

# **Metropolitan Library Commission of Oklahoma County**

## *Financial Statements*

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**FINANCIAL STATEMENTS**

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**FINANCIAL STATEMENTS**

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## **INDEPENDENT AUDITORS' REPORT**

To the Commissioners  
Metropolitan Library Commission of  
Oklahoma County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Library Commission of Oklahoma County (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 Library's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

### **Emphasis of Matters**

#### *Adoption of New Accounting Pronouncement*

As discussed in Note 1 to the financial statements, in 2018 the Library adopted new accounting guidance, Statement No. 75 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The implementation of GASB 75 resulted in the restatement of the 2017 financial statements. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-7, the budgetary comparison schedule—General Fund (unaudited), the schedule of changes in net position liability—defined benefit pension plan, the schedule of net pension liability—defined benefit pension plan, the schedule of contributions from employer—defined benefit pension plan, the schedule of investment returns—defined benefit pension plan, the notes to the required supplementary information, and the schedule of changes in the total OPEB liability and related ratios on pages 65-73 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, 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 audits 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.

(Continued)

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, 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.

Finley + Cook, PLLC

Shawnee, Oklahoma  
October 12, 2018

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

This discussion and analysis of the financial performance of the Metropolitan Library Commission of Oklahoma County (the “Library”) provides an overall review of the Library’s financial condition and results of operations for the fiscal years ended June 30, 2018 and 2017. Readers should read this information in conjunction with the Library’s financial statements.

### **FINANCIAL HIGHLIGHTS**

For the year ended June 30, 2018, the Library’s General Fund reported an ending balance of \$26,110,935 versus \$26,168,496 for the year ended June 30, 2017. The comparison reflects a decrease of \$57,561, or 0.22%, of the June 30, 2017, General Fund ending fund balance. Of the June 30, 2018 and 2017, year-end totals, \$9,716,056 and \$10,615,525, respectively, was unassigned, indicating that none of this amount had been restricted, committed, or assigned to specific purposes within the General Fund. For the year ended June 30, 2018, \$16,298,663 of the balance was assigned, with \$7,808,663 assigned to Library capital improvement projects and \$8,490,000 assigned to cash flow requirements. For the year ended June 30, 2017, \$15,451,346 of the balance was assigned, with \$8,071,346 assigned to Library capital improvement projects and \$7,380,000 assigned to cash flow requirements. Nonspendable totals for the years ended June 30, 2018 and 2017, were \$96,216 and \$101,625, respectively.

Over the years, the Library administration, with the approval of the Board of Commissioners, has prudently used or committed the money from the assigned fund balances to alleviate summer cash flow problems and provide funds for capital improvement projects. The Library does not have legal authority to raise tax dollars for capital improvement projects through bond issues as most other local government entities do. Therefore, the money in the assigned fund balances provides opportunities for the Library to improve and maintain its facilities.

In compliance with Governmental Accounting Standards Board Statement (GASB) No. 68, the Library recognized a net pension liability of approximately \$805,000, \$2,948,000, and \$4,704,000, at June 30, 2018, 2017, and 2016, respectively.

In compliance with GASB Statement No. 75, the Library recognized a net other postemployment benefit (OPEB) liability of approximately \$839,000 and \$842,000 at June 30, 2018 and 2017, respectively.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—management’s discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Library:

The first statements are *government-wide financial statements* that provide information about the Library’s overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the Library, reporting the Library’s operations in more detail than the government-wide statements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

### **OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED**

The Library has three kinds of funds—governmental funds, proprietary funds, and fiduciary funds.

Governmental funds encompass two funds: the General Fund and the Gifts and Grants Fund.

*General Fund:* Represents unrestricted resources that are available for ongoing general library operations. This is the Library's primary operating fund. It includes income from special services, such as copy services, lost book fees, overdue book fines, and other miscellaneous services.

*Gifts and Grants Fund:* Includes all gifts and grants. Gifts and grants include funds provided by intergovernmental grants and other third parties' gifts and grants. All of these funds are generally restricted as to use. Therefore, each fund accounts for its receipts and disbursements of the restricted functions.

The proprietary fund is the Library's insurance fund, an internal service fund. The insurance fund is used to maintain the Library's health and dental self-insurance plan.

Fiduciary funds are reported in the fiduciary fund financial statements but are excluded from government-wide reporting. They include the Pension Fund, the Flex Benefit Fund, and the Defined Contribution Fund. Fiduciary fund financial statements report assets that cannot be used to fund the Library's general operations.

