

**SOUTHEAST ARKANSAS REGIONAL LIBRARY**  
**AUDITED REGULATORY BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**SOUTHEAST ARKANSAS REGIONAL LIBRARY**

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# Shawn Hickman, CPA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

Southeast Arkansas Regional Library

I have audited the accompanying financial statements of Southeast Arkansas Regional Library (a quasi-governmental entity organized under A.C.A. § 13-2-903), which are comprised of the balance sheet as of December 31, 2019 and the related statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the State of Arkansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Southeast Arkansas Regional Library, as of December 31, 2019., and the revenues it received and expenditures it paid for the year then ended, in accordance with the financial reporting provisions of the State of Arkansas as described in Note B.

**Basis of Accounting**

I draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions of the State of Arkansas, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the State of Arkansas. My opinion is not modified with respect to that matter.

**Other Matters***Required Supplementary Information*

The Regulatory Basis of Accounting as described by Arkansas Code requires that the fixed asset schedule and budgetary comparison information on pages 9-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the State of Arkansas, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express any opinion or provide any assurance.

**Restriction on Use**

This report is intended solely for the information and use of management, Board Members, others within Southeast Arkansas Regional Library and Arkansas Legislative Audit and is not intended to be and should not be used by anyone other than these specified parties.



Shawn Hickman, CPA

December 7, 2020

SOUTHEAST ARKANSAS REGIONAL LIBRARY

BALANCE SHEET – REGULATORY BASIS

DECEMBER 31, 2019

Assets

Cash	\$ 692,309
Accounts Receivable	12,000
Certificate of Deposit	<u>257,924</u>
Total Assets	<u>\$ 962,233</u>

Liabilities

Payroll Liabilities	<u>\$ 1,863</u>
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Fund Balances

Regional Funds	\$ 827,402
Funds Held at Branches	4,912
Funds Restricted for:	
Poetry Materials	6,891
Building Repairs	<u>121,165</u>
Total Funds	<u>\$ 960,370</u>
Total Liabilities and	
Fund Balances	<u>\$ 962,233</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND AUDITOR'S REPORT



## SOUTHEAST ARKANSAS REGIONAL LIBRARY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

##### A. *Financial Reporting Entity*

The Southeast Arkansas Regional Library is a joint governmental venture that was formed on May 9, 1983, under A.C.A. §13-2-903. Which authorizes any two (2) or more municipalities, any two (2) or more counties, or any one (1) or more municipalities together with any one (1) or more counties to create and become members of a regional library system. The Library was created by contract between Bradley, Desha, Drew, and Lincoln Counties and Chicot County which joined May 1, 1994, with the contract containing the following points, among others, that:

1. The purpose of the agreement was to create and continue a library system for the Southeast Arkansas area that would provide library services to all people within the participating counties, to the fullest extent practical and possible, to establish a cooperative collection of books and related materials; to provide and improve rotation of books throughout a wider area; to eliminate unnecessary duplication of functions, facilities, and assets; and to take advantage of bulk discount and purchase economics.
2. The agreement would be perpetual duration except that any county can withdraw at the close of any fiscal year by giving written notice to all parties, at least one year before the scheduled date of withdrawal.
3. Each county library shall contribute their one mill tax fund for the operation of the Regional Library System. Payments shall be made in irregular installments as required by the expenditures of the Regional Library.
4. Each county shall provide its own library facilities and pay occupancy costs out of funds other than the one mill library tax.
5. The business of the Southeast Arkansas Regional Library shall be conducted by a Regional Board composed of two members from each county.
6. In the event of the termination of the agreement, all books acquired with Regional Funds after March 23, 1994, or during the period of previous contract between the counties shall be divided among the counties in proportion to the amount of state aid granted to the Regional Library for each county during this period, with the Arkansas State Library to supervise the division of books.
7. Drew County would provide suitable headquarters in Monticello for the Southeast Arkansas Regional Library System in consideration of the advantages of having the said headquarters located there. In consideration of the provision of the headquarters in Monticello, the parties hereto hereby agree that the Regional Budget shall pay utility and janitorial costs.

## SOUTHEAST ARKANSAS REGIONAL LIBRARY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*B. Basis of Presentation – Regulatory Fund Accounting*

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Arkansas Code. This law stipulates that the financial statements consist of balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to actual expenditures; notes to financial statements; and a supplemental schedule of capital assets.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

*C. Fixed Assets*

Per the library agreement, each of the counties provide the premises necessary for branches as well as the maintenance and repair costs for the building and lawn. The fixed assets owned by the library are furniture, equipment, and library materials.

As required by the Regulatory Basis of Accounting in the State of Arkansas a schedule of fixed assets has been provided on page 10.

*D. Basis of Accounting*

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Arkansas Code. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the system considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements.

*E. Assets, Liabilities, and Fund Balances*

*Cash and Cash Equivalents*

For the purpose of financial reporting, "cash and cash equivalents" includes all demand accounts and certificates of deposit.



## SOUTHEAST ARKANSAS REGIONAL LIBRARY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2: *DEPOSITS*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Library's deposits may not be returned, or the Library will not be able to recover collateral securities in the possession of an outside party. State statutes require and it is Library's policy for deposits to be 100% secured by collateral valued at the lower of market or par, less the amount of Federal Deposit Insurance Corporation insurance. All cash balances held in financial institutions are below FDIC limits and are considered fully insured.

#### NOTE 3: *ACCOUNTS RECEIVABLE*

Property taxes are assessed, collected, and remitted to the Library by the constituent's counties and from the Arkansas State Library when the Library submits a claim for funds. As such, the Library recognizes revenue when a claim is made in pursuant to A.C.A. § 13-2-404. As of December 31, 2019, there was no balance outstanding from the county or state.

