

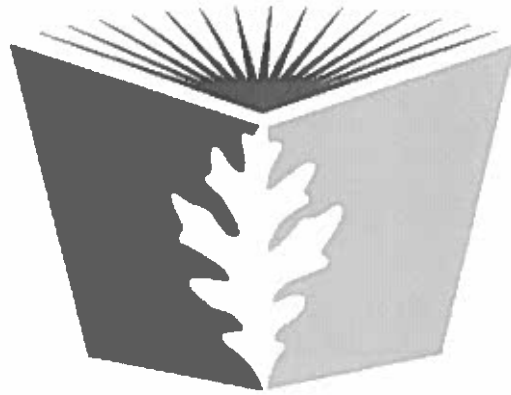
**SOUTHEASTERN PUBLIC LIBRARY SYSTEM
OF OKLAHOMA
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
JUNE 30, 2017**



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

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Southeastern Public Library
System of Oklahoma
Prepared by Michael Hull, CEO

Management's Discussion and Analysis
Southeastern Public Library System of Oklahoma
For Year Ending June 30, 2017
Unaudited

BACKGROUND

Multi-County Library Systems were established and are regulated in Oklahoma as set forth by Title 65, Article 4, Sections 101-107 of the Oklahoma Statutes.

The Southeastern Public Library System of Oklahoma (SEPLSO) was established in the late 1960's when four member counties voted to approve ad valorem taxes to support the multi-county library system. Today, SEPLSO has fifteen (15) libraries operating in the seven (7) counties of Choctaw, Coal, Haskell, Latimer, LeFlore, McCurtain, and Pittsburg. SEPLSO also contracts with six (6) communities or organizations for the operation of locally-provided, volunteer-staff lending libraries called "reading centers" and provides paperback deposit collections called Community Reading Collections in additional communities.

As a result of county elections held in 1997-1998, financial support for SEPLSO is at four (4) mills per \$1,000 assessed valuation in all seven counties. This is the constitutional limit established by Article 10, Section 10A of the Constitution of Oklahoma. A small amount is added to the regular millage levy in counties which have eliminated the personal property tax, to compensate for the lost revenue.

GOVERNANCE

SEPLSO is governed by a Board of Trustees who are appointed by the city and county commissioners for the respective communities or counties they represent. For FY 2017, the statutory authorized strength of the SEPLSO Board was 15 city/town representatives and 7 county representatives. Trustees may serve two consecutive three-year terms. An initial partial term of less than eighteen (18) months does not count toward this limit.

FY 2017 Trustees were as follows:

<u>Board Member</u>	<u>Represents</u>	<u>Location</u>
Carol Burgess	City	Arkoma
Shelly Thomason	City	Broken Bow
Martha Gann	County	Choctaw
DeeAnn Miles	County	Coal
Janice Griffin	City	Coalgate
Patricia Warden	City	Hartshorne
Florence Conklin	County	Haskell
Linda Mead	City	Heavener
Miriam Costilow	City	Hugo
Trilla Frazier	City	Idabel
Maryellen Mooney	County	Latimer
Elise Mitchell	County	LeFlore
Steve Harrison	City	McAlester
Betty Pollard	County	McCurtain

Nancy Cope	County	Pittsburg
Sarma Retchloff	City	Poteau
Britney Hambright	City	Spiro
Karen Holt	City	Stigler
Kaben Smallwood	City	Talihina
Marty Henson	City	Valliant
Kay Warren	City	Wilburton
Roberta Lynch	City	Wister

Five Trustees resigned from the Board before the end of the fiscal year and were replaced by the appointing bodies as follows:

- Carol Burgess succeeded Nolen Branscum
- Martha Gann succeeded Christopher Gann
- Steve Harrison succeeded Heather Para
- Betty Pollard succeeded Debbie Clepper
- Kaben Smallwood succeeded Karen Pierce

FINANCIAL OVERVIEW FOR FISCAL YEAR 2017 (July 1, 2016 - June 30, 2017)

FY 2017 Budgeted Revenue (Income)	-	\$4,652,302
FY 2017 Actual Revenue (Income)	-	\$4,684,019
FY 2017 Budgeted Expenditures	-	\$4,869,148
FY 2017 Actual Expenditures	-	\$5,001,910

Revenue

The major portion of SEPLSO's funding in FY 2017 (94%) came from county ad valorem taxes of four (4) mills, as mentioned above. This generated \$4,312,048 in ad valorem income for FY 2017, compared with \$4,216,249 in ad valorem income for FY 2016, for an increase of \$95,799. Looking at it by county, five of our seven counties saw increases in ad valorem while two saw very small decreases.