### **Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the Library's financial statements.

### **Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information, such as a comparative statement between budgeted and actual resources and appropriations, and the schedule of funding progress for the defined benefit pension plan.



**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**THE LIBRARY AS A WHOLE**

	<u>2018</u>	<u>2017</u> *	<u>2016</u>
<b><i>Statements of Net Position</i></b>			
Assets:			
Current	\$ 30,859,682	29,894,961	31,738,711
Capital assets, net	<u>14,988,726</u>	<u>14,931,553</u>	<u>15,509,205</u>
Total assets	<u>45,848,408</u>	<u>44,826,514</u>	<u>47,247,916</u>
Deferred outflows of resources related to the pension plan and OPEB	<u>1,437,994</u>	<u>2,180,079</u>	<u>3,002,047</u>
Liabilities:			
Accounts payable and accrued expenses	1,334,899	1,190,602	1,714,095
Compensated absences payable	679,422	544,168	439,777
Net pension liability	804,623	2,947,903	4,704,385
Net OPEB liability	<u>838,594</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,657,538</u>	<u>4,682,673</u>	<u>6,858,257</u>
Deferred inflows of resources related to the pension plan and OPEB	2,856,810	2,273,341	1,288,910
Net position:			
Net investment in capital assets	14,988,726	14,931,553	15,509,205
Restricted	231,320	189,158	162,838
Unrestricted	<u>25,552,008</u>	<u>24,929,868</u>	<u>26,430,753</u>
Total net position	<u>\$ 40,772,054</u>	<u>40,050,579</u>	<u>42,102,796</u>
<b><i>Changes in Net Position</i></b>			
Beginning net position	<u>\$ 39,206,701</u>	<u>42,102,796</u>	<u>43,503,287</u>
Revenues:			
Property taxes	37,990,248	35,493,065	34,082,935
State aid	268,355	247,551	265,727
Charges for services	1,049,029	1,449,751	1,763,404
Operating grants and contributions	454,331	235,199	296,478
Loss from disposals	(37,025)	(253,057)	(52,054)
Investment earnings	<u>268,808</u>	<u>168,947</u>	<u>666,457</u>
Total revenues	<u>39,993,746</u>	<u>37,341,456</u>	<u>37,022,947</u>
Expenses:			
Public library services	18,415,956	18,869,864	21,293,301
Administrative services	14,758,690	14,858,216	12,075,973
Depreciation—unallocated	<u>5,253,747</u>	<u>5,665,593</u>	<u>5,054,164</u>
Total expenses	<u>38,428,393</u>	<u>39,393,673</u>	<u>38,423,438</u>
Ending net position	<u>\$ 40,772,054</u>	<u>40,050,579</u>	<u>42,102,796</u>

\* The management discussion and analysis was not restated for the year ending June 30, 2017, due to the implementation of GASB 75.

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS**

As financial information is accumulated on a continuous and consistent basis, financial statements and expenditure reports for governmental funds are presented to the Board of Commissioners each month for its acknowledgement.

For the years ended June 30, governmental fund balances changed as follows:

	<u>General Fund</u>	<u>Gifts and Grants Fund</u>	<u>Total Governmental Funds</u>
<u>2018</u>			
Revenues	\$ 37,664,526	454,331	38,118,857
Expenditures	<u>(37,722,087)</u>	<u>(412,169)</u>	<u>(38,134,256)</u>
Net (decrease) increase	<u>\$ (57,561)</u>	<u>42,162</u>	<u>(15,399)</u>
<u>2017</u>			
Revenues	\$ 36,738,178	239,100	36,977,278
Expenditures	<u>(38,099,490)</u>	<u>(212,780)</u>	<u>(38,312,270)</u>
Net (decrease) increase	<u>\$ (1,361,312)</u>	<u>26,320</u>	<u>(1,334,992)</u>
<u>2016</u>			
Revenues	\$ 36,199,256	296,478	36,495,734
Expenditures	<u>(37,189,863)</u>	<u>(219,513)</u>	<u>(37,409,376)</u>
Net (decrease) increase	<u>\$ (990,607)</u>	<u>76,965</u>	<u>(913,642)</u>

**MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED**

**FINANCIAL ANALYSIS OF THE LIBRARY’S FUNDS, CONTINUED**

**General Fund**

The Library is primarily funded by a 5.2 mill ad valorem (property) tax. For the year ended June 30, 2018, the Oklahoma County’s assessed property value had an increase of 3.9% versus 4.2% for the year ended June 30, 2017. Actual tax collections increased 3.6% for the year ended June 30, 2018, over the year ended June 30, 2017, as compared to a 4.1% increase in the year ended June 30, 2017, over the previous year. Investment income for the Library increased to \$268,808 in the year ended June 30, 2018, from \$168,947 in investment income in the year ended June 30, 2017. The increase was primarily due to investment appreciation in the year ended June 30, 2018.

