



TULSA CITY-COUNTY LIBRARY FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018 AND 2017

TULSA, OKLAHOMA

Tulsa City-County Library

Financial Statements
And Independent Auditor's Report

June 30, 2018 and 2017

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Business Advisors

Independent Auditors' Report

To the Commission of the
Tulsa City-County Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, its major fund of the Tulsa City-County Library (the "Library"), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' 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 auditors' 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. 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 adverse audit opinion on the reporting entity and unmodified audit opinions on the governmental activities, its major fund of the Library.

Basis for Adverse Opinion on the Reporting Entity

As described in Note Q to the financial statements, the financial statements referred to above include only the primary government of Tulsa City-County Library, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise Tulsa City-County Library's legal entity. The financial statements do not include financial data for Tulsa Library Trust's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of Tulsa City-County Library's primary government.

Adverse Opinion on the Reporting Entity

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Tulsa City-County Library, as of June 30, 2018, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, Tulsa City-County Library has issued separate reporting entity financial statements, for which we have issued our report dated February 27, 2019.

Unmodified Opinion on the Governmental Activities, Its Major Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund of the Library as of June 30, 2018 and 2017, and the respective changes in financial position thereof for the years and years 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 information on pages 3 to 8 and the Schedules of Proportionate Share of the Net Pension Liability - last 10 fiscal years and of Contributions - last 10 fiscal years on pages 28 to 29 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Library's basic financial statements. The supplemental schedule of capital assets by location (cash basis) on pages 30 and 31 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedule of capital assets by location (cash basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule of capital assets by location (cash basis) is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2019 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.

Tulsa, Oklahoma
February 27, 2019

Hill & Company, PC



**Management's Discussion
and Analysis**

Management Discussion and Analysis

June 30, 2018 and 2017

Management's Discussion and Analysis

The Tulsa City-County Library's (the "Library's") management provides this Management's Discussion and Analysis (MD&A) as a tool for readers of the Library's Basic Financial Statements for the fiscal years ended June 30, 2018 and 2017. Readers of the Library's financial statements are encouraged to use this information in conjunction with the Library's Basic Financial Statements, which begin on page 9.

Financial Highlights

Financial highlights for the Library as of and for the years ended June 30, 2018, 2017 and 2016 include the following:

- The Library's assets exceeded its liabilities (net position) by approximately \$89.6, \$90.5 and \$84.2 million at June 30, 2018, 2017 and 2016, respectively.
- The Library's net assets decreased by approximately \$0.9 million and increased by \$6.3 million and \$25.2 million during the years ended June 30, 2018, 2017 and 2016, respectively.
- Revenues from ad valorem taxes were approximately \$30.9 million, \$29.8 million and \$28.8 million for June 30, 2018, 2017 and 2016, respectively.
- Total expenses were approximately \$35.0, \$34.0 and \$29.2 million for the years ended June 30, 2018, 2017 and 2016, respectively.
- Fiscal 2018, 2017 and 2016 capital outlay expenditures were approximately \$1.8, \$1.3 and \$4.1 million, respectively.

Overview of the Basic Financial Statements

This discussion and analysis serves as an introduction to the Library's Basic Financial Statements. The Library's Basic Financial Statements are comprised of government-wide financial statements, fund financial statements and notes to the Basic Financial Statements. The government-wide financial statements are comprised of the Statements of Net Position and the Statements of Activities (on pages 9 and 10, respectively), which provide information about the activities of the Library as a whole and present a long-term view of the Library's finances. These financial statements provide a broad overview of the Library's operations in a manner similar to private-sector business. Fund financial statements beginning on page 11 demonstrate how the Library's operations were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide statements by providing information about the Library's individual funds.

Management Discussion and Analysis

June 30, 2018 and 2017

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about a governmental agency is, “Is the organization as a whole better off or worse off as a result of the year’s activities?” The Statements of Net Position and the Statements of Activities report information that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Library’s net assets and changes in them. You can think of the net assets – the difference between assets and liabilities – as one way to measure the Library’s financial health, or financial position. Over time, increases or decreases in net assets are one indicator of whether the financial position is improving or deteriorating.

In the Statements of Net Position and the Statements of Activities for the Library, all activities are reported as governmental activities as the Library has no business-type activities.

Reporting the Library’s Most Significant Funds

The fund financial statements begin on page 11 and provide detailed information about the Library’s governmental funds.

General Fund – The General Fund consists of two funds that are referred to as the Levy and Depository. The Levy Fund accounts for transactions related to the receipt of appropriations of ad valorem taxes, most governmental grant and reimbursement programs, which are used for the general operations of the Library. The Depository fund accounts for collections of copy service fees, book fines, proceeds from the sale of surplus property, gifts and miscellaneous receipts, and other miscellaneous items. Such funds are primarily expended for the purchase, replacement or repair of books or other property, except motor vehicles, and do not require appropriation.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements. The Notes to the Basic Financial Statements begin on page 15.

Other Supplementary Information

The Basic Financial Statements are followed by a section of supplemental information. This section includes a Supplemental Schedule of Capital Assets by Location (Cash Basis). The supplemental schedule is presented for purposes of additional analysis and is not a required part of the Basic Financial Statements.

Management Discussion and AnalysisJune 30, 2018 and 2017

The Library as a Whole**Net Position**

The table below summarizes the Library's Statements of Net Position as of June 30:

	2018	2017	2016
Current assets	\$ 23,334,008	\$ 22,129,687	\$ 22,237,521
Capital assets	86,139,233	88,242,019	81,643,053
Deferred outflows	4,644,162	6,002,194	8,050,384
Total assets and deferred outflows	<u>114,117,403</u>	<u>116,373,900</u>	<u>111,930,958</u>
Total liabilities	(21,940,742)	(20,807,912)	(22,491,375)
Deferred inflows	(2,621,300)	(5,036,426)	(5,281,469)
Total liabilities and deferred inflows	<u>(24,562,042)</u>	<u>(25,844,338)</u>	<u>(27,772,844)</u>
Net assets			
Investment in capital assets, net of related debt	86,139,233	88,242,019	81,643,053
Unrestricted	3,416,128	2,287,543	2,515,061
	<u>\$ 89,555,361</u>	<u>\$ 90,529,562</u>	<u>\$ 84,158,114</u>

Management Discussion and Analysis

June 30, 2018 and 2017

Changes in Net Position

The table below summarizes the Library's Statements of Activities for the fiscal years:

