

**INDEPENDENT
ACCOUNTANT'S AUDIT REPORT
SOUTHEAST OKLAHOMA LIBRARY SYSTEM**

JUNE 30, 2022

BY



Southeast Oklahoma Library System
McAlester, Oklahoma
Year Ended June 30, 2022

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SOUTHEAST OKLAHOMA LIBRARY SYSTEM

Prepared by
Michael Hull, Executive Director

Management's Discussion and Analysis
Southeast Oklahoma Library System
For Fiscal Year Ending June 30, 2022

August 15, 2022

Introduction

I believe FY 2022 was SEOLS' most momentous year since the counties voted to double our ad valorem collection twenty-five years ago. In the midst of returning to business as normal after the COVID-19 pandemic, the library system committed to the construction of a new central services office, prepared to receive the library system's first bookmobile since 1975, added a 16th library, and opened the door for assisting local entities with capital improvement and remodeling efforts. In addition, local efforts to raise funds for remodeling the McAlester Public Library proceed, new services have been introduced, and libraries continue to receive updated furniture. I tire myself thinking of all the work put into these projects.

In addition to those projects, last fall the Board of Trustee approved an organizational effectiveness study conducted by Segal Group. Segal presented their findings in the March board meeting. The findings identified strengths of the library system and its management, but it also – and perhaps more importantly – identified areas in which we need growth. Management appreciates the awareness of issues the study revealed and has already taken steps to address areas needing improvement.

In the midst of these great moments, one negative situation casts a pallor over the organization. The Coal County Commissioners, who had expressed satisfaction with the county's increased services in the fall, changed their tenor when the City of Coalgate stopped paying for the Coal County Public Library's utilities in the spring. As of this writing, the commissioners have expressed a desire to explore leaving our library system to create an independent single county system. While this would impact how SEOLS operates, it would ultimately prove detrimental to the library services received by their county's residents.

I want to express both appreciation and gratitude to the Board of Trustees for the opportunity to continue serving them and this growing organization. The following pages will expand upon these brief summaries. I hope you will find as much encouragement in reading about the past year as I found writing about it.

We could not have come out on top as we have without our amazing team. I wish to extend a special thanks to our core leadership team consisting of Business Manager Rhonda Tidwell, Regional Supervisors Linda Potts and Leslie Langley, Technical Services Librarian Miranda Wisor, Marketing Coordinator Eddie Gray, and McAlester Manager Heath Stanfield.

I would be very remiss not to also spotlight administrative assistants Charlene McDonald and Ryan Ward who both work very hard to keep the inner workings clean and in motion. Their ability to focus on and maintain so many of the fine details frees me to handle bigger problems.

Respectfully,

Michael Hull, Executive Director

Governance

At the end of FY 2022 two stalwarts of the board termed out. LeFlore County representative and Board Chair Elise Mitchell came to the board shortly before my arrival in 2015. City of McAlester representative and Board Treasurer Steve Harrison joined shortly thereafter. Both of these individuals served as mentors to me, and I will miss their guidance and wisdom. I'm thankful Don Holt and Joy Maxwell were willing to join Martha Gann as officers for the new year.

Fiscal Year 2022 Trustees were as follows:

<u>Board Member</u>	<u>Represents</u>	<u>Location</u>
Jason Armstrong	City	Talihina
Steve Bryan	City	Wister
Lori Chrestman	City	Wilburton
Martha Gann	County	Choctaw
Steve Harrison	City	McAlester
Don Holt	City	Stigler
Faye House	City	Valliant
JoEllen Jones	City	Idabel
Diane Lynch	City	Heavener
Joy Maxwell	County	Haskell
Elise Mitchell	County	LeFlore
Cindy Munn	City	Hartshorne
Joe Pasquali	County	Coal
Betty Pollard	County	McCurtain
Jayna Santine	County	Pittsburg
Sarma Retchloff	City	Poteau
Brent Shain	City	Hugo
Les Silka	City	Spiro
Cheryl Wood-Myers	County	Latimer
Joanne Verbridge	City	Coalgate
Bobby Weatherford	City	Arkoma
Amanda Williamson	City	Broken Brow

FY 2022 Activities and Services in Review

Our staff focused hard on bringing customers through the doors. COVID had decimated our usage and program attendance. I'm proud for our staff that, while we are not yet back at 2019 usage numbers, we grew leaps and bounds over FY 2021. We ended the year with a very strong summer reading program that brought thousands of people through the doors and produced strong growth in physical circulation. I want to express a heartfelt thanks and congratulations to our staff for the outstanding work they've done. This section discusses many of the projects and tasks that management spent considerable time on in FY 2022.

Nelda Clark Myers Public Library Officially Accepted into System

For the first time since 1997, Southeast Oklahoma Library System added a permanent library. The Nelda Clark Myers Public Library in Quinton, a volunteer library we classified as a Reading Center, started a trial period last year for permanent membership with the system. Their usage during the trial compared favorably with our other Browsing Libraries and the Town of Quinton committed funds to the water, sewer and garbage for the library. Many thanks to library manager Erika Needham for her work there the past year. She has impressed her fellow library managers and been very warmly welcomed by them.

Bookmobile

COVID related supply delays moved the estimated delivery of our bookmobile from its original September of 2021 estimate to July of 2022. First the manufacturer found themselves waiting on an instrument panel. When it arrived, they discovered a faulty alternator. After months of waiting for Freightliner to produce an alternator, our vendor, Farber Specialty Vehicles, found an alternator from a third party and paid to have our vehicle's chassis towed to their plant to begin production.

While we were eager to begin bookmobile service, the delay actually worked out for the best. With the pause of our central services construction and reduced square footage available within our budget for that project, we had time to find a separate, and perhaps better, storage option. By serendipity alone, a local entrepreneur had started construction of a metal building with separate in and out doors for large vehicles and enough room for parking the bookmobile. The building offered additional room for storing books. The board approved the lease of this building and the owner has completed all of the required updates just as we prepare to receive the bookmobile. In the future, we can either extend the lease or make a decision to purchase the property if it suits our needs.