Major expenditure categories decreased in 2018 from 2017, showing an overall decrease of \$377,403, or 0.99%. Within categories, personal services increased 2.16% compared to the previous year’s increase of 4.60%. Maintenance and operations expenses decreased, totaling a 6.91% change. Capital outlays decreased 6.33%.

**Gifts and Grants Fund**

During the years ended June 30, 2018 and 2017, \$454,331 and \$235,199, respectively, of gifts and grants funds were received. For the year ended June 30, 2018, the largest contributors were the Friends of the Metropolitan Library System (the “Friends”), which gave 16 grants totaling \$224,166. For the year ended June 30, 2017, the largest contributors were the Friends, which gave 17 grants totaling \$329,763. Other major grantors for the fiscal year ended June 30, 2018, included Google (\$100,000) and the Library Endowment Trust (\$15,264). Other major grantors for the fiscal year ended June 30, 2017, included the Library Endowment Trust (\$13,300) and the Kirkpatrick Foundation (\$9,600).

**Proprietary Fund**

	<u>Insurance Fund</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues	\$ 3,446,592	3,036,656	2,784,265
Expenses	<u>(3,599,668)</u>	<u>(2,810,635)</u>	<u>(3,182,014)</u>
Net (decrease) increase	<u>\$ (153,076)</u>	<u>226,021</u>	<u>(397,749)</u>

The total insurance premium contributed by both the employer and the employees to this fund was \$3,266,922 in the year ended June 30, 2018, versus \$2,988,177 and \$2,718,366 in the years ended June 30, 2017 and 2016, respectively. Claims expense for 2018 was \$3,599,668 compared to \$2,810,635 and \$3,182,014 for 2017 and 2016, respectively.

**MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund budget for the year ended June 30, 2018, was \$58,529,139, a decrease of \$1,005,315, or 1.7%, over the June 30, 2017, budget of \$59,534,454. The biggest contributor to the decrease in the year ended June 30, 2018, budget over the previous year was a decrease in appropriations of \$3,377,029. The prior year budget carryover and reserve carryover were lower to account for the overall decrease.

Actual results compared to budgeted results were as follows:

	<u>Budgeted</u>	<u>Actual on a Budgeted Basis</u>
<u>2018</u>		
Revenues	\$ 34,092,619	38,068,560
Expenditures	\$ 42,230,480	37,568,645
<u>2017</u>		
Revenues	\$ 32,977,532	36,928,188
Expenditures	\$ 44,083,108	38,105,315
<u>2016</u>		
Revenues	\$ 31,683,004	36,202,171
Expenditures	\$ 44,205,282	36,366,717

**CAPITAL ASSETS AND LONG-TERM DEBT**

The Library’s investment in depreciable capital assets, net of accumulated depreciation, at June 30, 2018 and 2017, was \$14,715,600 and \$14,658,427, respectively. Of the total depreciable capital assets at June 30, 2018, 36% consisted of furniture, equipment, vehicles, and buildings, while the remaining 64% consisted of books and materials. The previous year, those percentages were 38% and 62%, respectively. Nondepreciable assets at both June 30, 2018 and 2017, represented land owned by the Library in the amount of \$273,126.

The Library has no long-term debt.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

### **ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGET**

The Library's primary revenue is ad valorem (property) tax. Barring a voter-approved change in the mill levy, the annual growth in the Oklahoma County's property values is the most important factor in the Library's revenue outlook. Currently, the Library collects 5.2 mills of the assessed property values. With voters' approval, the number of mills could increase to 6.21 mills.

In general, the Library expects a small growth in the tax revenue for the next year. The Oklahoma County Assessor has certified a 3.1% growth in property values for fiscal year ended June 30, 2019, as opposed to 3.9% in the year ended June 30, 2018. Investment income is expected to be neutral. Real estate prices are rising as new construction and population growth continue, so the Library expects continued incremental growth in revenue for the foreseeable future.