Revenues	2018	2017	2016
Program Revenues:			
Library services and fees	1,829,101	\$ 1,375,961	\$ 995,789
Governmental and other grants	140,028	97,022	88,585
Gifts and contributions:			
Trust	944,129	149,925	1,212,274
Other	46,755	427,673	46,100
General Revenues:			
Ad valorem taxes	30,924,062	29,805,710	28,796,868
Interest income	150,819	48,292	41,057
City of Tulsa - Improve Our Tulsa bond proceeds	-	-	5,000,000
State aid	-	203,673	218,329
Total revenues	<u>34,034,894</u>	<u>32,108,256</u>	<u>36,399,002</u>
Expenses			
Library services:			
Personnel services	19,575,521	18,681,564	16,921,261
Books and other library materials and equipment	2,240,135	1,914,468	1,566,504
Maintenance and operations	6,151,874	7,656,509	5,714,129
Depreciation	6,525,687	5,677,209	4,709,349
Loss (gain) on sale of fixed assets	-	-	135,373
Disbursements to Tulsa County for use in revaluation program	114,030	111,767	110,462
Other	401,848	-	15,481
Total expense	<u>35,009,095</u>	<u>34,041,517</u>	<u>29,172,559</u>
Transfers			
Transfers in	-	8,304,709	25,945,020
Transfers out	-	-	(8,000,000)
Total transfers	<u>-</u>	<u>8,304,709</u>	<u>17,945,020</u>
Change in net assets	<u>\$ (974,201)</u>	<u>\$ 6,371,448</u>	<u>\$ 25,171,463</u>

Management Discussion and Analysis

June 30, 2018 and 2017

Analysis of Overall Financial Position and Results of Operations

The Library's Funds

The Library's total fund balance at June 30, 2018 of \$21.1, was \$1.1 million higher than June 30, 2017. The Library's total fund balance increased by approximately \$0.1 million during fiscal 2017 to approximately \$20.0 million at June 30, 2017, from approximately \$19.9 million at June 30, 2016. The \$12.1 million in assigned funds is reserved for branch renovations, capital replacements, an FMP implementation, technology improvements, and a small IT reserve. The unassigned fund balance as of June 30, 2018, has been internally designated for encumbrances (approximately \$453,627) and for other capital needs. Total fund revenues for fiscal 2018 were approximately \$34.1 million, which included ad valorem tax revenues of approximately \$31.0 million.

Capital Asset and Debt Administration

Assets

At June 30, 2018, 2017 and 2016, the Library had approximately \$86.1, \$88.2 and \$81.6 million, respectively, invested in capital assets. Capital assets, net of accumulated depreciation, decreased by \$2.1 and increased by \$6.6 and \$27.6 million during the fiscal years ended 2018, 2017 and 2016, respectively.

Debt

At June 30, 2018, 2017, and 2016 the Library had no outstanding debts related to capital leases. There was approximately \$19.8 and \$18.9 million outstanding for the net pension obligation liability at June 30, 2018 and 2017, respectively.

Implementation of GASB 39

During the fiscal year ended June 30, 2004, the Library implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it required reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of the Library. Organizations that are legally separate tax-exempt entities and that meet all the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Management Discussion and Analysis

June 30, 2018 and 2017

The Tulsa Library Trust (the Trust) was established to benefit the Library, and meeting the criteria above, is considered a component unit of the Library. Management and the Commission of the Library cannot control the Board of the Trust, therefore, presenting the assets, liabilities and operations of the Trust alongside the financial data of the Library could and would be misleading to the users of the financial statements. Management has elected not to present the financial information of its discretely presented component unit in their entirety due to the fact that they have not issued audited financial statements as of the date of this report.

Implementation of GASB 68

During the fiscal year ended June 30, 2015, the Library implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement improves accounting and financial reporting by state and local governments for pensions, as well as improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The statement was effective for fiscal years beginning after June 15, 2015. This GASB Statement requires the Library to calculate its total pension liability using three essential steps: (1) projecting future benefit payments for current and former employees and their beneficiaries; (2) discounting those payments to their present value; and (3) allocating the present value over past, present, and future periods of employee service.

Central Library Renovation

Starting in the spring of 2013, the Library embarked on a full renovation of the existing downtown Central Library building. The original building was opened in 1965 and the majority of the mechanical, electrical and plumbing systems were original to the building. It was determined that a full renovation was recommended to comply with current building standards. Along with the systems upgrade, the entire building was updated to function as a 21st Century library. While the Central Library is an energy efficient building, higher maintenance and operations expenditures in 2016-2017 reflect both initial and ongoing operational costs for the newly remodeled facility. The project cost just under \$55 million and opened to the public in the fall of 2016. The new facility includes a number of new features to include a parking garage, enclosed exterior event space and a Starbucks licensed store.

Contacting the Library's Financial Management

The Library's Basic Financial Statements are designed to provide our citizens, taxpayers, and customers with a general overview of the Library's finances, and to show accountability for the money it receives. If you have questions about the Library's financial statements or need additional financial information, contact the Business Office, 400 Civic Center, Tulsa, OK 74103 or call (918) 549-7373.

Gail Morris
Chief Financial Officer

Tulsa City-County Library
Statements of Net Position

June 30,

		Governmental Activities	
		2018	2017
Assets			
Current assets			
Cash and cash equivalents	\$	20,684,488	\$ 20,437,373
Ad Valorem taxes receivable		1,505,134	1,580,941
Receivable - Tulsa Library Trust		950,899	53,211
Miscellaneous receivables		179,307	58,162
Inventory		14,180	-
Total current assets		<u>23,334,008</u>	<u>22,129,687</u>
Capital assets			
Land		8,780,223	8,780,223
Capital assets, net		<u>77,359,010</u>	<u>79,461,796</u>
Total capital assets		<u>86,139,233</u>	<u>88,242,019</u>
Total assets		<u>109,473,241</u>	<u>110,371,706</u>
Deferred Outflow of Resources			
Pension related items		<u>4,644,162</u>	<u>6,002,194</u>
Total assets and deferred outflow of resources	\$	<u>114,117,403</u>	\$ <u>116,373,900</u>
Liabilities			
Current liabilities			
Accounts payable	\$	539,662	\$ 698,004
Salaries and benefits payable		1,542,150	1,187,653
Unearned income		24,648	-
Total current liabilities		<u>2,106,460</u>	<u>1,885,657</u>
Net pension liability		<u>19,834,282</u>	<u>18,922,255</u>
Total liabilities		<u>21,940,742</u>	<u>20,807,912</u>
Deferred Inflows of Resources			
Pension related items		<u>2,621,300</u>	<u>5,036,426</u>
Net Position			
Invested in capital assets, net of related debt		86,139,233	88,242,019
Unrestricted		<u>3,416,128</u>	<u>2,287,543</u>
Total net position		<u>89,555,361</u>	<u>90,529,562</u>
Total liabilities, deferred inflows of resources and net position	\$	<u>114,117,403</u>	\$ <u>116,373,900</u>