Buildings and Facilities

Broken Bow

The Broken Bow City Council set aside \$140,000 for updating the library carpet, paint and window treatments last year. We timed the city's project to coincide with the purchase of Broken Bow's new service desk. The library now looks amazing, and will impress even more after SEOLS replaces the shelving in FY 2023.

McAlester

The City of McAlester decided last spring that patching the McAlester Public Library roof was no longer tenable. In June 2022 the McAlester City Council approved a bid to replace the library roof. The following month the SEOLS board agreed to split this cost with the city. Driven by considerations of county equity, this decision opened the door for the SEOLS board to consider assisting local entities with other costs. This past November, the SEOLS board responded to a challenge from McAlester's Puterbaugh Foundation to pledge \$1.5 million toward the remodel of the McAlester Public Library. This commitment led to the City of McAlester also agreeing to the same pledge.

In addition to these pledges, we are currently waiting on applications with the Choctaw Nation and the State of Oklahoma (ARPA) for additional anchor funds before going public and active with the fundraising campaign.

Central Services

In June the board approved bids for the construction of a new office to house administration, technical services, marketing, and other centralized positions of the library system. The groundbreaking occurred August 1 of this year and crews estimate completion of the project by April 2023. The bids for the project came in at just over \$2 million.

Staff

SEOLS experienced much higher than usual turnover in the prior two years than we are accustomed. Several retirements and the COVID pandemic caused almost all of this turnover. It was therefore very nice to experience much less turnover in 2022, especially among leadership and management positions.

Broken Bow Public Library Manager

Manager Tonya Schaefer resigned just prior to the start of FY 2022 and was replaced by Sherri Blake. Sherri brought with her several years of management experience at Broken Bow's Wal-Mart, and a strong vision for the library and its customer service.

McAlester Public Library Manager

Manager Ellen Barlow could not return from a leave of absence taken in August of last year. I had appointed Heath Stanfield as interim manager when Ellen first went on leave. Heath did such a fantastic job during the interim that when the position came open, the work he had done and the support from the staff and community left me little choice than to promote him into the position permanently. Heath's work since being given the opportunity has truly transformed the culture of McAlester Public Library for the better. They operate at a high efficiency and with a zeal that had been lacking. Heath's public speaking skills have already assisted the remodel campaign efforts.

Human Resources

In June Human Resources Officer Jo Hunt announced her retirement. Jo worked out of the Patrick Lynch Library in Poteau, and because we do not have space for any more staff in our current central services office, we will not refill the position until closer April when we estimate

moving into our new building. In the meantime, I will be meeting with staff to better understand their HR needs so we can redesign the job description for whoever steps into the role.

Updates and Additions to Policies

Having revisited all but one of our policies in the past 4 years, our work with policy creation and editing was light this year compared to my first several years here.

Updated September 21, 2022: Retention of E-Rate Records
Updated the language to that recommended by USAC.

Updated November 16, 2021: Volunteer Policy
Minor updates regarding the use of minors was included.

Updated January 18, 2022: Circulation Policy
Updated to include new formats.

Updated January 18, 2022: Fees and Charges Policy
Updated to include new formats.

Updated March 22, 2022: Video Surveillance Policy
Language was updated to comply with the Open Records Act.

Updated June 21, 2022: Resource Selection Policy
Along with minor updates, in the event of a formal challenge to the placement of an item in any library's collection, the review committee will now include that library's county and municipal board member.

Updated June 21, 2022: Meeting Facilities Policy
We have made it easier to reserve meetings rooms, and in most cases free with an active library card.

Updated June 21, 2022: Classification and Pay Policy
The scales were increased by 3%. The pay change was effective the first full pay period of July 2022.

Continuing Education

July 2021 marked the return of in-person continuing education opportunities for SEOLS. We sent most of our managers to the 2021 OLA conference in July, which had been postponed from its original spring date, as well as the 2022 OLA conference in March. Several managers and staff presented at the conferences, with strong interest and attendance at each session.

Out of state travel also resumed when we took several managers to the Association of Rural and Small Libraries conference in October. I also attended this conference and found it exemplary. We therefore plan to take the majority of our managers to the ARSL 2022 conference this September. Managers who did not attend ARSL attended the recent Public Library Association conference in Portland, OR. Our reputation among Oklahoma libraries has grown in large part because of what leaders take from these opportunities.

We hosted a virtual in service for all staff on April 18th. While we would have preferred an in person meeting, the planning was too far underway by the time we ended our COVID restrictions. The day focused on big ideas and connection. We assigned staff to virtual breakrooms with a small group for the entire day and gave them an opportunity to interact and get to know their group members.

I held managers meeting every other month. Unlike the previous year, we conducted all but one of these in person. This brought some much needed normalcy to the system's leadership.

Numerous staff were allowed the opportunity to attend webinars and virtual workshops presented by the Oklahoma Department of Libraries and Oklahoma Library Association.

Furniture Projects

This year we continued our efforts to replace the furniture in all of our libraries. Unfortunately, our vendor selected for Coalgate and Hartshorne's service desks and shelving struggled to deliver in a timely manner. Receipt of their furniture components spread across many months. I do not believe this is because of a bad vendor, but rather the limitations on his small business in a post-COVID world and its many supply issues. The vendor chosen for Valliant's shelving and service desk and Broken Bow's service desk, on the other hand, delivered on time. As a larger company, they have better agreements with vendors and own storage to keep more materials on hand. These are factors that should greatly affect which vendors we choose for future projects.

Digilabs

A little more than a year ago, Stigler Public Library manager's Tracy Allred piloted what she coined as a digilab. The digilab includes various equipment to convert outdated media such as VHS, CDs, DVDs, slides, negatives, 8mm film, and photos to digital files. We copied the setup and introduced it into several libraries. The public loves the service and it helps draw in people who have not used the library previously.

Videoconferencing Centers

After the New Year we invested in teleconferencing equipment at every SEOLS library with a meeting room. Equipped with high quality webcams and microphones, we aim to make joining virtual meetings seamless. Customers have used the equipment for business meetings and telehealth appointments.