For the year ended June 30, 2019, the Board of Commissioners has approved a General Fund budget of \$60,416,018 versus \$58,529,139 for the year ended June 30, 2018. Of the total budget amount for the year ended June 30, 2019, \$41,464,057 was for operating costs, \$646,275 was for capital projects, and \$18,305,236 was for other assigned funds. Of the total budget amount for the year ended June 30, 2018, \$41,969,027 was for operating costs, \$261,450 was for capital projects, and \$16,298,662 was for other assigned funds.

### **CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Metropolitan Library Commission of Oklahoma County, comply with finance-related laws and regulations, and demonstrate the Library's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Library's Business Office at 300 Park Avenue, Oklahoma City, OK 73102.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF NET POSITION**

<i>June 30,</i>	<i>2018</i>	<i>2017</i>
	<u>Government-Wide</u>	
<b>Assets and Deferred Outflows of Resources</b>		
Current assets:		
Cash and cash equivalents	\$ 4,361,845	6,986,874
Investments	24,421,084	21,924,420
Ad valorem taxes receivable, net of allowance for uncollectible taxes of \$702,129 and \$2,303 for June 30, 2018 and 2017, respectively	1,914,970	834,008
Accounts receivable	39,260	16,653
Accrued interest receivable	26,307	31,381
Prepaid expenses	96,216	101,625
Total current assets	<u>30,859,682</u>	<u>29,894,961</u>
Noncurrent assets:		
Nondepreciable capital assets	273,126	273,126
Depreciable capital assets, net	<u>14,715,600</u>	<u>14,658,427</u>
Total noncurrent assets	<u>14,988,726</u>	<u>14,931,553</u>
Total assets	<u>45,848,408</u>	<u>44,826,514</u>
Deferred outflows of resources:		
Deferred amounts related to the pension plan and OPEB, as restated	<u>1,437,994</u>	<u>2,270,336</u>
<b>Liabilities and Deferred Inflows of Resources</b>		
Current liabilities:		
Accounts payable and accrued expenses	1,334,899	1,190,602
Compensated absences payable	<u>679,422</u>	<u>544,168</u>
Total current liabilities	<u>2,014,321</u>	<u>1,734,770</u>
Noncurrent liabilities:		
Net pension liability—amount due in more than 1 year	804,623	2,947,903
Total OPEB liability—amount due in more than 1 year, as restated	<u>838,594</u>	<u>842,497</u>
Total liabilities	<u>3,657,538</u>	<u>5,525,170</u>
Deferred inflows of resources:		
Deferred amounts related to the pension plan and OPEB, as restated	<u>2,856,810</u>	<u>2,364,979</u>
<b>Net Position</b>		
Net investment in capital assets	14,988,726	14,931,553
Restricted	231,320	189,158
Unrestricted, as restated	<u>25,552,008</u>	<u>24,085,990</u>
Total net position	<u>\$ 40,772,054</u>	<u>39,206,701</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF ACTIVITIES**

*Year Ended June 30, 2018*

		Revenues		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
				<u>Net (Expenses) Revenues/ Changes in Net Position</u>
Government activities:				
Public library services	\$ (18,415,956)	81,720	454,331	- (17,879,905)
Administrative services	(14,758,690)	967,309	-	- (13,791,381)
Depreciation—unallocated	<u>(5,253,747)</u>	-	-	- (5,253,747)
	<u>\$ (38,428,393)</u>	<u>1,049,029</u>	<u>454,331</u>	<u>- (36,925,033)</u>
General revenues:				
Property taxes, levied for general purposes				37,990,248
State aid				268,355
Loss from disposals of capital assets				(23,370)
Loss on disposals of investments				(13,655)
Investment earnings				<u>268,808</u>
Total general revenues				<u>38,490,386</u>
Changes in net position				1,565,353
Net position, beginning of year, restated (See Note 1)				<u>39,206,701</u>
Net position, end of year				<u>\$ 40,772,054</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF ACTIVITIES, CONTINUED**

*Year Ended June 30, 2017\**

		Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues/ Changes in Net Position</u>
Government activities:					
Public library services	\$ (18,869,864)	686,308	235,199	-	(17,948,357)
Administrative services	(14,858,216)	763,443	-	-	(14,094,773)
Depreciation—unallocated	<u>(5,665,593)</u>	-	-	-	<u>(5,665,593)</u>
	<u>\$ (39,393,673)</u>	<u>1,449,751</u>	<u>235,199</u>	<u>-</u>	<u>(37,708,723)</u>
General revenues:					
Property taxes, levied for general purposes					35,493,065
State aid					247,551
Loss from disposals of capital assets					(102,393)
Loss on disposals of investments					(150,664)
Investment earnings					<u>168,947</u>
Total general revenues					<u>35,656,506</u>
Changes in net position					(2,052,217)
Net position, beginning of year					<u>42,102,796</u>
Net position, end of year					<u>\$ 40,050,579</u>

\* The statement of activities was not restated for the year ending June 30, 2017, due to the implementation of GASB 75.