County	FY 2017	FY 2016	\$ Change	% Change
Choctaw	\$264,795	\$256,162	\$8,633	3.37%
Coal	\$382,399	\$394,691	-\$12,292	-3.11%
Haskell	\$229,363	\$226,097	\$3,266	1.44%
Latimer	\$231,148	\$239,956	-\$8,808	-3.67%
LeFlore	\$969,753	\$935,078	\$34,675	3.70%
McCurtain	\$824,472	\$763,741	\$60,730	7.95%
Pittsburg	\$1,511,597	\$1,500,466	\$11,131	.74%
TOTAL	\$4,413,526	\$4,316,192	\$97,334	2.25%

As healthy as our growth in ad valorem was, we were still disappointed that the actual collections did not meet the projections made per county valuations. Toward the end of the fiscal year, it was clear that Latimer and McCurtain counties would not meet our projections. We know that one large entity in Latimer County has been contesting their assessed taxes, and we suspect something similar in regards to the new cabins in McCurtain County who are starting to pay taxes. Coal County surprised us at year's end by coming under. In all, our ad valorem revenue came in under budget by \$31,000. Of course some of this money may still be received in the future as protests to assessed values are settled. Most importantly, trends indicate steady growth for the system's ad valorem collection.

\$101,277, or 2.2% of SEPLSO's FY 2016 income came from State Aid, administered by the Oklahoma Department of Libraries (ODL). The State Aid formula is based on population and the square miles within the library system. Despite cuts in the state government's budget, the amount of state aid received exceeded our predictions of \$93,000. Still, state aid decreased from FY16 to FY17, and we expect greater cuts in FY18. Unfortunately, the specifics of state aid will not be known until the state has more time to assess its actual revenue for FY18.

Branch income, which includes fees for copying and printing, faxing, interlibrary loan, replacement or lost material charges, and any other income accepted from the public brought in an additional \$90,879, a slight decrease from \$93,079 in FY 2016. Branch income represented 1.9% of SEPLSO's FY17 revenue.

Although current interest rates are low, SEPLSO's investments brought in \$26,765. This will increase in FY18 as two of the company's CDs were renewed at significantly greater rates.

Finally, SEPLSO received \$22,500 in grants and donations during FY 17.

Expenses

A quick surface comparison of FY 2017's expenses may look odd as the expenses greatly exceeded revenue. The reason for this is that the approved final budget authorized the use of reserved funds to maintain the materials budget, implement a small ILS improvement, and to send additional supervisors to the annual American Library Association conference. Because the funds for these projects was received in prior years, it was not indicated in the budget, and thus our budget did not appear "balanced."

Furthering the confusion, actual expenditures appear to have exceeded those budgeted.

Budgeted Expenses	\$4,869,148
Actual Expenses	\$4,940,650
Over Budget:	\$71,502

The problem and confusion is that the approved budget did not anticipate the use of any donated funds or expenditures made from the Local Accounts, which have historically held locally donated and raised funds, nor did the budget reflect monies received from grants or designated

funds that we have received. When adjusted for those grant and donation expenditures, SEPLSO operated under budget by \$72,171, as shown in the following table.

Grant & Donation Expenses	
Misc Grant Expenses	\$4,565
Children's Grant (Received 2014)	\$86,148
Local Branch Account Expenses	\$52,960
Total Grant & Donation Expenses	\$145,882

Under after Grants/Donations: \$72,171

Operating and personnel expenses were kept well within budget, with these two umbrella categories coming under budget by a combined \$102,000. The materials expenses exceeded the budgeted amounts by \$44,500, but it should be noted that \$64,755 of the materials expenses was for the microfilm digitization project, which had planned to fund with our cash reserves.

Forecast

Despite another year of revenue failure for state government, the financial outlook for SEPLSO appears strong. Since such a large portion of our funding derives from ad valorem taxes, and is therefore not dependent on sales tax and state appropriation, SEPLSO can consider itself extremely fortunate. We should budget conservatively in Latimer and Haskell and Coal Counties, but the remaining 4 counties of SEPLSO are steady or growing.

