operation and/or improvement of said Choctaw Library.

Sec. 7. All ordinances and parts of ordinances in conflict herewith are hereby repealed.

Sec. 8. This ordinance shall be in force and take effect from and after its passage, approval, and publication as required by law.

Passed by the Council this 10th day of July , ~~197~~ 1980.

Approved by the Mayor this 10th day of July , ~~197~~ 1980.

Attest:

 A. G. Davenport City Clerk
A. G. Davenport

 Burrey R. Belletini Mayor
Burrey R. Belletini

ODL 10/79

DISCLAIMER

In this report, there may be references to state statutes and legal authorities which appear to be potentially relevant to the issues reviewed by the State Auditor & Inspector's Office. This Office has no jurisdiction, authority, purpose, or intent by the issuance of this report to determine the guilt, innocence, culpability, or liability, if any, of any person or entity for any act, omission, or transaction reviewed. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement, prosecutorial, and/or judicial authorities designated by law.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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