Library of Things

In Poteau manager Leslie Langley piloted a Library of Things that we quickly expanded into Idabel. The idea behind this service is to loan equipment that citizens rarely need or need to experiment with before investing money in a purchase. This includes musical instruments, projectors, cooking equipment, yard games and more. After a slow start they are taking off. Customers from any library can place holds on these items.

SEOLS Voice Report

This past winter the Segal Group conducted a system-wide organizational effectiveness study. The SEOLS Board tasked them with identifying challenges in communication and leadership. After speaking with over 95% of staff, the Segal Group reported on what SEOLS seems to be doing well, summarized their recommendations for further improvements into five points.

1. Optimize the “One SEOLS” model
2. Build a more inclusive workplace culture
3. Enhance communication and community building
4. Adopt a more strategic approach to career development
5. Review the current compensation strategy

Each point included detailed recommendations. We have implemented some of the recommendations and work toward implanting others with the help of several staff committees. I believe our efforts have already increased staff morale and improved communication.

County Equity

In September the Board approved the purchase of a bookmobile. For SEOLS, a bookmobile represents a crucial method for delivery to our most rural customers. The largest portion of our bookmobile’s time will be spent in Coal and Pittsburg Counties as a method to help bring balance to spending within our counties. Due to problems with supply chains, the delivery date of the bookmobile moved from September 2021 to late July 2022.

In March of 2022, after a year-long trial, both the SEOLS Board and the board of the Nelda Clark Myers Public Library (NCMPL) voted for SEOLS to assume all operations of the library with NCMPL handling building maintenance and upkeep.

After months of delay, we received all of the new furniture ordered for the Coalgate and Hartshorne libraries.

Unfortunately, due to a large spike in their county’s collections and the City of Coalgate’s decision to stop paying the utilities, the Coal County commissioners are again dissatisfied with the amount of service received and funds spent on Coal County library service. I discuss this more in my financial discussion in the next section.

Financial Discussion and Analysis of Fiscal Year 2022¹

In some ways FY 2022 was a strange year. The library system moved forward with or committed to several large and costly projects, yet spent little money on those projects: the bookmobile did not arrive until July 2022, the central services office did not break ground until August 2022, and the McAlester Public Library remodel remains in fundraising mode with an estimated start of construction for summer 2023. This along with an increase to our ad valorem collections resulted in our ending the year with \$6.94 million in bank accounts or CDs. That number will be \$1.5-\$2 million less at the same time next year, yet still a healthy balance to end one year and start another.

Revenue

SEOLS receives the majority of its funding from a voter-approved millage levy (ad valorem tax). We currently receive 4 mills in each of our seven counties, which accounts for 98% of our income. Besides ad valorem funds, SEOLS' notable income types include state aid, fees and charges, and interest. We will typically receive minor revenues in the form of donations or grants that typically carry with them restrictions for use and must be spent within a specified timeframe.

Ad Valorem

Although year-over-year collections grew by 5.11% from FY 2021- FY 2022, five of our counties' collections remained almost flat, with Pittsburg County's collections actually dropping.

Fiscal Year 2021 to Fiscal Year 2022 Ad Valorem Comparison

	FY 2021	FY 2022	Variance	
	Amount Received	Amount Received	\$	%
Choctaw	\$334,682	\$341,031	\$6,348	1.90%
Coal	\$464,422	\$627,921	\$163,498	35.20%
Haskell	\$285,992	\$286,092	\$99.83	0.03%
Latimer	\$2262,711	\$267,422	\$4,711	1.79%
LeFlore	\$1,217,306	\$1,222,779	\$5,473	0.45%
McCurtain	\$1,105,820	\$1,233,895	\$128,074	11.58%
Pittsburg	\$1,735,731	\$1,703,722	\$(32,009)	-1.84%
Total	\$5,406,664	\$5,682,850	\$276,186	5.11%

Tourism and the construction of cabins in the Beaver's Bend area continue to fuel strong growth in McCurtain County. With the construction of a Choctaw Nation resort and incorporation by the community of Hochatown underway, we expect their collections to continue rising strongly. This increased revenue should be used to pursue the Board's long range plan of installing a second bookmobile with service headquartered in McCurtain County.

The biggest surprise in ad valorem was the spike in Coal County's collections by \$163,000. While good for the library system's bottom line, it makes it harder for the system to reach its goal of spending a greater portion of collections received from Coal County in Coal County. The county assessor has already informed us that FY 2023's collections should increase by yet another \$73,000, all based on the growing value of existing properties. When the SEOLS Board considers

¹Numbers used reflect our CPA's end-of-year work and not any additional adjustments made by our auditor.

a revised budget in November, increased services such as library vending machines and additional staff should be considered.

State Aid Grant

All Oklahoma public libraries that meet the public hours and service requirements of the Oklahoma Department of Libraries (ODL) receive state aid grants each year. The money ODL uses to fund these grants comes from a combination of state appropriations and funds received from the Institute of Museum and Library Services (IMLS). ODL then distributes these funds based upon a formula using population and community size. State aid grant money cannot be spent on capital improvements or replacements, and annually we must report what we used the money for. SEOLS used its FY 2022 state aid (\$89,940) to purchase online databases. With state revenue in strong shape, I anticipate state aid will not decrease in FY 2023.

Fees and Charges

Fees and charges encompasses anything for which we could charge customers, from overdue fines to copy charges. Although a relatively small portion of our budget, these fees indicate quite a bit of activity when you consider how many 10 cent copies it takes to get into thousands of dollars. Many people do not realize the volume of faxing we do for the public either; in our rural areas, home health care providers who must fax their reports have nowhere else to go.

The \$58,000 received in Fees and Charges was well more than the \$47,000 brought in through fees and charges last year. While this is quite a large growth, keep in mind that we had many library closures in FY 2021 and reduced foot traffic due to the COVID pandemic.

Interest

If one aspect of our income is depressing it is our interest. Last year CD interest rates were so low that we moved most of our money into our money market account as certificates matured. Interest revenue from FY 2021 to FY 2022 dropped from \$30,000 \$21,453. I hope, with interest rates rising, we will see this amount grow in the coming year.