In FY 2018, our replacement of lost property in Poteau will temporarily make a significant dip in our cash reserves. However, our insurance will reimburse much of it. And if the Board chooses to take legal action to recuperate other losses, the reserves should be almost fully replenished within a year or two.

PERSONNEL

SEPLSO employs 79 positions, not including the Executive Director position.

Exempt (salaried):	11 Employees
Full Time Hourly:	48 Employees
Part Time Hourly:	19 Employees
Part Time/Substitute:	3 Employees

We were extremely sad to see many long-term employees retire this year and we wish them the best. Retirees of note are:

- Carol Burgess, Arkoma Head Librarian
- Margie Jump, Coalgate Head Librarian
- Latoyah Pendergraft, Wilburton Head Librarian
- Carole Gill, Poteau Library Assistant (many years of children's duty)

I am extremely proud that SEPLSO was able to provide adequate staffing for the first time in all branches. For years, 5 branches out of our 15 operated with only two staff. Now, only Arkoma operates with two staff, and we are ready to add a part-time aide as we have in the other four branches should the head librarian request it.

Beyond our two-person branches, SEPLSO also added part-time staff to McAlester, Poteau and Stigler. Other locations saw part-time staff receive more hours.

Despite adding new positions, personnel costs decreased from FY 2016. The reason is that the longevity pay earned by retiring staff members saved large amounts of money. In some instance when staff resigned, we replaced full-time positions with part-time positions. In such situations not only was longevity saved, but the cost of health insurance premiums-which increased per person by 8% last year and are scheduled to increase by 9% this year-was also saved.

After all of these changes, SEPLSO now has a larger and more diverse staff with an even wider set of skills, and much new energy, tempered by talented and knowledgeable veterans. All of this growth in our staff makeup has contributed to some large increases in the use of services we provide the public.

SERVICES

Website: In FY 2017 SEPLSO launched a significant improvement to its website by updating and replacing the entire interface. Now with a simple and clean look, users can easily find library information and, in one spot, search the majority of our library's resources including books, movies, audiobooks, databases and downloadable content.

Informational Materials: At the beginning of this fiscal year, SEPLSO was initiating its new, in-house courier system. This has proven extremely popular among both the public and staff. Using the system's two vans, one located in Poteau and one in McAlester, all branches receive two deliveries a week. This new workflow ensures that new materials are quickly delivered and that items requested by customers are delivered with an Amazon-like speed. Many head librarians in smaller branches have also noted how they no longer have to worry about keeping shelves crammed with content that may not be in demand because of the now-easy sharing among branches. Any physical item that circulates can be loaned and delivered using the courier system.

Online Resources: Traditionally referred to as databases, SEPLSO subscribes to many online services that can be accessed from any device within our libraries and in most cases from home. At the end of FY 2017 we added Fold3, a genealogy database popular among genealogists, and increased our access to Tumblebooks, a children's storybook resource. One powerful tool that benefits public and staff even though they cannot see it is EBSCO Discovery Service, a tool that allows all of our databases to be easily searched within our primary catalog.

Downloadable Content: In fall of 2016 SEPLSO launched Hoopla, a service that offers downloadable books, audiobooks, comic books, music, television and movies. Customers have flocked to this resource, increasing the already strong growth of SEPLSO's downloadable offerings. Upgrades to our website also allow all of our downloadable products, with the exception of magazines, to be searched and downloaded using the same catalog and search tool.

Computer & Internet Access: Thanks to the federal e-Rate program, five SEPLSO branches received upgrades in bandwidth in FY 2017. Coalgate, Hugo, Poteau and Stigler expanded their bandwidth from 10 Mbps to 100 Mbps, while McAlester expanded from 10 Mbps to 1000 Mbps. In FY 2018, the remaining ten branches should receive upgrades to 100 Mbps. New technology made the accurate record-keeping of computer and Wi-Fi use possible. We have been recording data this year and will now have comparative data in order monitor and report growth.

Printing, Copying & Faxing: These services continue to prove their popularity with users. Our small towns typically have no other resources for these services. In order to save money on telephone expenses, SEPLSO moved its faxing to completely digital faxing. Although the process takes a small amount more time, the quality of scans and the ease of use for staff have proven this change a success. Newly leased copiers have also allowed SEPLSO to save money, as in past years we easily spent more than \$30,000 on toner and ink.