See Independent Auditors' Report.  
See accompanying notes to financial statements.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**BALANCE SHEETS—GOVERNMENTAL FUNDS**

*June 30, 2018*

	<u>General Fund</u>	<u>Gifts and Grants Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash	\$ 1,975,859	231,320	2,207,179
Investments	24,421,084	-	24,421,084
Ad valorem taxes receivable, net of allowance	1,914,970	-	1,914,970
Accounts receivable	12,238	-	12,238
Accrued interest receivable	26,307	-	26,307
Prepaid expenses	96,216	-	96,216
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 28,446,674</u>	<u>231,320</u>	<u>28,677,994</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 459,081	-	459,081
Accrued salaries	655,492	-	655,492
Total liabilities	<u>1,114,573</u>	<u>-</u>	<u>1,114,573</u>
<b>Deferred inflows of resources:</b>			
Accrued property taxes not available for spending	1,221,166	-	1,221,166
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and deferred inflows of resources	<u>2,335,739</u>	<u>-</u>	<u>2,335,739</u>
<b>Fund balances:</b>			
Nonspendable	96,216	-	96,216
Restricted	-	231,320	231,320
Assigned	16,298,663	-	16,298,663
Unassigned	9,716,056	-	9,716,056
Total fund balances	<u>26,110,935</u>	<u>231,320</u>	<u>26,342,255</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,446,674</u>	<u>231,320</u>	<u>28,677,994</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**BALANCE SHEETS—GOVERNMENTAL FUNDS, CONTINUED**

*June 30, 2017*

	<u>General Fund</u>	<u>Gifts and Grants Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash	\$ 4,438,099	189,158	4,627,257
Investments	21,924,420	-	21,924,420
Ad valorem taxes receivable, net of allowance	834,008	-	834,008
Accrued interest receivable	31,381	-	31,381
Prepaid expenses	<u>101,625</u>	<u>-</u>	<u>101,625</u>
 Total assets	 <u>\$ 27,329,533</u>	 <u>189,158</u>	 <u>27,518,691</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 303,144	-	303,144
Accrued salaries	<u>625,626</u>	<u>-</u>	<u>625,626</u>
Total liabilities	<u>928,770</u>	<u>-</u>	<u>928,770</u>
Deferred inflows of resources:			
Accrued property taxes not available for spending	<u>232,267</u>	<u>-</u>	<u>232,267</u>
 Total liabilities and deferred inflows of resources	 <u>1,161,037</u>	 <u>-</u>	 <u>1,161,037</u>
Fund balances:			
Nonspendable	101,625	-	101,625
Restricted	-	189,158	189,158
Assigned	15,451,346	-	15,451,346
Unassigned	<u>10,615,525</u>	<u>-</u>	<u>10,615,525</u>
Total fund balances	<u>26,168,496</u>	<u>189,158</u>	<u>26,357,654</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 27,329,533</u>	 <u>189,158</u>	 <u>27,518,691</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**RECONCILIATIONS OF THE BALANCE SHEETS—GOVERNMENTAL FUNDS TO  
THE STATEMENTS OF NET POSITION**

<i>June 30,</i>	<i>2018</i>	<i>2017</i>
<b>Reconciliation of Fund Balances to Net Position</b>		
Total fund balances—governmental funds	\$ 26,342,255	26,357,654
Amounts reported for governmental activities in the statements of net position are different because:		
Certain assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets, net of accumulated depreciation	14,988,726	14,931,553
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	1,221,166	232,267
Net position of Internal Service Fund separately reported as proprietary fund.	1,961,362	2,114,438
Compensated absences in governmental activities are not financial expenditures and therefore are not reported as a liability in governmental funds.	(679,422)	(544,168)
Deferred outflows related to the pension plan and OPEB are not financial resources and therefore are not reported in the funds, as restated.	1,437,994	2,270,336
Deferred inflows related to the pension plan and OPEB are not due and payable in the current period and therefore are not reported in the funds, as restated.	(2,856,810)	(2,364,979)
The net pension liability and total OPEB liability are not due and payable in the current period and therefore are not reported in the funds, as restated.	<u>(1,643,217)</u>	<u>(3,790,400)</u>
Net position of governmental activities	<u>\$ 40,772,054</u>	<u>39,206,701</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES—GOVERNMENTAL FUNDS**