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

Tulsa City-County Library

Statements of Activities

Years Ended June 30,

	Governmental Activities	
	2018	2017
Expenses		
Library services:		
Personnel services	\$ 19,575,521	\$ 18,681,564
Books and other library materials and equipment	2,240,135	1,914,468
Maintenance and operations	6,151,874	7,656,509
Depreciation	6,525,687	5,677,209
Cost of sales - Starbucks	401,848	-
Disbursement to Tulsa County for use in County Assessor reevaluation program	114,030	111,767
Total program expenses	35,009,095	34,041,517
Program revenues		
Library services and fees	1,121,410	964,095
Starbucks sales	707,691	411,866
Government and other grants	140,028	97,022
Specific operating/capital contributions:		
Tulsa Library Trust	944,129	149,925
Other	46,755	427,673
Total program revenues	2,960,013	2,050,581
Net program expense	32,049,082	31,990,936
General revenues		
Ad valorem taxes	30,924,062	29,805,710
Interest income	150,819	48,292
State aid	-	203,673
Total general revenues	31,074,881	30,057,675
Transfers		
Transfer in (out) - from (to) Tulsa Library Trust	-	-
Transfer in - capital expenditures for benefit of Tulsa City-County Library as completed by Tulsa Library Trust	-	8,304,709
Net transfers	-	8,304,709
Increase (decrease) in net position	(974,201)	6,371,448
Net position, beginning of year	90,529,562	84,158,114
Net position, end of year	\$ 89,555,361	\$ 90,529,562

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

Tulsa City-County Library

Balance Sheets - Governmental Funds

June 30,

	General Fund	
	2018	2017
Assets		
Cash and cash equivalents	\$ 20,684,488	\$ 20,437,373
Receivables, primarily ad valorem taxes	1,505,134	1,580,941
Receivable - Tulsa Library Trust	950,899	53,211
Miscellaneous receivable	179,307	58,162
Inventory	14,180	-
Total assets	\$ 23,334,008	\$ 22,129,687
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 539,662	\$ 698,004
Salaries and benefits payable	488,676	165,907
Deferred ad valorem tax revenue	1,209,453	1,297,571
Total liabilities	2,237,791	2,161,482
Fund balances		
Nonspendable	14,180	-
Assigned	12,125,219	11,979,162
Unassigned	8,956,818	7,989,043
Total fund balances	21,096,217	19,968,205
Total liabilities and fund balances	\$ 23,334,008	\$ 22,129,687

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

Tulsa City-County Library

Reconciliation of the Balance Sheets of Governmental Funds to the Statements of Net Position

June 30,

	2018	2017
Fund balances - total governmental funds	\$ 21,096,217	\$ 19,968,205
<p>Amounts reported for governmental activities in the statements of net position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.</p>	86,139,233	88,242,019
<p>Ad valorem tax receivables are reported in the fund financial statements under the modified - accrual approach whereas ad valorem receivables are reported under the full accrual approach in the statement of net position. This is the net amount by which ad valorem receivables under the full accrual approach exceed ad valorem revenues under the modified-accrual approach. This excess is reported as deferred revenue in the fund financial statements.</p>	1,184,805	1,297,571
<p>Long-term assets are reported in the statements of net position but are not reported as assets in the fund financial statements, which have been prepared under the modified-accrual basis of accounting. The detail of the individual long-term assets is as follows:</p>		
Deferred outflows of resources	4,644,162	6,002,194
<p>Long-term liabilities are reported in the statements of net position but are not reported as liabilities in the fund financial statements, which have been prepared under the modified-accrual basis of accounting. The detail of the individual long-term liabilities is as follows:</p>		
Compensated absences	(1,053,474)	(1,021,746)
Net pension liability	(19,834,282)	(18,922,255)
Deferred inflows of resources	(2,621,300)	(5,036,426)
Net position of governmental activities	\$ 89,555,361	\$ 90,529,562

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

Tulsa City-County Library

**Statements of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds**

Years Ended June 30,

	General Fund	
	2018	2017
Revenues		
Ad Valorem taxes	\$ 31,036,828	\$ 29,684,377
Interest income	150,819	48,292
Gifts and contributions:		
Tulsa Library Trust	944,129	149,925
Other	46,755	427,674
Library services and fees	1,121,410	964,095
Starbucks sales	707,691	411,866
Government and other grants	140,028	97,022
State aid	-	203,673
	<hr/>	<hr/>
Total revenues	34,147,660	31,986,924
Expenditures		
Library services:		
Personnel services	19,688,860	18,270,924
Books and other library materials and equipment	4,884,304	4,289,573
Maintenance and operations	6,151,874	7,656,512
Cost of sales - Starbucks	401,848	274,051
Disbursement to Tulsa County for use in County Assessor revaluation program	114,030	111,767
Capital outlay	1,778,732	1,322,311
	<hr/>	<hr/>
Total expenditures	33,019,648	31,925,138
Transfers		
Transfer in (out) - from (to) Tulsa Library Trust	-	-
	<hr/>	<hr/>
Net change in fund balances	1,128,012	61,786
Fund balances - beginning of year	19,968,205	19,906,419
	<hr/>	<hr/>
Fund balances - end of year	<u>\$ 21,096,217</u>	<u>\$ 19,968,205</u>

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

Tulsa City-County Library

Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities

Years Ended June 30,

	2018	2017
Net change in fund balances - total governmental funds	\$ 1,128,012	\$ 61,786
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded (was less than) depreciation expense in the current period.	(2,102,786)	6,598,967
Ad valorem tax revenue is reported in the combined fund financial statements under the modified - accrual approach whereas ad valorem revenue is reported under the full accrual approach in the statements of activities. This is the net amount by which ad valorem revenues under the full - accrual approach exceed ad valorem revenues under the modified - accrual method.	(112,766)	121,334
Pension obligations per GASB 68 implementation are reported in the full - accrual approach in the statements of activities as a restatement of beginning net position. See note P for the restatement and explanation of the pension disclosure per GASB 68.	145,067	(297,262)
Governmental funds report expenditures under the modified - accrual approach whereas expenditures are reported under the full - accrual approach in the statements of activities. The detail of the changes in these different approaches is as follows:		
Compensated absences	(31,728)	(113,377)
Change in net position of governmental activities	<u>\$ (974,201)</u>	<u>\$ 6,371,448</u>