Programs: SEPLSO offers information programming for all ages throughout the year. Children's programs, especially the Summer Reading Program, serve to promote literacy and to keep children's minds engaged during the summer vacations. Teen and adult programming encourage lifelong learning and spotlight various informational materials available to the public from SEPLSO. In FY 2016, SEPLSO branches boasted an attendance of over 50,000 at special programs.

Reference: Public libraries are the only institution wherein any individual can obtain professional research help for free. SEPLSO staff will guide citizens to available materials or request books from other libraries to meet an informational need. More often staff assist users on the computer and guide them in searches and discovering online information. Regularly staff assist citizens on the computer who are filling out job applications or forms for various types of government assistance.

Other Services: In addition to the services described above, SEPLSO staff routinely assist with reader's advisory, basic computer assistance and training, and general informational research.

ANNUAL CIRCULATION

Circulation of materials and online resources from SEPLSO libraries during FY 2016 increased from FY 2015's total of 658,492 to a total of 683,280, an increase of 24,788 circulations, or 3.76%. Coalgate, Heavener, Poteau and Wister saw very strong growth, but downloadable circulation grew by over 30%, no doubt thanks to the addition of the content provider Hoopla.

Arkoma	-17.41%	Poteau	17.19%
Broken Bow	0.39%	Spiro	-16.65%
Coalgate	12.02%	Stigler	-8.39%
Hartshorne	-9.44%	Talihina	-17.36%
Heavener	7.49	Valliant	3.01%
Hugo	-9.38%	Wilburton	-15.56%
Idabel	-4.49%	Wister	4.39%
McAlester	-8.05%	Downloadable	31.61%
Reading Centers	-14%	Total	3.76%

The elimination last year of a \$1.50 charge for in-system loans and a new, internal courier system helped bolster SEPLSO's circulation growth.

USE OF LIBRARIES

SEPLSO branches received over 702,000 visits in FY 2017. This is a decrease from the 750,000 visits in FY 2016. Doubtlessly, part of this decline can be attributed to the growth of Internet-only users as SEPLSO circulation shows strong growth. And during FY 2017, the Mattie Terry Library in Valliant closed several weeks to receive new carpet, and the Patrick Lynch Library in Poteau was closed many weeks due to severe sewage backup in the building.

<i>Branch</i>	<i>Annual Visits</i>	<i>Average Visits per Week</i>
Arkoma	6,781	130
Broken Bow	68,001	1,308
Coalgate	48,470	932
Hartshorne	33,329	641
Heavener	32,108	617
Hugo	60,502	1,164
Idabel	59,959	1,153
McAlester	130,413	2,508
Poteau	85,389	1,642
Spiro	33,575	646
Stigler	49,837	958
Talihina	17,250	332
Valliant	15,473	298
Wilburton	39,589	761
Wister	22,078	425
System	702,754	13,515

Program attendance increased over FY 2016 thanks to more programs being offered. However, attendance per program decreased, indicating many programs were piloted and failed to attract an audience. I am proud of our staff for trying several new programs this past year.

	<i>Number of Programs</i>	<i>Program Attendance</i>	<i>Attendance Per Program</i>	<i>An</i>
FY 2016	2,756	52,851	19.18	oth
FY 2017	3,405	53,262	15.65	er

strong indicator of success that we are tracking is active cardholders. At the end of fiscal year 2017, SEPLSO had 29,710 active cardholders. This indicates approximately 18% of our 7-county residents have library cards.

FY 2017 marked the first time SEPLSO has been able to accurately capture computer and Wi-Fi statistics thanks to new equipment. We look forward to next year when year-to-year data can be compared.

Wi-Fi Statistics

- Number of Uses: 241,552 uses
- Approximate Number of Devices that Connected: 7,490

The strong usage of our Wi-Fi reflects both the poverty of our area and the poor IT infrastructure available to citizens. Our dependable Wi-Fi allows users to connect to the world and to access important library resources. It is hard to image that these number would not grow over the next few years.

Public Computer Statistics

- Number of Uses: 85,872 uses
- Hours of Use: 57,378 hours

There is no doubt of the value the public places in these services. The strong usage indicates the vital role libraries play in the communication and information needs of southeastern Oklahoma.