Grants and Donations

We received two large grants this year. A \$109,000 ARPA grant funded the replacement and addition of children's learning computers in all SEOLS libraries. These new computers include coding software. We also received a multi-year CARES grant as well, accepting nearly \$69,000 this past year for new databases, electronic content and small business programs.

Expenses

Expenses rose over FY 2021 as foot traffic picked up and the public adjusted to a post COVID world. Our conservative budgeting and cautious spending ensured we stayed well within budget limits for all categories.

Payroll Expenses

By not needing a bookmobile driver until the end of year and with the additional time it took us to fill a children/teen librarian position, we came in well under on personnel costs.

Public and Technical Services

We did not spend much of our Outreach estimate. This does not mean that we did not perform Outreach, but rather that we accounted it to Marketing and Advertising.

Operating Expenses

If you look at a Budget vs Actual it looks like we underspent by nearly a half million dollars. This is because while we budgeted for over \$300,000 for furniture, most of the furniture we spent was capitalized by our CPA.

Informational Materials Expenses

Technical Services Librarian Miranda Wisor did a fantastic job keeping us under budget in materials this year. Because of how ordering and the sometimes months-long process of receiving books works, this was a tremendous accomplishment on her part.

Capital Expenses

\$261,000 worth of furniture and equipment purchases were capitalized, thus not showing as expenses in financial reports. Furniture that we had ordered for Coalgate and Hartshorne in FY 2021, delayed by supply issues, finally arrived. Both libraries received new shelving, service desks, seating and tables. Broken Bow and Valliant also received new furniture this year, but unlike our first two projects the delivery and installation of our order occurred promptly and without a hitch. Broken Bow received a new service desk in coordination with the city's carpeting replacement and painting of the library. Valliant received a new service desk and new shelving, eliminating mismatched and hodge podge shelving they had used since joining the library system in 1997.

County Equity

Our primary method of increasing services in Coal and Pittsburg Counties were hindered by the delay of our bookmobile's delivery. At the same time, collection in Coal County once again spiked. A contingent of the citizens in that county, particularly some of the county commissioners, are dissatisfied with the delay in delivering new services and spending more money in the county and have recently stated an interest in forming their own single-county library system. The situation bears close monitoring and efforts to increase service should continue with aggressive plans included in the Board's revised 2023 budget this fall.

FY 2023

This next year our cash reserves will look far different as we have already paid for our bookmobile and look to pay for several more library furniture projects and over \$2 million in construction costs for our central services office. While this seems like a large sum, the reality is that we had allowed our reserves to grow and needed big projects to put them toward. Our funding method is reliable and stable, leaving us no need for large reserves without such projects.

We should monitor the situation with Coal County's dissenters closely. If the faction wanting to separate proves successful at some point in the coming years, I would expect that SEOLS will be required to write a check of some amount in the process. State statutes provide little guidance on the matter, only stating that the Oklahoma Department of Libraries would oversee the division of assets for any member county leaving the system. Building a reserve for this eventuality would be prudent, even though I don't believe a vote for leaving the system will be put to voters within the next twelve months.

Summary

FY 2022 was a great year for SEOLS. By the end of June the public was using the library in numbers not seen since before the pandemic, increasing usage across the board. SEOLS prepared to receive its bookmobile, approved contracts for the construction of a central office, added a new library, and replaced furniture in four out of sixteen libraries. Adding new services like the digilabs and teleconferencing equipment in addition to a new meeting room policy should expanded our customer base.

The only cloud looming over the organization is the discontent described as coming from Coal County. While we continue adding more services there, we must bear in mind the possibility that voters could choose to reduce the library millage or leave the system in the coming years.



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Southeast Oklahoma Library System
McAlester, Oklahoma

Opinion

We have audited the accompanying financial statements of the governmental activities and the discretely presented component units of the Southeast Oklahoma Library System, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the discretely presented component units of the Southeast Oklahoma Library System, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southeast Oklahoma Library System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Southeast Oklahoma Library System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southeast Oklahoma Library System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about Southeast Oklahoma Library System's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2022, on our consideration of the Southeast 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* in considering the Southeast Oklahoma Library System's internal control over financial reporting and compliance.

Furrh & Associates, PC

FURRH & **A**SSOCIATES, PC

Lawton, Oklahoma
September 16, 2022

Southeast Oklahoma Library System
McAlester, Oklahoma
Statement of Net Position
June 30, 2022

Current Assets

Cash and Cash Equivalents	\$ 6,344,318	
Investments	4,944,542	
Ad Valorem Tax Receivable	125,515	
Prepaid Assets	89,519	
Accounts Receivable	<u>687</u>	
 Total Current Assets		 \$ 11,504,581

Other Assets

Lease Assets, Net of Accum. Amort.	78,741	
Fixed Assets, Net of Accum. Depr.	<u>787,634</u>	
 Total Other Assets		 <u>866,375</u>
 Total Assets		 <u><u>\$ 12,370,956</u></u>

Current Liabilities

Accounts Payable	\$ 18,840	
Accrued Payroll	75,784	
Unpaid Compensated Absences	<u>154,720</u>	
 Total Current Liabilities		 \$ 249,344

Long Term Liabilities

Lease Liability	<u>82,870</u>	
 Total Long Term Liabilities		 <u>82,870</u>
 Total Liabilities		 332,214

Net Position

Invested in Capital Assets, Net of Debt	783,505	
Restricted	0	
Unrestricted	<u>11,255,237</u>	
 Total Net Position		 <u>12,038,742</u>
 Total Net Position and Liabilities		 <u><u>\$ 12,370,956</u></u>

Please see accompanying notes to the financial statements.