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

Notes to Financial Statements

June 30, 2018 and 2017

Note A – Summary of Significant Accounting Policies

Reporting Entity – The Tulsa City-County Library (TCCL or the Library) was established in 1961 by Tulsa County (the County) and the City of Tulsa (the City) in accordance with the City-County Library Act of the Oklahoma statutes. Under this statute, the Library is to foster and promote the establishment, maintenance and operation of a library system in order to give all of the citizens of the counties affected equal access to comprehensive library collections. The Library is governed by a Commission consisting of eleven members: six appointed by the Mayor of the City, subject to the governing Board approval, and three shall be appointed by the Board of County Commissioners. The Mayor of the City and the Chairman of the Board of County Commissioners shall be ex-officio members of the Commission and shall be entitled to vote on all matters.

Basis of Accounting – The basic financial statements of the Tulsa City-County Library have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Subsequent Events – The Library has evaluated subsequent events through December 29, 2018, the date which the financial statements were available to be issued.

Note B – Basis of Presentation

Government-Wide Financial Statements – The government-wide financial statements provide operational accountability information for the Library as an economic unit. The government-wide financial statements report information about the Library’s ability to maintain service levels and continue to meet its obligations as they come due. The statements include all activities of the Library, and include the statements of net position and the statements of activities as required by GASB.

Fund Financial Statements – The accounts of the Library are organized on the basis of funds, each of which are considered to be an independent fiscal and accounting entity. The operations of each fund are accounted for within separate sets of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, expenditures and transfers. Financial activities of the Library are recorded in the fund as described below.

Governmental Funds – Governmental funds finance all functions of the Library, accounting for the acquisition, use and balances of the Library’s expendable financial resources and the related liabilities.

Notes to Financial Statements

June 30, 2018 and 2017

Note B – Basis of Presentation - Continued

General Fund – The General Fund, referred to by the Library as the Levy Fund, accounts for transactions related to the receipt of appropriations of ad valorem taxes, most governmental grant and reimbursement programs, gifts and miscellaneous receipts, which are used for the general operations of the Library. As such, this fund will always be reported as a major fund. The fund also accounts for collections of copy service fees, book fines, proceeds from the sale of surplus personal property and other miscellaneous items. Such amounts are primarily expended for the purchase, replacement or repair of books or other personal property, except motor vehicles, and do not require appropriation.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds. A reconciliation is presented to explain the differences in fund balances of the governmental fund financial statements and the net position of the governmental activities in the government-wide financial statements.

During the fiscal year ended June 30, 2004, the Library implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it required reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of the Library. Organizations that are legally separate, tax-exempt entities and that meet all the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Notes to Financial Statements

June 30, 2018 and 2017

Note C – Measurement Focus/Basis of Accounting/Accounting Policies

Measurement Focus/Revenue Recognition – The measurement focus determines the accounting and financial reporting treatment applied to a fund. The governmental activities within the government-wide statement of net position and statement of activities are presented using the economic resources measurement focus. The economic resources measurement focus meets the accounting objectives of determining net income, financial position, and cash flows. Government funds use the current financial resources measurement focus. This measurement focus is based upon the receipt and disbursement of current available financial resources rather than when earned or incurred.

Basis of Accounting – The accrual basis of accounting is used throughout the government-wide financial statements; conversely, the fund financial statements for the governmental funds have been prepared in accordance with the modified accrual basis of accounting, whereby revenues are recognized when considered both measurable and available to finance expenditures of the current period.

Accounting Policies – The Library’s significant accounting policies related to the following basic financial statement categories are summarized below.

Cash and Cash Equivalents – The Library considers all highly liquid investments in debt securities with initial maturities of three months or less to be cash equivalents.

Ad Valorem Taxes – Property taxes are collected and remitted to the County. These taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31.

In the governmental fund financial statements, property taxes receivable are recorded in the Levy Fund. At fiscal year-end, the receivables represent delinquent and escrowed paid-under-protest taxes. If paid-under-protest and delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred revenue. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the County regardless of when cash is received. Over time, substantially all property taxes are collected.

Capital Assets/Depreciation – The Library’s accounting policies regarding capital assets such as land, buildings, furniture, equipment and books are that these assets, with an initial cost of \$1,000 or more, are capitalized and depreciated over their estimated useful lives. Library materials (subscriptions) are generally expensed when purchased. The Library has chosen the straight-line depreciation method for its capital assets based on the estimated useful lives of the capital assets as follows:

<u>Class of Asset</u>	<u>Estimated Useful Life</u>
Buildings and improvement	30 years
Furniture, fixtures and equipment	3 - 20 years
Books	5 years

Capital assets do not include assets held for public exhibition, education and research.

Notes to Financial Statements

June 30, 2018 and 2017

Note C – Measurement Focus/Basis of Accounting/Accounting Policies - Continued

Compensated Absences – It is the Library’s policy to permit employees to accumulate earned but unused annual vacation leave benefits. Employees earn annual leave based on years of service. Unused annual leave may be carried forward each year up to a maximum level of twenty working days. Unused annual leave must normally be taken within the next year after it is earned. Upon termination, an employee will be paid for any vacation leave earned but not used if they have been employed at least one year. Each full-time employee also earns sick leave at a rate of 8 hours per calendar month; part-time employees earn sick leave at a reduced rate. Sick leave may accumulate up to 120 working days and may be exchanged for additional vacation days at a ratio of 2 sick days to 1 vacation day. Upon termination, an employee will not be paid for any sick leave accrued but not used, therefore, no accrual has been recorded. The governmental fund financial statements record expenditures when employees are paid for annual leave. The government-wide financial statements present the cost of accumulated vacation leaves as a liability classified as salaries and benefits payable.

Deferred Ad Valorem Taxes – The governmental fund financial statements record Ad Valorem taxes earned but not received within 60 days of year-end as deferred revenue at June 30, 2018 and 2017.

Net Position – The government-wide financial statements utilize a net position presentation that are categorized as investment in fixed assets (net of related debt), restricted and unrestricted. Investment in capital assets (net of related debt) is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital assets related debt. Unrestricted net position represents unrestricted liquid assets. The governmental fund financial statements classify equity as an unreserved fund balance.