COLLECTION

Approximately \$810,068 was spent in FY 2017 for books and other library materials and online information services, as well as materials for use by outreach services, including reading centers and community reading collections. We also were able to complete our microfilm digitization project that allows users to access all of our microfilm through our website while using our network.

SEPLSO holds over 400,000 items for public use and loan. In FY 2018 we will engage in heavy weeding and inventory projects that will see this number decrease noticeably, but at the same time we will be providing our staff with new tools for better selection.

POLICIES, PLANNING AND GOALS

I was extremely proud with the development of SEPLSO's first Employee Handbook this year. The creation of the handbook required months of work from staff, Board Members, and our attorney, but the end product is a clear and concise guidebook to staff and administration regarding employee expectations and rights. The Handbook was approved March, 2017. Almost all of SEPLSO's personnel policies were absorbed and rewritten for the handbook, so upon approval the Board rescinded all existing Personnel Policies except for a small handful that were reclassified as Operating Policies.

Operating policies updated were the Classification and Pay Policy and the Behavior policy. The Unattended Children Policy was rescinded upon approving the updated Behavior Policy in May, 2017.

One new policy, a credit card policy was introduced and approved May, 2017.

An updated Technology Plan was approved September, 2016.

A minor change to the bylaws, regarding check signers, was made in May, 2017.

For further information, contact Michael Hull, Executive Director, at (918) 426-0456.

**SOUTHEASTERN OKLAHOMA PUBLIC LIBRARY SYSTEM OF OKLAHOMA
 STATEMENTS OF REVENUES AND EXPENDITURES
 GENERAL FUND- BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017
 Unaudited**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUE:				
Ad Valorem Taxes	\$ 4,338,960	\$ 4,444,505	\$ 4,416,008	\$ (28,497)
State Aid	90,299	93,486	101,277	7,791
Interest Income	16,000	22,000	29,001	7,001
Other Income	164,525	317,158	147,298	(169,860)
<hr/>				
Total Revenue	4,609,784	4,877,149	4,693,584	(183,565)
EXPENDITURES:				
Staff expenditures	\$ 3,083,530	3,312,866	\$ 3,203,091	(109,775)
Informational materials	629,511	691,661	713,644	21,983
Special grant expenditures			93,413	93,413
Operations	818,097	768,092	602,952	(165,140)
Fixtures and equipment	78,646	104,530	273,254	168,724
<hr/>				
Total Expenditures	4,609,784	4,877,149	4,886,354	9,205
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(192,770)	(192,770)
<hr/>				
Other Financing Sources (Uses)				
Carryover fund balance				-
<hr/>				
Total Other Financing Sources (Uses)				-
<hr/>				
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ (192,770)	\$ (192,770)
<hr/>				

Note: this budget utilizes capital expenditures for informational materials and fixtures and equipment. The Statement of Activities uses depreciation expense.

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Southeastern Public Library System of Oklahoma
McAlester, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Southeastern Public Library System of Oklahoma (the Library), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund and aggregate fund information of the Southeastern Public Library System of Oklahoma as of June 30, 2017, and the respective changes in financial position, and changes in fund balance thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages 3-12 and page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The Schedule of Operating Expenses and Schedule of State Financial Assistance are presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2017, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Library's internal control over financial reporting and compliance.



Ardmore, Oklahoma
September 7, 2017

**SOUTHEASTERN OKLAHOMA PUBLIC LIBRARY SYSTEM
GOVERNMENT-WIDE STATEMENT OF NET POSITION
AND GOVERNMENTS FUNDS BALANCE SHEETS
JUNE 30, 2017**