Southeast Oklahoma Library System
McAlester, Oklahoma
Statement of Activities
Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
<u>Primary Government</u>	<u>Expenses</u>	<u>Charges for</u>	<u>Operating Grants</u>	Primary Government		
Governmental Activities:		<u>Services</u>	<u>and</u>	<u>Governmental</u>	<u>Business</u>	<u>Total</u>
			<u>Contributions</u>	<u>Activities</u>	<u>Type</u>	
				<u>Activities</u>	<u>Activities</u>	
Operating Expenses	\$ 1,912,922	\$ 58,144	\$ 0	\$ (1,854,778)	\$ 0	\$ (1,854,778)
Personnel Services	3,380,430	0	0	(3,380,430)	0	(3,380,430)
Informational Materials	721,216	0	178,539	(542,677)	0	(542,677)
Public & Technical Services	175,976	0	0	(175,976)	0	(175,976)
Total Governmental Activities	\$ 6,190,544	\$ 58,144	\$ 178,539	\$ (5,953,861)	\$ 0	\$ (5,953,861)
<u>General Revenue</u>						
				5,682,862	0	5,682,862
				443,643	0	443,643
				89,940	0	89,940
				164,947	0	164,947
				37,097	0	37,097
				2,572	0	2,572
				Total General Revenue	6,421,061	0
				6,421,061	0	6,421,061
				<u>Change in Net Position</u>	467,200	0
				<u>Net Position, June 30, 2020</u>	10,783,908	0
				<u>Net Position, June 30, 2021</u>	\$ 11,251,108	\$ 0
						\$ 11,251,108

Please see accompanying notes to the financial statements.

Southeast Oklahoma Library System
McAlester, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Pension Fund	Total Governmental Funds
<u>Assets</u>			
Cash in Bank - Sweep Account	\$ 5,742,027	\$ 0	\$ 5,742,027
Cash in Bank - Operating Account	302,291	0	302,291
Cash in Bank - Donation Account	300,000	0	300,000
Investments	603,200	4,341,342	4,944,542
Ad Valorem Tax Receivable	125,515	0	125,515
Accounts Receivable	687	0	687
Prepaid Assets	89,519	0	89,519
Lease Assets	96,555	0	96,555
Accumulated Amortization	(17,814)	0	(17,814)
Total Assets	\$ 7,241,980	\$ 4,341,342	\$ 11,583,322
<u>Liabilities</u>			
Compensated Absences Liability	\$ 154,720	\$ 0	\$ 154,720
Lease Liability	82,870	0	82,870
Accrued Salaries	75,784	0	75,784
Accounts Payable	18,840	0	18,840
Total Liabilities	332,214	0	332,214
<u>Fund Balance</u>			
Nonspendable	89,519	4,341,342	4,430,861
Restricted	0	0	0
Committed	2,543,558	0	2,543,558
Assigned	2,570,000	0	2,570,000
Unassigned	1,706,689	0	1,706,689
Total Fund Balance	6,909,766	4,341,342	11,251,108
Total Liabilities and Fund Balance	\$ 7,241,980	\$ 4,341,342	

Please see accompanying notes to the financial statements.

Southeast Oklahoma Library System
McAlester, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2022

Fund Balances

Amounts Reported for Governmental Activities in the
Statement of Net Position are different because:

Capital Assets Used by Governmental Activities of \$2,196,054
Net of Accumulated Depreciation of \$1,408,420 are not financial
resources and, therefore, are not reported in the funds.

787,634

Net Position of Governmental Activities

\$ 12,370,956

Please see accompanying notes to the financial statements.

Southeast Oklahoma Library System
McAlester, Oklahoma
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2022

	General Fund	Pension Fund	Total Governmental Funds
<u>Revenue</u>			
Ad Valorem Tax Revenue	\$ 5,682,862	\$ 0	\$ 5,682,862
Employee (er) Contributions	0	443,643	443,643
Grant Income	178,539	0	178,539
Investment Income	24,793	140,154	164,947
State Aid	89,940	0	89,940
Branch Library Income	58,144	0	58,144
Donations	37,097	0	37,097
Surplus Sales	2,572	0	2,572
Total Revenue	6,073,947	583,797	6,657,744
<u>Expenditures</u>			
Personnel Services			
Salaries and Wages	2,458,302	0	2,458,302
Employee Insurance	388,355	0	388,355
Retirement Costs	332,557	0	332,557
Payroll Taxes	201,216	0	201,216
Total Personnel Services	3,380,430	0	3,380,430
Informational Materials			
Branch Information Materials	366,762	0	366,762
Databases	146,249	0	146,249
Grant and Donation Expenses	122,363	0	122,363
Downloadables	85,843	0	85,843
Total Informational Materials	721,217	0	721,217
Public and Technical Services			
Technical Services	139,957	0	139,957
Program Fees, Supplies & Travel	36,018	0	36,018
Total Public & Technical Services	175,975	0	175,975

Please see accompanying notes to the financial statements.

Southeast Oklahoma Library System
McAlester, Oklahoma
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2022

<u>Expenditures (cont.)</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Operating Expenses			
Capital Outlay	\$ 405,183	\$ 0	\$ 405,183
Professional Fees	181,968	1,415	183,383
Property Maintenance	118,571	0	118,571
Revaluation Fees	100,779	0	100,779
Computer Expense	95,060	0	95,060
Automation	77,954	0	77,954
Travel	62,877	0	62,877
Supplies	45,630	0	45,630
Equipment Expense	44,836	0	44,836
Insurance	35,519	0	35,519
Telephone and Internet	30,493	0	30,493
Human Resources Expense	29,818	0	29,818
Vehicle Expense	22,266	0	22,266
Marketing	21,467	0	21,467
Professional Development	20,934	0	20,934
Audit Expense	19,714	0	19,714
Furniture Expense	16,706	0	16,706
In-Kind Donation Expense	16,360	0	16,360
Rent Expense	14,400	0	14,400
Miscellaneous Expense	11,739	0	11,739
Postage and Freight	11,642	0	11,642
Memberships	7,086	0	7,086
Utilities	5,438	0	5,438
Investment Loss	0	425,401	425,401
Withdrawals / Distributions	0	386,395	386,395
Total Operating Expenses	<u>1,396,440</u>	<u>813,211</u>	<u>2,209,651</u>
Total Expenditures	5,674,062	813,211	6,487,273
Revenue Over (Under) Expenditures	399,885	(229,414)	170,471
Fund Balance, June 30, 2021	<u>6,509,881</u>	<u>4,570,756</u>	<u>11,080,637</u>
Fund Balance, June 30, 2022	<u>\$ 6,909,766</u>	<u>\$ 4,341,342</u>	<u>\$ 11,251,108</u>

Please see accompanying notes to the financial statements.