*Year Ended June 30, 2018*

	<u>General Fund</u>	<u>Gifts and Grants Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 37,001,348	-	37,001,348
Collections on book fines and copy services	81,720	-	81,720
Gifts and grants	-	454,331	454,331
State revenue	268,355	-	268,355
Investment income	268,808	-	268,808
Loss on disposals	(13,655)	-	(13,655)
Other	57,950	-	57,950
Total revenues	<u>37,664,526</u>	<u>454,331</u>	<u>38,118,857</u>
Expenditures:			
Personal services	24,926,484	-	24,926,484
Maintenance and operations:			
Contractual services	4,922,020	408,216	5,330,236
Commodities	1,182,910	-	1,182,910
Capital outlays	6,690,673	3,953	6,694,626
Total expenditures	<u>37,722,087</u>	<u>412,169</u>	<u>38,134,256</u>
Net changes in fund balances	(57,561)	42,162	(15,399)
Fund balances, beginning of year	<u>26,168,496</u>	<u>189,158</u>	<u>26,357,654</u>
Fund balances, end of year	<u>\$ 26,110,935</u>	<u>231,320</u>	<u>26,342,255</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES—GOVERNMENTAL FUNDS, CONTINUED**

*Year Ended June 30, 2017*

	General <u>Fund</u>	Gifts and <u>Grants Fund</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 35,704,352	-	35,704,352
Collections on book fines and copy services	686,308	-	686,308
Gifts and grants	-	235,199	235,199
State revenue	247,551	-	247,551
Investment income	168,947	-	168,947
Loss on disposals	(156,508)	-	(156,508)
Other	87,528	3,901	91,429
Total revenues	<u>36,738,178</u>	<u>239,100</u>	<u>36,977,278</u>
Expenditures:			
Personal services	24,398,829	-	24,398,829
Maintenance and operations:			
Contractual services	5,165,651	212,282	5,377,933
Commodities	1,392,356	-	1,392,356
Capital outlays	7,142,654	498	7,143,152
Total expenditures	<u>38,099,490</u>	<u>212,780</u>	<u>38,312,270</u>
Net changes in fund balances	(1,361,312)	26,320	(1,334,992)
Fund balances, beginning of year	<u>27,529,808</u>	<u>162,838</u>	<u>27,692,646</u>
Fund balances, end of year	<u>\$ 26,168,496</u>	<u>189,158</u>	<u>26,357,654</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**RECONCILIATIONS OF NET CHANGES IN GOVERNMENTAL FUND BALANCES TO  
GOVERNMENTAL ACTIVITIES CHANGES IN NET POSITION**

<i>Years Ended June 30,</i>	<i>2018</i>	<i>2017</i>
Net changes in fund balances—total governmental funds	\$ (15,399)	(1,334,992)
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets:		
Depreciation expense	(5,253,747)	(5,665,593)
Capital additions	5,334,290	5,190,334
	80,543	(475,259)
Disposals of capital assets are not considered to be expenditures in the governmental funds. Receipts of funds from the sale of capital assets are considered revenue in the governmental funds. They are, however, recorded as an overall loss in the statements of activities.	(23,370)	(102,393)
Compensated absences are not considered to be expenditures in the governmental funds. They are, however, recorded as expenses in the statements of activities.	(135,254)	(104,391)
Because some property taxes will not be collected for several months after the Library's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are instead counted as deferred revenues. They are, however, recorded as revenues in the statements of activities.	1,111,217	(212,501)
Uncollectible property taxes receivable that have been written-off are not considered to be revenues in the governmental funds. They are, however, recorded as a reduction of recognized revenue in the statements of activities.	(122,317)	1,215
The statements of activities include net activity of the Internal Service Fund, which is shown as a proprietary fund in the fund financial statements.	(153,076)	226,021
In the statements of activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension and OPEB contributions as expenditures.	823,009	(49,917)
Changes in net position of governmental activities	\$ 1,565,353	(2,052,217)