<u>ASSETS AND OTHER DEBITS</u>	General	Pension Trust	Totals	Adjustments	Statement of Net Assets
Assets:					
Cash and Cash Equivalents	\$ 5,813,251	\$ -	\$ 5,813,251		\$ 5,813,251
Investments		3,261,031	3,261,031		3,261,031
Receivables	50,347		50,347		50,347
Informational materials	9,895,649		9,895,649		9,895,649
Furniture and equipment	3,465,048		3,465,048		3,465,048
Accumulated depreciation	(7,525,983)		(7,525,983)		(7,525,983)
Total Assets and Other Debits	<u>\$ 11,698,311</u>	<u>\$ 3,261,031</u>	<u>\$ 14,959,343</u>	<u>\$ -</u>	<u>\$ 14,959,343</u>
Deferred Outflows of Resources	-	-	-	-	-
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities:					
Accounts Payable	\$ 14,335	\$ -	\$ 14,335		14,335
Deferred grant revenue	-		-		-
Accrued Payroll and Related Costs	-		-		-
Total Liabilities	<u>14,335</u>	<u>-</u>	<u>14,335</u>	<u>-</u>	<u>14,335</u>
Deferred Inflow of Resources	-	-	-	-	-
Fund Balances					
Non-spendable	5,834,714		5,834,714	(5,834,714)	-
Spendable					-
Committed	-	3,261,031	3,261,031	(3,261,031)	-
Assigned	353,571		353,571	(353,571)	-
Unassigned	5,495,691		5,495,691	(5,495,691)	-
Total Equity and Other Credits	<u>11,683,976</u>	<u>3,261,031</u>	<u>14,945,007</u>	<u>(14,945,007)</u>	<u>-</u>
Total Liabilities, Equity and other Credits	<u>\$ 11,698,311</u>	<u>\$ 3,261,031</u>	<u>\$ 14,959,343</u>		
Net Position:					
Net Investment in Capital Assets				5,834,714	5,834,714
Restricted				-	-
Unrestricted				5,849,262	5,849,262
				<u>\$ 11,683,976</u>	<u>\$ 11,683,976</u>

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

**SOUTHEASTERN OKLAHOMA PUBLIC LIBRARY SYSTEM
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
AND GOVERNMENTAL FUND STATEMENT OF
REVENUES AND EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General Fund	Pension Fund	Total	Adjustments	Statement of Activities
<u>EXPENDITURES</u>					
. Current-					
Staff Expenditures	\$ 3,203,091		\$ 3,203,091	\$ -	\$ 3,203,091
Special Grant Expenditures	93,413		93,413		93,413
Distributions/withdrawals		812,839	812,839		812,839
Operations	614,026	3,701	617,727		617,727
Depreciation	471,198		471,198		471,198
Asset disposals	15,958		15,958		15,958
Total Expenditures	4,397,686	816,540	5,214,225	-	5,214,225
<u>REVENUES</u>					
Ad valorem tax revenues	4,416,008		4,416,008		4,416,008
Oklahoma Dept of Libraries			-		-
Special Grant Revenue	6,003		6,003		6,003
State Aid	101,277		101,277		101,277
Investment income	29,001	250,170	279,171		279,171
Employee(er) Contributions		409,920	409,920		409,920
Unrealized Gains(losses)			-		-
Other Grants/Donations			-		-
Other Revenues	141,296		141,296		141,296
Library contribution			-		-
Total Revenues	4,693,584	660,090	5,353,674	-	5,353,674
CHANGE IN NET POSITION	295,899	(156,450)	139,449		139,449
NET POSITION, JULY 1, 2016	11,388,077	3,417,481	14,805,558		14,805,558
NET POSITION, JUNE 30, 2017	\$ 11,683,976	\$ 3,261,031	\$ 14,945,007	\$ -	\$ 14,945,007

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

**SOUTHEASTERN OKLAHOMA PUBLIC LIBRARY SYSTEM
 GOVERNMENT-WIDE STATEMENT OF CHANGES
 IN FUND BALANCE - ALL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund				Pension Fund	
	Nonspendable	Committed	Assigned	Unassigned	Total	Committed
Fund Balance - July 1, 2016	\$ 5,334,971	\$ -	\$ 448,107	\$ 5,604,999	\$11,388,077	\$ 3,417,481
Excess (Deficiency) of Revenues and Other Financing Sources				295,899	295,899	(156,450)
Other additions (reductions)	499,743	-	(94,536)	(405,207)	-	
Fund Balance June 30, 2017	<u>\$ 5,834,714</u>	<u>\$ -</u>	<u>\$ 353,571</u>	<u>\$ 5,495,691</u>	<u>\$11,683,976</u>	<u>\$ 3,261,031</u>

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

Southeastern Public Library System of Oklahoma
Notes to Financial Statements
June 30, 2017

Note A - Organization

The Financial Reporting Entity – The Southeastern Public Library System of Oklahoma is an independent special purpose entity established under Title 65 Article 4, Public Library Systems, of the Oklahoma statutes. These statutes authorize and empower counties, cities and towns to join in the creation, development, and operation and maintenance of public libraries systems to serve multi-county districts. Title 65 authorizes special tax levies for the support of library systems to serve multi-county systems established under this act. Under *Governmental Accounting Standards Board (GASB) No. 14*, the system is defined as a Special—Purpose Governmental Unit. The participating counties are Choctaw, Coal, Haskell, Latimer, LeFlore, McCurtain and Pittsburg, which have authorized special tax levies to provide funding for the support of the Library.