Southeast Oklahoma Library System
McAlester, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

The Southeast Oklahoma Library System (the System, formerly Southeastern Public Library System of Oklahoma) is a multi-county quasi-governmental organization under Title 65 (Multi-County Act) of the Oklahoma Statutes. The System was established in the late 1960's when four counties voted to approve ad valorem taxes to support the multi-county library system. Today, the System has fifteen (15) libraries operating in seven (7) counties. The System is governed by a board of trustees who are appointed by the city and county commissioners for the respective communities or counties they represent. The following counties are represented: Choctaw, Coal, Haskell, Latimer, LeFlore, McCurtain and Pittsburg. The following cities are represented: Arkoma, Broken Bow, Coalgate, Hartshorne, Heavener, Hugo, Idabel, McAlester, Poteau, Spiro, Stigler, Talihina, Valliant, Wilburton, and Wister.

For financial reporting purposes, the System includes all funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the System's executive or legislative branches. Control by or dependence on the System was determined on the basis of oversight responsibility, scope of public service, and special financing relationships. Oversight responsibility includes financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The Southeast Oklahoma Library System keeps its records and prepares its financial statements on the accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available.) "Measurable" means the amount of the transaction can be determined; and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Purchases of all materials and supplies are charged to operations in the period in which purchases are made. Amounts of inventories on hand are not considered material and are not included in the financial statements.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The System engages in long term leases for library equipment. The System evaluates whether the leases are short term or long-term leases. Long term leases are reported in the financial statements under *GASB Statement No. 87, Leases*.

The System is a multi-county quasi-governmental organization under the laws of the State of Oklahoma. As a library system (a political sub-division of the State of Oklahoma), the System is exempt from federal and state income taxes.

Southeast Oklahoma Library System
McAlester, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2022

Note 2 – Fund Accounting

The accounts of the System are organized on a basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the financial statements and are classified as governmental, proprietary, and fiduciary fund types. The following fund types are used by the System.

Governmental Fund Types

General Fund – The general fund is the primary operating fund of the System. It is used to account for all financial resources except those required to be accounted for in another fund. All general operating revenues not restricted as to use are recorded in the general fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue resources that are legally or administratively restricted to expenditures for specific purposes. The System’s current special revenue fund include:

Pension Fund

According to *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances in the Governmental Funds are to be properly reported within one of the fund balance categories below:

1. Nonspendable – Nonspendable funds are associated with inventories, prepaid assets, and long-term receivables.
2. Restricted – Restricted funds are associated with amounts that only can be spent for specific purposes as stipulated by the bylaws, granting agencies, or enabling legislation.
3. Committed – Committed funds are associated with amounts that only can be spent for specific purposes as determined by a formal action of the Board of Trustees.
4. Assigned – Assigned funds are associated with amounts that can be spent for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – An unassigned fund is the residual classification for the System’s general fund and includes all spendable amounts not contained in the other classifications.

Proprietary Fund Types

Enterprise Fund – The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises.

Southeast Oklahoma Library System
McAlester, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2022

Fund balances in the Proprietary Funds are to be properly reported within one of the fund balance categories listed below:

1. Invested in Capital Assets, Net of Related Debt – These funds are associated with capital assets minus any notes payable.
2. Restricted – Restricted funds are associated with amounts that only can be spent for specific purposes.
3. Unrestricted – An unrestricted fund is the residual classification for the System’s enterprise fund and includes all amounts not contained in the other classifications.

Note 3 – Budgetary Accounting

The System’s budgetary accounting procedures are discussed in the notes to the required supplementary information.

Note 4 – Cash and Cash Equivalents

Cash and cash equivalents include the following accounts:

The Bank - Money Market Account	\$ 5,742,028
First National Bank - Donations Account	300,000
The Bank - Operating Account	<u>302,290</u>
	<u><u>\$ 6,344,318</u></u>

The cash on deposit with The Bank, is not only covered by FDIC insurance (up to \$250,000) but also a collateral pledge of \$7,200,000 to cover deposits in excess of the FDIC coverage.

The System’s cash, deposits, and investments are classified in the following categories:

- A. Insured or collateralized with securities held by the entity or by its agent in the entity’s name.
- B. Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name.
- C. Uncollateralized.

	<u>A</u>	<u>B</u>	<u>C</u>	<u>Total</u>
Cash	<u>\$ 6,344,318</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,344,318</u>

Southeast Oklahoma Library System
McAlester, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2022

Note 5 – Investments

The System invests \$600,000 in Certificate of Deposits at multiple banks. The interest rates vary from 0.8% to 1.45%. The interest pays on various schedules that range from monthly to maturity.

Note 6 – Ad Valorem Taxes Receivable

Multiple counties owe the System outstanding ad valorem taxes. As of June 30, 2022, the amount owed is \$125,515. These funds are expected to pay within the next 12 months.

Note 7 – Prepaid Assets

Prepaid assets include the unamortized portion of the annual expense for the following:

Prepaid Automation	\$	76,155
Prepaid Insurance		11,213
Prepaid T-Mobile		1,263
Prepaid AirMedCare		888
		888
	\$	89,519

Note 8 – Fixed Assets

All capital assets acquired prior to June 30, 2004 were considered to be fully depreciated. All fixed assets acquired before June 30, 2004 were valued at historical cost or estimated historical cost if actual historical cost was not available. Amounts were recorded for fixed asset purchases, for control purposes, with a corresponding amount recorded in the accumulated depreciation account. Donated assets were valued at their estimated fair market value as of the date donated.

Current year changes in fixed assets were as follows:

	Capital Assets	Accumulated Depreciation
Balance as of 06/30/2021	\$ 1,980,340	\$ 1,500,933
Additions	405,183	90,640
Disposals	(189,469)	(183,153)
Balance as of 06/30/2022	\$ 2,196,054	\$ 1,408,420

Southeast Oklahoma Library System
McAlester, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2022

Note 9 – Accrued Payroll and Compensated Absences

The System accrues a payroll liability and a liability for vacation pay or other compensated absences. The cost is recognized when a claim is made for the accrued compensation by the employee. The amount of earned unpaid payroll and earned unpaid compensated absences liability at June 30, 2022 was approximately \$75,784 and \$154,720, respectively.