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

Retirement Plan and Pensions – The information presented in Note P regarding the Library’s participation in the Municipal Employees’ Retirement Plan is presented in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of Government Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Government Employers*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Municipal Employees’ Retirement Plan (MERP) and additions to/deductions from MERP’s fiduciary net position have been determined on the same basis as they are reported by MERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Notes to Financial Statements

June 30, 2018 and 2017

Note D – Fund Equity

Beginning with fiscal year 2011, the Library implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact (such as inventory).

Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

Committed – Amounts constrained to specific purposes by the Library itself, using its highest level of decision-making authority (i.e., Board of Commission). To be reported as committed, amounts cannot be used for any other purpose unless the Library takes the same highest level action to remove or change the constraint.

Assigned – Amounts that are designated by the Library for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Commission.

Unassigned – All amounts not included in other spendable classifications. Positive amounts are reported only in the general fund.

The General Fund has assigned funds as follows:

	2018	2017
Branch renovations	\$ 6,000,000	\$ 6,000,000
Capital replacement reserve	5,000,000	5,000,000
FMP implementation	518,368	672,311
Technology and innovation	306,851	306,851
IT replacements	300,000	-
	<u>\$ 12,125,219</u>	<u>\$ 11,979,162</u>

The Unassigned Fund Balance of \$8,956,818 includes approximately \$453,637 designated for encumbrances at June 30, 2018.

Note E – Stewardship, Compliance and Accountability

Under Oklahoma law, the Library may not obligate funds for periods extending beyond the current fiscal year, except for the issuance of general obligation bonds. All lease and lease-purchase agreements, whether or not they are capitalized, must be re-approved at the beginning of each fiscal year. State grant revenues and expenditures are accounted for in accordance with applicable contract provisions.

Budgetary Comparison Information – The Library is not legally required to adopt an annual budget; therefore, presenting budget to actual comparisons is not considered necessary.

Notes to Financial Statements

June 30, 2018 and 2017

Note F – Cash and Cash Equivalents

The County Treasurer's office holds all cash and cash equivalents for the Library and, as agent for the Library, ensures that such deposits are properly insured or collateralized. Balances held by the County on behalf of the Library at June 30, 2018 and 2017 were included in a commingled pool of County funds with a portion of the funds held in a checking account, which is swept daily into a government money market mutual fund. The balance of the pool is invested directly in the same mutual fund. The cash is subject to the depository collateral risk of all the pooled funds of the County. Under this concept, all cash is pooled together for investment purposes and interest income is credited to the appropriate funds.

Deposits are held by Oklahoma banking institutions and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition to bank-owned securities, letters-of-credit are also used to cover deposits exceeding FDIC insurance amounts. Under state law, the institutions must protect excess county funds by pledging collateral (bank assets) to cover such funds.

Note G – Ad Valorem Taxes

The Library's share of the County's Ad Valorem taxes due but not collected by the County as of June 30, 2018 and 2017, is \$1,505,134 and \$1,580,941, respectively. Amounts are considered fully collectible.

Note H – Capital Assets

The Library's capital assets activity for fiscal 2018 and 2017 is as follows:

	Balance July 1, 2017		Additions	Deductions	Balance June 30, 2018
Capital assets not being depreciated:					
Land and improvements	\$ 8,780,223	\$ -	\$ -	\$ -	\$ 8,780,223
	8,780,223	-	-	-	8,780,223
Capital assets being depreciated:					
Buildings and improvements	91,103,667	924,245	-	-	92,027,912
Furniture, fixtures and equipment	19,136,869	854,485	(106,791)		19,884,563
Books	23,674,363	2,644,171	(1,705,638)		24,612,896
	133,914,899	4,422,901	(1,812,429)		136,525,371
Accumulated depreciation for:					
Buildings and improvements	(29,978,246)	(2,665,254)	-		(32,643,500)
Furniture, fixtures and equipment	(12,810,046)	(1,458,521)	106,791		(14,161,776)
Books	(11,664,811)	(2,401,912)	1,705,638		(12,361,085)
	(54,453,103)	(6,525,687)	1,812,429		(59,166,361)
Total capital assets being depreciated, net	79,461,796	(2,102,786)	-		77,359,010
Capital assets, net	\$ 88,242,019	\$ (2,102,786)	\$ -		\$ 86,139,233

Notes to Financial Statements

June 30, 2018 and 2017

Note H – Capital Assets - Continued

The Library's capital assets activity for fiscal 2017 and 2016 is as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital assets not being depreciated:				
Land and improvements	\$ 8,775,755	\$ 4,468	\$ -	\$ 8,780,223
Construction in progress	39,360,317	6,439,829	(45,800,146)	-
	<u>48,136,072</u>	<u>6,444,297</u>	<u>(45,800,146)</u>	<u>8,780,223</u>
Capital assets being depreciated:				
Buildings and improvements	46,171,443	45,926,077	(993,853)	91,103,667
Furniture, fixtures and equipment	16,710,038	3,056,792	(629,961)	19,136,869
Books	22,993,310	2,649,155	(1,968,102)	23,674,363
	<u>85,874,791</u>	<u>51,632,024</u>	<u>(3,591,916)</u>	<u>133,914,899</u>
Accumulated depreciation for:				
Buildings and improvements	(29,077,522)	(1,894,577)	993,853	(29,978,246)
Furniture, fixtures and equipment	(11,997,474)	(1,442,533)	629,961	(12,810,046)
Books	(11,292,814)	(2,340,099)	1,968,102	(11,664,811)
	<u>(52,367,810)</u>	<u>(5,677,209)</u>	<u>3,591,916</u>	<u>(54,453,103)</u>
Total capital assets being depreciated, net	<u>33,506,981</u>	<u>45,954,815</u>	<u>-</u>	<u>79,461,796</u>
Capital assets, net	<u>\$ 81,643,053</u>	<u>\$ 52,399,112</u>	<u>\$(45,800,146)</u>	<u>\$ 88,242,019</u>

Notes to Financial Statements

June 30, 2018 and 2017

Note I – Commitments

The Library leases some of its branch library buildings as well as the administration facility until the completion of the remodel of the Central Library Building. The lease terms for the branch libraries are generally for one or two-year periods that expire in April and June. The lease agreements usually provide one-year renewal options for up to ten years. Total rent-related disbursements under these leases for 2018 were \$53,073.

In addition, the Library has a license agreement with a computer software vendor that is renewable annually. The maintenance fee for both 2018 and 2017 was \$195,848.