Note B – Summary of Significant Accounting Policies

The accounting policies of the Library conform to generally accepted accounting principles, as applicable to special purpose governmental units. The *Governmental Accounting Standards Board* is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. It defines primary governments as governments which provide a range of services. A special purpose government is a legally separate entity that performs only one (or a few) specific activities. The Library is a special purpose governmental unit under that definition. It is not a component unit of any other government. The more significant of Southeastern Public Library System of Oklahoma's accounting policies are described below.

Basis of Presentation—Fund Accounting – The Library uses funds to report on its financial position, results of its operations and changes in fund balances. A fund is a separate accounting entity with a self-balancing set of accounts. The Library uses a general operating fund and a trust fund.

1. Basis of Accounting

The Library prepares its financial statements on the modified accrual basis of accounting. Under this method, support and other revenues are recognized when they become measurable and available. Expenditures are generally recognized when the related fund liability is incurred. The Library considers property taxes as available if they are collected within 60 days after year-end. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available. Donations and grant funds are considered earned when received, unless subject to forfeiture, in which case when received they are recorded as deferred revenues until earned.

2. Budgets

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

Southeastern Public Library System of Oklahoma
Notes to Financial Statements - Continued
June 30, 2017

3. Contributed Facilities

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

4. Grants

The Library records income from grants in the period received.

5. Cash and Cash Equivalents

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

6. Income Taxes

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

7. Interfund Receivables and Payables

During the course of operations, some transactions occur between funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Government-Wide Statement of Net Position.

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the general fund.

9. Fund Balances

The Library adopted Governmental Accounting Standards Board (GASB) Statement No 54 which redefines the classifications of fund equities.

• *Nonspendable.* Fund balances that cannot be spent because they are either:

•• *Not in Spendable Form*—generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts. This classification also includes some long-term amounts such as property acquired for resale or the long-term portion of loans receivable. (However, if the eventual proceeds or collections from these would be restricted, committed, or assigned, these amounts would be included in that other classification.)

Southeastern Public Library System of Oklahoma
Notes to Financial Statements – Continued
June 30, 2017

•• *Legally or Contractually Required to be Maintained Intact*—amounts that are required to be maintained intact, such as the principal of a permanent fund.

• *Restricted*—amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.)

• *Committed*—amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority. This classification might also include contractual obligations if existing resources have been committed for use in satisfying those contractual requirements. (The formal action to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.)

• *Assigned*—amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given. Assigned fund balances represent tentative plans for future use of financial resources. The amounts are decided by the Board and can be reclassified as needed.

• *Unassigned*—this is the residual classification for the general fund (i.e., everything that is not in another classification or in another fund). The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

10. Use of Estimates

The preparation of 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.

11. Risk Management

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

12. Participation in Risk Pools

The Library maintains worker's compensation coverage through the Oklahoma State Insurance Fund, which is classified as a risk pool for this coverage.

Southeastern Public Library System of Oklahoma
Notes to Financial Statements – Continued
June 30, 2017

Note C - Employee Benefits

1. Pension Trust Fund

During the year ended June 30, 1990, the Library initiated a pension plan for its employees. The Library is the trustee for this plan. The contributions for each plan year are based on the amount of the total salary reduction elections of all participants, which amount shall be deemed an employer elective contribution.

For each participant who is eligible to share in matching contributions for the plan year, a discretionary matching contribution is made equal to a uniform percentage of each such Participant's Deferred Compensation, the exact percentage, if any, to be determined each year by the Library.

To be eligible to contribute to the plan an employee must have been employed for six months and be a minimum age of 18. There is also a six year vesting schedule with 20 percent vesting each year after the employee's second year of service. A plan year is defined as 1,000 hours of service.

The Library uses MassMutual to help administer the retirement plan. The latest detailed annual report was prepared by Midwest PPSS, Inc. for the calendar year of 2016.

As contributions are made, they are credited to individual accounts set up for each employee. The employees, at the discretion of the administrator, may direct the trustee on the investment of these contributions. The total contribution by the Library for the year ended June 30, 2017, was \$325,306.