Note 10 – Leases

The System engaged in a long-term lease with Canon on September 2, 2021. This lease is a 60-month contract with monthly payments of \$1,656. They also engage in a long-term lease with Quadient Leasing on January 8, 2021. This lease is a 63-month contract with monthly payments of \$209.

Under *GASB Statement No. 87, Leases*, these leases are considered assets that are subject to depreciation.

The System reports the future lease payments as liabilities on the financial statements. The future payments are as follows:

Canon			
	Principal	Interest	Total Payments
FYE 06/30/2023	\$ 16,219	\$ 3,653	\$ 19,872
FYE 06/30/2024	17,030	2,842	19,872
FYE 06/30/2025	17,881	1,991	19,872
FYE 06/30/2026	18,776	1,096	19,872
FYE 06/30/2027	3,154	158	3,312
	<u>\$ 73,060</u>	<u>\$ 9,740</u>	<u>\$ 82,800</u>

Quadient Leasing			
	Principal	Interest	Total Payments
FYE 06/30/2023	\$ 2,018	\$ 491	\$ 2,509
FYE 06/30/2024	2,118	390	2,508
FYE 06/30/2025	2,224	284	2,508
FYE 06/30/2026	2,336	172	2,508
FYE 06/30/2027	1,114	56	1,170
	<u>\$ 9,810</u>	<u>\$ 1,393</u>	<u>\$ 11,203</u>

The current year interest amount is \$4,841.

Southeast Oklahoma Library System
McAlester, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2022

Note 11 – Assigned Fund Balance

The governing board has set aside a portion of the fund balance for replacement reserve accounts. The assigned fund balances for these purposes as of June 30, 2022 were as follows:

Central Service Construction	\$ 2,000,000
Strategic Plan	300,000
Furniture Replacement	170,000
Endowment	100,000
	<u>\$ 2,570,000</u>

These restrictions are imposed by the Board of Trustees action only; consequently, the restrictions may be rescinded by action of the Board.

Note 12 – Committed Fund Balance

The governing board has implemented a new cash management policy that commits 3 months of operating expenses. The governing board also committed the System to contribute \$300,000 for the next four years to the remodeling of the McAlester Branch location.

The committed fund balance as of June 30, 2022 was \$2,543,558. This policy was implemented by the Board of Trustees action only; consequently, the policy may be rescinded by action of the Board.

Note 13 – Tax Revenues – Economic Dependency

Approximately 93.6% of the total revenue of the library system for the current year was received from ad valorem taxes from a special tax levy voted by the citizens of Choctaw, Coal, Haskell, Latimer, LeFlore, McCurtain, and Pittsburg counties. Approximately 70.3% of the ad valorem tax revenues were received in January and February 2022. Any change in Oklahoma statutes regarding library tax levies or changes in state funding might affect the System's operations.

Southeast Oklahoma Library System
McAlester, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2022

	Tax Revenue
Pittsburg County	\$ 1,703,723
McCurtain County	1,233,895
LeFlore County	1,222,778
Coal County	627,921
Choctaw County	341,031
Haskell County	286,092
Latimer County	267,422
	\$ 5,682,862

Note 14 – Risk Management - Insurance Coverage

The System 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The System maintains the following insurance coverage as protection against possible loss contingencies:

- Commercial Automobile Coverage
 - Liability
 - Uninsured Motorists
 - Comprehensive and Collision
- Commercial Package
- Employment Practices Liability
- Workers Compensation
- Employer Liability
- Position Fidelity Bond

Note 15 – Pension Plan

Effective January 1, 1989, the System initiated a pension plan for its employees. The plan type was revised effective January 1, 2003 to become a 401(k) plan. The library system is the trustee for the plan. The plan eligibility requirements are as follows: minimum age of 18 and minimum service of 500 hours in 6 consecutive months.

For each eligible participant, a discretionary contribution is made equal to a uniform percentage of each participant's compensation. The exact percentage, if any, is to be determined each year by the library system. For fiscal year ending June 30, 2022, the library system budgeted approximately 15.2% of the annual payroll costs.

Southeast Oklahoma Library System
McAlester, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2022

Employee contributions are not required. The plan contributions are invested in individual accounts on behalf of the employees. All required contributions were made by the library system. Benefits to be paid to employees upon retirement will be limited to the actual cash value of their individual accounts.

Contributions and costs for the current year and two previous years were as follows:

	<u>06/30/2022</u>	<u>06/30/2021</u>	<u>06/30/2020</u>
Employee Contributions	\$ 104,895	\$ 97,522	\$ 107,650
Employer Contributions	328,068	322,917	504,172
Administration Costs	<u>3,340</u>	<u>2,195</u>	<u>3,163</u>
	<u>\$ 436,303</u>	<u>\$ 422,634</u>	<u>\$ 614,985</u>

Employer contribution of \$328,068 represents approximately 9.84% of the total payroll of \$3,380,430 for the fiscal year ending June 30, 2022.

Plan assets as of June 30, 2022 were \$4,341,342.

The plan is administered by:

Midwest Pension & Profit-Sharing Services, Inc.
121 South 8th Street, Suite 630
Minneapolis, MN 55402

The plan funds are maintained by:

Mass Mutual
1295 State Street
Springfield, MA 01111

Note 16 – Related Party Transactions

The cities of Choctaw, Coal, Haskell, Latimer, LeFlore, McCurtain, and Pittsburg, Oklahoma, provide financial support to the Southeast Oklahoma Library System by furnishing buildings and building operating expenses, including utilities and building and contents insurance, for the operation of the library. The System is dependent upon this related party support as part of its operational costs.

Southeast Oklahoma Library System
McAlester, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2022

Note 17 – Contingencies

In the normal course of operations, the System disburses funds from numerous federal and state grant programs. These expenditures are subject to audit and approval by the grantors or their representatives. Such audits could lead to claims for reimbursement of expenditures deemed unallowable under the terms of the grants. Presently, management is unaware of any liability for such expenditures, and in the opinion of management, any such amounts would not be considered material.