In 2011, the Commission approved a plan to remodel the Central Library Building, with an estimated cost of \$54.2 million. The project began in the spring of 2013 and is expected to be completed by the spring of 2017. The project is being funded through a combination of funds. \$15 million was set aside from the Library fund balance, a fund which the Library had set up a number of years ago to save for capital needs. The Tulsa Library Trust (TLT), a discretely presented component unit, conducted a capital campaign to secure funding for an additional portion of the project. That project has raised \$30.2 million. Tulsa voters passed the “Improve My Tulsa” initiative and the Library has received \$10 million from the City of Tulsa. The first \$5 million was received in FY 2014-15 and the remaining \$5 million was received in FY 2015-16. In connection with the project, in July 2014, the Library entered into a lease purchase agreement and ground lease agreement with the TLT for the Central Library Building. The agreements terminate at the conclusion of the remodeling of the building.

Note J – Intergovernmental Operating Lease

TCCL has operating leases with various local governments (i.e. City of Tulsa, Tulsa Public Schools and Tulsa County) consisting of county owned building space leased to TCCL. The Tulsa County lease (i.e. Kaiser Operating Agreement) is for 99 years starting June 1, 2006 through May 31, 2105 at a rate of \$1 per year.

Note K –Deferred Compensation Plan

Employees of the Library may also participate in a deferred compensation plan adopted by the Library under provisions of the Internal Revenue Code (“IRC”) Section 457 Deferred Compensation Plans with Respect to Service for State and Local Governments. The deferred compensation plan is available to all employees of the Library. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date.

The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The deferred compensation plan is administered by an unrelated third party. Assets and income within the plan are held in trust for the exclusive benefit of plan participants and their beneficiaries through a custodial account agreement with a national financial institution for the exclusive benefit of the plan’s participants and are not reflected in the accompanying financial statements.

Notes to Financial Statements

June 30, 2018 and 2017

Note L – Ad Valorem Tax Abatement

The Library is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article X Section 6B for qualifying manufacturing concerns.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. In exchange for the five-year exemption, qualifying manufacturing concerns must incur investment costs of \$250,000 or more for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and qualifying manufacturing concern must offer basic health benefit plan to all full-time employees within 180 days of employment. The Library had \$473,685 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. Section 193 that is used to reimburse the City for the loss of revenue. Contributions to this Fund come from a dedicated tax stream comprised of one percent of net state personal and corporate income tax revenues. The Library received \$6,919 during fiscal year 2018 and has an outstanding, unpaid claim of \$466,766 of reimbursement from the State as of June 30, 2018.

Note M – Transactions with the Discretely Presented Component Unit

The Tulsa Library Trust (the “Trust”) was established in 1972 by the Friends of the Tulsa Public Library, Inc., and the Tulsa City-County Library Commission. The Trust’s mission is to increase endowment and donor funding to improve and enhance the Library’s programs, collections, services, and librarian training and to administer Trust expenditures and investments. The Library is the primary beneficiary of the Trust. During the years ended June 30, 2018 and 2017, the Trust contributed \$944,129 and \$8,304,709, respectively, to the Library to be used for book and equipment purchases. In addition, the Trust directly sponsors various other activities such as the Distinguished Author Series and summer programs for children.

Note N – Related Party Transactions

The Library exchanges various services, such as cash management and payroll processing, with the City and County. No value is assigned in the financial statements to the services received from, or rendered for, as the value of these services is not readily determinable.

Note O – Retirement Plan and Pension

In June 2012, The Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement was effective for fiscal years beginning after June 15, 2014. The adoption of the standard, as amended, added deferred outflows and inflows related to delayed recognition changes to the net pension liability and the recognition of the Authority’s share of net pension liabilities.

Notes to Financial Statements

June 30, 2018 and 2017

Note P – Retirement Plan and Pension - Continued

1. *Plan Description*

Employees of the Library are provided with pensions through the Municipal Employee Retirement Plan (MERP)—a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa (City). MERP provides retirement, disability and death benefits which are established by City ordinance to plan members and beneficiaries. MERP's financial statements and required supplementary information are included in the City of Tulsa's Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Tulsa Controller, 175 E. 2nd Street, Tulsa, Oklahoma 74103.

2. *Benefits Provided*

MERP provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's highest 30 months of pensionable wages during the last five-years of service and a multiplier based on the years of service. Employees are eligible for full retirement at age 65 and at least 5 years of service or when the years of service plus the employee's age equals or exceeds 80. Reduced benefits are available after age 55 and 5 years of service (Early retirement). Benefits for Early retirement are reduced 2.5% per year prior to age 65. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as normal retirement with additional service credited during the period of disability. Death benefits for vested participants are, at the spouse's election, a refund of contribution plus interest or a life annuity of 50% of the member's accrued benefit determined based on final average earnings and service as of the date of death.

3. *Contributions*

Contributions are set per City of Tulsa ordinance. Employees are required to contribute 6.5% of their pensionable wages for the year ended June 30, 2018. The Library is required to contribute 15.5 and 11.5 percent of pensionable wages for the year ended June 30, 2018 and 2017, respectively. Contributions to the pension plan from the Library were \$1,860,075 for the year ended June 30, 2018 and \$1,331,555 for the year ended June 30, 2017.

4. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2018, the Library reported a liability of \$19,834,282 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Standard update procedures were used to roll forward the total pension liability to June 30, 2018. The Library's proportion of the net pension liability was based on the Library's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2018, the Library's proportion was 10.103 percent, which was an increase of 0.5255 percent from its proportion measured as of June 30, 2017.

Notes to Financial StatementsJune 30, 2018 and 2017

Note P – Retirement Plan and Pension - Continued4. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued*

The library recognized pension expense of \$1,724,226 and \$1,596,182 at June 30, 2018 and 2017, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	\$ 216,990	\$ 490,205
Changes of assumptions	2,009,356	85,126
Net difference between projected and actual earnings on pension plan investments	1,537,530	1,707,112
Changes in proportion and differences between Library's contributions and proportionate share of contributions	880,286	338,857
	<hr/>	<hr/>
Total	<u>\$ 4,644,162</u>	<u>\$ 2,621,300</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (gain) as follows:

Year ended June 30:

2018	\$ 2,731,048	\$ 1,093,629
2019	1,463,100	874,109
2020	262,997	553,943
2021	187,017	99,619
	<hr/>	<hr/>
	<u>\$ 4,644,162</u>	<u>\$ 2,621,300</u>

Notes to Financial Statements

June 30, 2018 and 2017

Note P – Retirement Plan and Pension - Continued5. *Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.00 to 11.75 percent, including inflation
Investment rate of return	7.50 percent compounded annually, net of investment expense and including inflation

Mortality rates were based on the RP-2014 Mortality Table with Blue Collar Adjustment, which is projected on a fully generational basis with scale MP-2015.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	24%	1.16%
Domestic equity	36%	6.19%
International equity	24%	6.59%
Real estate	8%	4.24%
Commodities	3%	0.40%
Timber	4%	3.75%
Cash	1%	0.11%
Total	<u>100%</u>	

Notes to Financial Statements

June 30, 2018 and 2017

Note P – Retirement Plan and Pension - Continued

6. *Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Library will be made as specified in the MERP funding policy. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. *Sensitivity of the Library’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Library’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Library’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Library's proportionate share of the net pension liability	\$ 27,720,128	\$ 19,834,282	\$ 13,226,937

8. *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s fiduciary net position is available in the City of Tulsa’s Comprehensive Annual Financial Report, which can be located at www.cityoftulsa.org.