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**BALANCE SHEETS—PROPRIETARY FUND**

<i>June 30,</i>	<i>2018</i>	<i>2017</i>
	<u>Governmental Activities— Internal Service Fund</u>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,154,666	2,359,617
Stop-loss reimbursement receivable	<u>27,022</u>	<u>16,653</u>
Total assets	<u>2,181,688</u>	<u>2,376,270</u>
<b>Liabilities</b>		
Claims payable	<u>220,326</u>	<u>261,832</u>
<b>Net Position</b>		
Unrestricted	<u>\$ 1,961,362</u>	<u>2,114,438</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION—PROPRIETARY FUND**

<i>Years Ended June 30,</i>	<i>2018</i>	<i>2017</i>
	Governmental Activities— Internal Service Fund	
Operating revenues:		
Insurance premiums	\$ 3,266,922	2,988,117
Refunds and miscellaneous	178,406	47,250
Total operating revenues	3,445,328	3,035,367
Operating expenses:		
Claims	3,599,668	2,810,635
Net operating (loss) income	(154,340)	224,732
Non-operating revenues:		
Interest income	1,264	1,289
Changes in net position	(153,076)	226,021
Net position, beginning of year	2,114,438	1,888,417
Net position, end of year	\$ 1,961,362	2,114,438

See Independent Auditors' Report.  
See accompanying notes to financial statements.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF CASH FLOWS—PROPRIETARY FUND**

**Increase (Decrease) in Cash and Cash Equivalents**

<i>Years Ended June 30,</i>	<i>2018</i>	<i>2017</i>
	Governmental Activities— Internal Service Fund	
<b>Cash flows from operating activities:</b>		
Cash received from other fund for services	\$ 3,266,922	2,988,117
Receipts from reinsurance	308,254	821,763
Payments of claims	(3,959,797)	(3,642,353)
Other receipts	178,406	47,250
Net cash (used in) provided by operating activities	(206,215)	214,777
<b>Cash flows from investing activities:</b>		
Interest on investments	1,264	1,289
Net cash provided by investing activities	1,264	1,289
<b>Net (decrease) increase in cash and cash equivalents</b>	(204,951)	216,066
Cash and cash equivalents, beginning of year	2,359,617	2,143,551
Cash and cash equivalents, end of year	\$ 2,154,666	2,359,617
<b>Reconciliation of net operating (loss) income to net cash (used in) provided by operating activities:</b>		
Net operating (loss) income	\$ (154,340)	224,732
Adjustments to reconcile net operating (loss) income to net cash (used in) provided by operating activities:		
(Increase) decrease in receivables	(10,369)	112,267
Decrease in claims payable	(41,506)	(122,222)
Net cash (used in) provided by operating activities	\$ (206,215)	214,777

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF FIDUCIARY NET POSITION—FIDUCIARY FUNDS**

*June 30, 2018*

	Pension <u>Fund</u>	Flex Benefit <u>Fund</u>	Defined Contribution <u>Fund</u>	Total Fiduciary <u>Funds</u>
<b>Assets</b>				
Cash	\$ 1,099,944	41,393	-	1,141,337
Receivables (unsettled trades and accrued income)	79,858	-	-	79,858
Investments:				
Corporate bonds	7,029,033	-	-	7,029,033
U.S. Treasury obligations	3,149,951	-	-	3,149,951
Common stock	8,223,550	-	-	8,223,550
Equity and mutual funds	8,433,398	-	17,605,709	26,039,107
Guaranteed interest account	-	-	4,144,221	4,144,221
Total investments	<u>26,835,932</u>	<u>-</u>	<u>21,749,930</u>	<u>48,585,862</u>
Total assets	<u>28,015,734</u>	<u>41,393</u>	<u>21,749,930</u>	<u>49,807,057</u>
<b>Liabilities</b>				
Employee benefits payable	-	16,393	-	16,393
Prepayment from the Library	-	25,000	-	25,000
Total liabilities	<u>-</u>	<u>41,393</u>	<u>-</u>	<u>41,393</u>
<b>Net Position</b>				
Net position restricted for pensions and insurance	<u>\$ 28,015,734</u>	<u>-</u>	<u>21,749,930</u>	<u>49,765,664</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF FIDUCIARY NET POSITION—FIDUCIARY FUNDS, CONTINUED**