Note 18 – Subsequent Events

Subsequent events were evaluated through September 16, 2022, which is the date the financial statements were available to be issued.



**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 Trustees
Southeast Oklahoma Library System
McAlester, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the discretely presented component units of the Southeast Oklahoma Library System, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Southeast Oklahoma Library System's basic financial statements, and have issued our report thereon dated September 16, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Southeast Oklahoma Library System'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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southeast Oklahoma Library System'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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Furrh & Associates, PC

FURRH & **A**SSOCIATES, PC

Lawton, Oklahoma
September 16, 2022

Southeast Oklahoma Library System

McAlester, Oklahoma

General Fund

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
<u>Revenue</u>	Original	Final	Amounts	(Negative)
Ad Valorem Taxes	\$ 5,576,000	\$ 5,675,000	\$ 5,682,862	\$ 7,862
State Aid	82,400	89,940	89,940	0
Branch Library Income	42,635	57,908	58,144	236
Interest Income	30,000	25,000	21,693	(3,307)
In-Kind Donations	10,000	10,000	16,360	6,360
Donations	10,148	25,000	20,737	(4,263)
Grant Income	185,521	185,521	178,539	(6,982)
Surplus Sales	4,000	4,000	2,572	(1,428)
Miscellaneous Income	500	500	3,100	2,600
Total Revenue	5,941,204	6,072,869	6,073,947	1,078
<u>Expenditures</u>				
Personnel Services				
Salaries and Wages	2,510,246	2,479,456	2,458,302	21,154
Employee Insurance & Retirement	817,827	773,555	720,912	52,643
Payroll Taxes	210,147	241,307	201,216	40,091
Total Personnel Services	3,538,220	3,494,318	3,380,430	113,888

Please see accompanying notes to the financial statements.

Southeast Oklahoma Library System
McAlester, Oklahoma
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Informational Materials				
Branch Information Materials	\$ 414,000	\$ 409,000	\$ 366,762	\$ 42,238
Databases	168,518	156,614	146,249	10,365
Downloadables	171,900	171,900	85,843	86,057
Grant and Donation Materials	5,000	5,000	0	5,000
Total Informational Materials	759,418	742,514	598,854	143,660
Public and Technical Services				
Technical Services	140,000	140,000	139,957	43
Programming Fees, Supplies & Travel	62,230	62,230	36,018	26,212
Total Public and Technical Services	202,230	202,230	175,975	26,255
Operating Expenses				
Capital Outlay	647,706	513,406	405,183	108,223
Revaluation	106,005	104,853	100,779	4,074
Computer	143,822	136,861	95,060	41,801
Equipment and Furniture Expense	82,045	82,045	61,542	20,503
Automation	77,772	81,301	77,954	3,347
Professional Fees	144,125	144,125	181,968	(37,843)
Supplies	45,000	45,000	45,630	(630)
Insurance	45,114	45,114	35,519	9,595
Travel	71,238	66,117	62,877	3,240

Please see accompanying notes to the financial statements.

Southeast Oklahoma Library System

McAlester, Oklahoma

General Fund

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual

Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Human Resources Expense	\$ 25,091	\$ 27,373	\$ 29,818	\$ (2,445)
Marketing	37,000	30,000	21,467	8,533
Internet Access	12,832	12,833	6,116	6,717
Audit	19,714	19,714	19,714	0
Professional Development	22,408	18,335	20,934	(2,599)
Vehicle Expense	27,502	24,002	22,266	1,736
Telephone	23,829	24,829	24,377	452
Utilities	5,000	7,000	5,438	1,562
Postage and Freight	7,224	14,230	11,642	2,588
In-Kind Donations Expense	10,000	10,000	16,360	(6,360)
Grant & Donations Expense	190,521	210,521	122,363	88,158
Memberships	9,731	8,581	7,086	1,495
Rent/Building Maintenance	133,400	26,200	14,400	11,800
Remodel	0	300,000	118,571	181,429
Miscellaneous Expense	2,000	1,000	11,739	(10,739)
Total Operating Expenses	1,889,079	1,953,440	1,518,803	434,637
Total Expenditures	6,388,947	6,392,502	5,674,062	718,440
<u>Revenue Over (Under) Expenditures</u>	(447,743)	(319,633)	399,885	719,518
<u>Fund Balance, June 30, 2021</u>	447,743	319,633	6,509,881	6,190,248
<u>Fund Balance, June 30, 2022</u>	\$ 0	\$ 0	\$ 6,909,766	\$ 6,909,766

Please see accompanying notes to the financial statements.

Southeast Oklahoma Library System
McAlester, Oklahoma
Notes to Required Supplemental Information
Year Ended June 30, 2022

Note 1 - Budgetary Policies

The System's annual operating budget represents appropriations authorized by the governing board and approved by the county governments in accordance with the Oklahoma Statutes.

The System's General Fund budget is limited by law to 90% of the amount of revenue collected in the prior fiscal year plus unreserved fund balances. The legal level of control is the expenditure category. It is the System's policy that all appropriations lapse at the end of the fiscal year.

The System prepares an annual operating budget for its General Fund. The System does not prepare an operating budget for its Special Revenue Funds. Specific grant funds operated within the General Fund and the Special Revenue Funds are operated under budgets required by the grant documents. The System prepares its annual operating budget on the accrual basis of accounting.

Southeast Oklahoma Library System

McAlester, OK

Schedule of Grant Activity

Modified Cash Basis

Year Ended June 30, 2022

	<u>Award Amount</u>	<u>Grant Receipts</u>	<u>Grant Expenses</u>	<u>Remaining to be Expended</u>
<u>Federal Funds</u>				
ARPA Targeted Grants	\$ 109,525	\$ 109,525	\$ (109,525)	\$ 0
Cares Act	68,549	68,549	(68,549)	0
Education Grant	465	465	(465)	0
Total Grant Activity	<u>\$ 178,539</u>	<u>\$ 178,539</u>	<u>\$ (178,539)</u>	<u>\$ 0</u>

Please see accompanying notes to the financial statements.