Note Q – Tulsa Library Trust

The Tulsa Library Trust (the Trust) was established to benefit the Library and is considered a component unit of the Library. The assets of the Trust are held in endowment funds. These funds are required to be retained in perpetuity in accordance with the donor’s intent. The income from these investments may be expended for the benefit of the Library. The determination of amounts to be expended and the timing of those expenditures is solely that of the Board of the Trust. Management and the Commission of the Library cannot control the Board of the Trust, therefore, presenting the assets, liabilities and operations of the Trust alongside the financial data of the Library could and would be misleading to the users of the financial statements. In addition, the basis of accounting and reporting of the Trust follows Financial Accounting Standards Board rules for not-for-profit entities, which differ from the presentation required by the GASB. In order to comply with the requirements of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, management has elected not to present the financial information of its discretely presented component unit in their entirety due to the fact that they have not issued audited financial statements as of the February 27, 2019.

Tulsa City-County Library

Supplemental Schedule of Capital Assets by Location (Cash Basis)

June 30, 2018

	Land	Construction in Process	Buildings and Improvements	Furniture Fixtures and Equipment	Total Property, Plant and Equipment	Number of Books and Certain Other Library Materials
Bixby	\$ 33,750	\$ -	\$ 315,813	\$ 120,102	\$ 469,665	23,973
COLS & OS/Bookmobile	-	-	17,710	461,221	478,931	21,879
Broken Arrow	1,341,925	-	1,880,153	429,610	3,651,688	54,637
Brookside	120,678	-	697,804	271,405	1,089,887	42,062
Central	386,873	-	53,150,143	12,034,678	65,571,694	387,847
Librarium	-	-	-	-	-	-
Charles Page	-	-	1,109,777	145,070	1,254,847	28,884
Collinsville	84,990	-	1,200,749	147,276	1,433,015	23,613
Kendall-Whittier	103,064	-	693,491	132,010	928,565	23,947
Glenpool	97,157	-	573,162	102,632	772,951	24,698
New HK Kaiser (HKK)	-	-	2,343,705	349,350	2,693,055	43,175
Hardesty South Regional/Genealogy	2,225,230	-	7,673,937	995,115	10,894,282	109,959
Jenks	2,407,483	-	609,506	141,251	3,158,240	32,217
Judy A. Kishner Library (KI)	105,258	-	1,162,492	126,062	1,393,812	18,448
Martin East Regional	52,680	-	3,193,987	641,533	3,888,200	79,624
Maxwell	-	-	506,811	115,186	621,997	26,521
Nathan Hale	50,291	-	680,815	118,744	849,850	22,865
Owasso	524,197	-	1,093,785	215,230	1,833,212	55,372
Peggy Helmerich	196,044	-	1,958,287	231,948	2,386,279	50,463
Pratt	-	-	581,292	136,012	717,304	26,723
Rudisill North Regional	-	-	2,457,544	506,644	2,964,188	35,018
SC Strip Center	428,400	-	1,719,724	-	2,148,124	-
Schusterman-Benson	279,445	-	1,341,018	252,817	1,873,280	43,888
Skiatook	50,000	-	691,053	122,109	863,162	20,263
South Broken Arrow	93,059	-	623,132	101,704	817,895	37,175
Suburban Acres	-	-	572,846	115,708	688,554	16,455
Support Service Center	126,000	-	3,089,389	1,608,776	4,824,165	-
Zarrow Regional Library	73,699	-	2,089,787	262,370	2,425,856	49,099
Totals	\$ 8,780,223	\$ -	\$ 92,027,912	\$ 19,884,563	\$ 120,692,698	1,298,805

NOTE: The capital assets above are recorded at cost of fair value at date of donation, with the exception of books and certain other library-related materials, which are presented as number of units. The schedule is prepared on a cash basis, so it may differ from amounts presented in the accompanying accrual basis government-wide financial statements.

Tulsa City-County Library

Supplemental Schedule of Capital Assets by Location (Cash Basis)

June 30, 2017

	Land	Construction in Process	Buildings and Improvements	Furniture Fixtures and Equipment	Total Property, Plant and Equipment	Number of Books and Certain Other Library Materials
Bixby	\$ 33,750	\$ -	\$ 308,558	\$ 122,934	\$ 465,242	24,386
COLS & OS/Bookmobile	-	-	17,710	268,846	286,556	-
Broken Arrow	1,341,925	-	1,880,153	375,333	3,597,411	55,243
Brookside	120,678	-	694,017	177,978	992,673	47,704
Central	386,873	14,905,447	7,064,939	7,620,003	29,977,262	617,165
Librarium	-	-	993,853	247,395	1,241,248	21,493
Charles Page	-	-	1,104,610	119,730	1,224,340	28,739
Collinsville	84,990	-	1,076,948	122,252	1,284,190	25,203
Kendall-Whittier	100,000	-	681,236	111,739	892,975	29,369
Glenpool	97,157	-	567,929	79,645	744,731	26,174
New HK Kaiser (HKK)	-	-	2,313,456	320,076	2,633,532	45,985
Hardesty South Regional/Genealogy	2,225,230	-	7,673,937	986,033	10,885,200	116,562
Jenks	2,407,483	-	604,211	137,596	3,149,290	33,252
Judy A. Kishner Library (KI)	105,258	-	1,162,492	132,143	1,399,893	17,905
Martin East Regional	52,680	-	3,116,160	618,570	3,787,410	84,642
Maxwell	-	-	506,811	125,990	632,801	26,969
Nathan Hale	50,291	-	680,815	119,297	850,403	23,741
Owasso	524,197	-	1,088,490	197,446	1,810,133	52,044
Peggy Helmerich	196,044	-	1,928,856	218,935	2,343,835	60,950
Pratt	-	-	581,292	117,390	698,682	29,465
Rudisill North Regional	-	-	2,396,393	408,582	2,804,975	46,140
SC Strip Center	428,400	-	1,474,563	-	1,902,963	-
Schusterman-Benson	279,445	-	1,313,539	233,130	1,826,114	43,955
Skiatook	50,000	-	500,959	98,956	649,915	20,801
South Broken Arrow	91,089	-	623,132	68,751	782,972	39,155
Suburban Acres	-	-	571,196	114,293	685,489	19,422
Support Service Center	126,000	-	3,086,064	1,535,521	4,747,585	-
Zarrow Regional Library	73,699	-	2,089,787	253,604	2,417,090	54,092
Totals	\$ 8,775,189	\$ 14,905,447	\$ 46,102,106	\$ 14,932,168	\$ 84,714,910	\$ 1,590,556