Benefits to be paid to employees upon retirement will be limited to the actual cash value of their individual accounts.

Plan assets at June 30, 2017 were \$3,261,033.

2. Compensated Absences

Compensated absence is paid for terminating employees up to 160 hours of accumulated vacation. No sick leave or holiday leave is vested. Total potential liability for compensated absences at June 30, 2017, was \$278,905.

Note D - Related Parties

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

Southeastern Public Library System of Oklahoma
Notes to Financial Statements - Continued
June 30, 2017

Note E - Concentrations of Credit Risk

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

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

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

Deposits	Risk Category			Total Collateral	Bank Balance	Financial Statement Carrying Amount
	1	2	3			
Cash	\$ 270,125	\$ -	\$ -	\$ 270,125		\$ 270,125
Certificates of Deposit	400,000	5,143,126	-	5,543,126		5,543,126
Totals	\$ 670,125	\$ 5,143,126	\$ -	\$ 5,813,251	\$ -	\$ 5,813,251

Required: 100% of uninsured amount

$\frac{\text{X } 100\%}{\$ 5,143,126}$

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized.

Note F - Economic Dependency

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

Note G – Subsequent Events

Management has evaluated all events subsequent to the balance sheet date of June 30, 2017 through the date of issuance of these financial statements, September 7, 2017, and has determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

Southeastern Public Library System of Oklahoma
Notes to Financial Statements - Continued
June 30, 2017

Note F – Long Term Assets

Long-term assets are accounted for as capital assets. All long-term assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Office equipment	5 to 10 years
Furniture	10 to 20 years
Computer equipment	3 to 5 years
Vehicles	3 to 5 years
Other / informational materials	3 to 20 years

Fixed Assets – The following is a summary of changes in the general fixed assets account group during the fiscal year:

	<u>Equipment/ Furnishings</u>	<u>Accumulated Depreciation</u>	<u>Informational Materials</u>	<u>Accumulated Depreciation</u>
Balance, 7-01-16	\$ 3,425,435	\$ 2,905,696	\$ 9,332,796	\$ 4,517,564
Additions	273,254	282,704	713,644	188,494
Disposals / adjustments	<u>(233,642)</u>	<u>(220,669)</u>	<u>(150,791)</u>	<u>(147,806)</u>
Balance 6-30-17	<u>\$ 3,465,048</u>	<u>\$ 2,967,731</u>	<u>\$ 9,895,649</u>	<u>\$ 4,558,252</u>
Depreciation expense 6-30-17		<u>\$ 282,704</u>		<u>\$ 188,494</u>

SOUTHEASTERN PUBLIC LIBRARY SYSTEM OF OKLAHOMA

SUPPLEMENTAL INFORMATION

**Southeastern Public Library System of Oklahoma
Schedule of Operational Expenses
Year ended June 30, 2017
Unaudited**

Continuing Education	\$ 20,519
Utilities	4,201
Telephone	30,647
Postage	(13,692)
Board travel	8,712
Employee travel	37,715
Vehicle	7,201
Equipment rental	38,310
Maintenance contracts	21,973
Equipment repair	13,347
Insurance	25,069
General supplies	8,676
E-commerce services	480
Special programs and supplies	10,517
Advertising	7,863
Memberships	4,892
Audit	15,000
Revaluation fees	94,506
Internet fees	30,261
Automation support	61,496
Professional fees	32,017
Miscellaneous	4,930
Online information	96,424
Direct branch expense	52,960
	<hr/>
	\$ 614,026
	<hr/> <hr/>

Southeastern Public Library System of Oklahoma
Schedule of State Financial Assistance
Year ended June 30, 2017
(Unaudited)

<u>State of Oklahoma Assistance</u>	<u>Project Amount</u>	<u>Receipts Recognized</u>	<u>Expenses Paid</u>
Oklahoma Department of Libraries State Aid for the Development and Expansion of Library Service	\$101,277	\$101,277	\$101,277

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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
Southeastern Public Library System of Oklahoma
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, each major fund, and the aggregate fund information of Southeastern Public Library System of Oklahoma (the Library) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated September 7, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be

reported under *Government Auditing Standards*.

Purpose of this Report

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

Jackson, Fox & Robinson PC

Ardmore, Oklahoma
September 7, 2017