#### NOTE 4: *ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM*

##### Plan Description

The Library contributes to the Arkansas Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan through Drew County. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employee Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS.

##### Fund Policy

All employees of the Library who work in excess on 80 hours per month automatically become members of the Arkansas Public Employee Retirement System which is administered through Drew County. For the year ending December 31, 2019, the Library paid \$57,092.35 to Drew County for its portion of employee's retirement benefits.

#### NOTE 5: *SUBSEQUENT EVENTS*

There are no subsequent events to report at the time of this report.

## SUPPLEMENTARY INFORMATION

**SOUTHEAST ARKANSAS REGIONAL LIBRARY**  
**SCHEDULE OF EXPENSES – REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	(UNAUDITED)		FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	VARIANCE
Salaries Professional	\$ 52,000	\$ 52,000	\$ -0-
Salaries Library	397,414	355,528	41,886
Salaries Temporary	86,800	101,340	(14,540)
County Retirement	64,000	57,092	6,908
Social Security	33,000	31,349	1,651
Medicare	7,800	7,361	439
Insurance Health & Life	62,750	53,174	9,576
Workman's Compensation	1,850	-0-	1,850
Unemployment	4,000	1,234	2,766
Professional Services	4,500	2,625	1,875
Books	57,560	64,231	(6,671)
Periodicals	1,500	158	1,342
Audiovisuals	2,400	2,683	(283)
Over Drive	9,000	9,000	-0-
E Books	6,000	79	5,921
Processing	4,500	2,772	1,728
Binding	1,300	1,042	258
Electronic Usage	20,000	19,858	142
Furniture & Equipment	6,300	23,405	(17,105)
Insurance	14,850	14,095	755
Office Supplies	8,500	9,314	(814)
Lease Expense	2,800	2,934	(134)
Miscellaneous	3,000	2,039	961
Postage	550	531	19
Printing	1,200	1,181	19
Staff Development	1,000	1,310	(310)
Technology Support	13,000	9,368	3,632
Telephone	4,000	6,151	(2,151)
Travel	2,000	2,106	(106)
Utilities	42,900	44,127	(1,227)
Gas	4,200	2,181	2,019
Mileage	900	110	790
Auto Repair	1,000	713	287
Auto Replacement Fund	2,000	2,000	0
Building Maintenance	7,000	4,643	2,357
Professional Organization	1,500	950	550
Technical Services	16,000	11,581	4,419
Capital Fund Budget	61,612	41,318	20,294
<b>NON BUDGETED EXPENSES:</b>			
Branch Miscellaneous	0	14,396	(14,396)
Branch Supplies	0	21,117	(21,117)
Branch Postage	0	948	( 948)
Branch Meeting Room	0	6,322	( 6,322)
	<u>\$ 1,010,686</u>	<u>\$ 984,366</u>	<u>\$ 26,320</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND AUDITOR'S REPORT

**SOUTHEAST ARKANSAS REGIONAL LIBRARY**  
**SCHEDULE OF EXPENSES – REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The following schedule of fixed assets was not audited for existence or valuation. The Library’s constituent counties provide a building and maintenance for each of the branches. The Library is responsible for and owns the furniture, equipment, and library materials. The net values of the equipment are at cost. The Library keeps a running inventory of all equipment.

Computers & Equipment	\$ 73,709
Administrator’s Office	9,317
Monticello Meeting Room	10,402
Other Equipment	<u>9,993</u>
	<u>\$ 103,421</u>

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

To the Board of Directors of  
Southeast Arkansas Regional Library

I 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 balance sheet and statements of revenues, expenditures, and changes in fund balances of Southeast Arkansas Regional Library as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Southeast Arkansas Regional Library's basic financial statements and have issued our report thereon dated December 7, 2020.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. (See Findings 2019-01,2019-02,2019-03)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than material weaknesses, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies. (See Findings 2019-04)

## **Compliance and Other Matters**

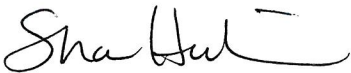
As part of obtaining reasonable assurance about whether Southeast Arkansas Regional Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 did not find any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Southeast Arkansas Regional Library's Response to Findings**

Southeast Arkansas Regional Library's response to the findings identified in our audit is described in the accompanying schedule of findings. Southeast Arkansas Regional Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 result 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.



Shawn Hickman CPA

Hamburg, AR

December 7, 2020

# Shawn Hickman, CPA

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December 7, 2020

To the Board of Directors of  
The Southeast Arkansas Regional Library

I have audited the financial statements of each major fund, and the aggregate remaining fund information of the Southeast Arkansas Regional Library for the year ended December 31, 2019. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. I have communicated such information in my letter to you dated December 7, 2020. Professional standards also require that I communicate to you the following information related to my audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Southeast Arkansas Regional Library are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2019. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by the management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Southeast Arkansas Regional Library's financial statements was:

Managements estimate of the fixed assets in a supplemental schedule to the financial statements is based on the replacement value of those fixed assets. I did not perform procedures to verify the accuracy of those replacement values.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of fixed assets in a supplemental schedule to the financial statements is the most sensitive disclosure to the financial statements, due to fixed assets constituting the majority of the Library's assets. As noted in my opinion letter, I did not perform procedures on the schedule of fixed assets and do not express an opinion on its accuracy. The regulatory basis of accounting does not require fixed assets to be included on the balance sheet.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

### *Management Representations*

I have requested certain representations from management that are included in the management representation letter dated December 2, 2020.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matter, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements, or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

### *Other Audit Findings of Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

### *Other Matters*

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Southeast Arkansas Regional Library and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely



Shawn Hickman