NOTE: The capital assets above are recorded at cost of fair value at date of donation, with the exception of books and certain other library-related materials, which are presented as number of units. The schedule is prepared on a cash basis, so it may differ from amounts presented in the accompanying accrual basis government-wide financial statements.

**Required
Supplemental Information**

Tulsa City-County Library

Required Supplemental Information

Schedule of Proportionate Share of the Net Pension Liability - last 10 fiscal years*

As of Plan Year-end of June 30,

	2018	2017	2016	2015
Library's proportion of the net pension liability	10.10%	9.58%	9.44%	10.03%
Library's proportionate share of the net pension liability	\$ 19,834,282	\$ 18,922,255	\$ 20,428,139	\$ 12,562,128
Library's covered-employee payroll	\$ 12,000,484	\$ 11,578,739	\$ 10,858,591	\$ 10,920,208
Library's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.3%	163.4%	188.1%	115.0%
Plan fiduciary net position as a percentage of the total pension liability	70.61%	69.39%	65.62%	77.10%

* Note - Only the current and prior three fiscal years are presented because 10-year data is not available.

Tulsa City-County Library

Required Supplemental Information

Schedule of Contributions - last 10 fiscal years*

June 30,

	2018	2017	2016	2015
Contractually required contribution	\$ 1,860,075	\$ 1,331,555	\$ 1,255,824	\$ 1,225,824
Contribution in relation to contractually required contribution	\$ 1,864,297	\$ 1,328,724	\$ 1,216,807	\$ 1,707,789
Contribution deficiency (excess)	\$ (4,222)	\$ 2,831	\$ 39,017	\$ (481,965)
Library's covered-employee payroll	\$ 12,000,484	\$ 11,578,739	\$ 10,858,591	\$ 10,920,208
Contributions as a percentage of covered-employee payroll	15.5%	11.5%	11.2%	15.6%

* Note - Only the current and prior three fiscal years are presented because 10-year data is not available.

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Other Supplemental Information

Tulsa City-County Library

Supplemental Schedule of Capital Assets by Location (Cash Basis)

June 30, 2018

	Land	Construction in Process	Buildings and Improvements	Furniture Fixtures and Equipment	Total Property, Plant and Equipment	Number of Books and Certain Other Library Materials
Bixby	\$ 33,750	\$ -	\$ 315,813	\$ 120,102	\$ 469,665	23,973
COLS & OS/Bookmobile	-	-	17,710	461,221	478,931	21,879
Broken Arrow	1,341,925	-	1,880,153	429,610	3,651,688	54,637
Brookside	120,678	-	697,804	271,405	1,089,887	42,062
Central	386,873	-	53,150,143	12,034,678	65,571,694	387,847
Librarium	-	-	-	-	-	-
Charles Page	-	-	1,109,777	145,070	1,254,847	28,884
Collinsville	84,990	-	1,200,749	147,276	1,433,015	23,613
Kendall-Whittier	103,064	-	693,491	132,010	928,565	23,947
Glenpool	97,157	-	573,162	102,632	772,951	24,698
New HK Kaiser (HKK)	-	-	2,343,705	349,350	2,693,055	43,175
Hardesty South Regional/Genealogy	2,225,230	-	7,673,937	995,115	10,894,282	109,959
Jenks	2,407,483	-	609,506	141,251	3,158,240	32,217
Judy A. Kishner Library (KI)	105,258	-	1,162,492	126,062	1,393,812	18,448
Martin East Regional	52,680	-	3,193,987	641,533	3,888,200	79,624
Maxwell	-	-	506,811	115,186	621,997	26,521
Nathan Hale	50,291	-	680,815	118,744	849,850	22,865
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Peggy Helmerich	196,044	-	1,958,287	231,948	2,386,279	50,463
Pratt	-	-	581,292	136,012	717,304	26,723
Rudisill North Regional	-	-	2,457,544	506,644	2,964,188	35,018
SC Strip Center	428,400	-	1,719,724	-	2,148,124	-
Schusterman-Benson	279,445	-	1,341,018	252,817	1,873,280	43,888
Skiatook	50,000	-	691,053	122,109	863,162	20,263
South Broken Arrow	93,059	-	623,132	101,704	817,895	37,175
Suburban Acres	-	-	572,846	115,708	688,554	16,455
Support Service Center	126,000	-	3,089,389	1,608,776	4,824,165	-
Zarrow Regional Library	73,699	-	2,089,787	262,370	2,425,856	49,099
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SC Strip Center	428,400	-	1,474,563	-	1,902,963	-
Schusterman-Benson	279,445	-	1,313,539	233,130	1,826,114	43,955
Skiatook	50,000	-	500,959	98,956	649,915	20,801
South Broken Arrow	91,089	-	623,132	68,751	782,972	39,155
Suburban Acres	-	-	571,196	114,293	685,489	19,422
Support Service Center	126,000	-	3,086,064	1,535,521	4,747,585	-
Zarrow Regional Library	73,699	-	2,089,787	253,604	2,417,090	54,092
Totals	\$ 8,775,189	\$ 14,905,447	\$ 46,102,106	\$ 14,932,168	\$ 84,714,910	\$ 1,590,556

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**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

**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***

Independent Auditors Report

To the Commission of the
Tulsa City-County Library

We have audited, 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, the financial statements of the governmental activities, and the major fund of Tulsa City-County Library (the Library), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated February 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 of 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*.

This report is intended solely for the information and use of management and the Commission of the Tulsa City- County Library, and is not intended to be and should not be used by anyone other than these specified parties.

Hill & Company, PC

Tulsa, Oklahoma
February 27, 2019