*June 30, 2017*

	Pension <u>Fund</u>	Flex Benefit <u>Fund</u>	Defined Contribution <u>Fund</u>	Total Fiduciary <u>Funds</u>
<b>Assets</b>				
Cash	\$ 2,222,488	37,439	-	2,259,927
Receivables (unsettled trades and accrued income)	54,783	-	-	54,783
Investments:				
Certificates of deposit	249,000	-	-	249,000
Corporate bonds	5,301,199	-	-	5,301,199
U.S. Treasury obligations	2,491,857	-	-	2,491,857
Common stock	8,197,183	-	-	8,197,183
Equity and mutual funds	8,538,017	-	15,444,097	23,982,114
Guaranteed interest account	-	-	3,527,751	3,527,751
Total investments	<u>24,777,256</u>	<u>-</u>	<u>18,971,848</u>	<u>43,749,104</u>
Total assets	<u>27,054,527</u>	<u>37,439</u>	<u>18,971,848</u>	<u>46,063,814</u>
<b>Liabilities</b>				
Employee benefits payable	-	12,439	-	12,439
Prepayment from the Library	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total liabilities	<u>-</u>	<u>37,439</u>	<u>-</u>	<u>37,439</u>
<b>Net Position</b>				
Net position restricted for pensions and insurance	<u>\$ 27,054,527</u>	<u>-</u>	<u>18,971,848</u>	<u>46,026,375</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION—FIDUCIARY FUNDS**

*Year Ended June 30, 2018*

	Pension <u>Fund</u>	Flex Benefit <u>Fund</u>	Defined Contribution <u>Fund</u>	Total Fiduciary <u>Funds</u>
<b>Additions</b>				
Contributions:				
Employer	\$ 1,005,675	-	1,327,895	2,333,570
Employee	38,028	762,551	759,595	1,560,174
Rollover	-	-	86,776	86,776
Total contributions	<u>1,043,703</u>	<u>762,551</u>	<u>2,174,266</u>	<u>3,980,520</u>
Investment income:				
Interest	332,482	-	105,256	437,738
Dividends	229,361	-	-	229,361
Net increase in fair value of investments	<u>1,551,051</u>	<u>-</u>	<u>1,583,614</u>	<u>3,134,665</u>
Total investment income	<u>2,112,894</u>	<u>-</u>	<u>1,688,870</u>	<u>3,801,764</u>
Direct investment expenses	<u>(102,174)</u>	<u>-</u>	<u>-</u>	<u>(102,174)</u>
Net investment income	<u>2,010,720</u>	<u>-</u>	<u>1,688,870</u>	<u>3,699,590</u>
Total additions	<u>3,054,423</u>	<u>762,551</u>	<u>3,863,136</u>	<u>7,680,110</u>
<b>Deductions</b>				
Benefits paid	2,004,643	746,317	1,083,119	3,834,079
Administrative expense	<u>88,573</u>	<u>16,234</u>	<u>1,935</u>	<u>106,742</u>
Total deductions	<u>2,093,216</u>	<u>762,551</u>	<u>1,085,054</u>	<u>3,940,821</u>
Net increase in net position	961,207	-	2,778,082	3,739,289
Net position restricted for pensions and insurance, beginning of year	<u>27,054,527</u>	<u>-</u>	<u>18,971,848</u>	<u>46,026,375</u>
Net position restricted for pensions and insurance, end of year	<u>\$ 28,015,734</u>	<u>-</u>	<u>21,749,930</u>	<u>49,765,664</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION—FIDUCIARY FUNDS,  
CONTINUED**

*Year Ended June 30, 2017*

	Pension Fund	Flex Benefit Fund	Defined Contribution Fund	Total Fiduciary Funds
<b>Additions</b>				
Contributions:				
Employer	\$ 624,271	-	1,240,003	1,864,274
Employee	55,251	701,279	641,204	1,397,734
Rollover	-	-	30,491	30,491
Total contributions	<u>679,522</u>	<u>701,279</u>	<u>1,911,698</u>	<u>3,292,499</u>
Investment income:				
Interest	197,791	-	97,579	295,370
Dividends	347,138	-	-	347,138
Net increase in fair value of investments	<u>2,151,663</u>	<u>-</u>	<u>2,185,926</u>	<u>4,337,589</u>
Total investment income	<u>2,696,592</u>	<u>-</u>	<u>2,283,505</u>	<u>4,980,097</u>
Direct investment expenses	<u>(102,961)</u>	<u>-</u>	<u>-</u>	<u>(102,961)</u>
Net investment income	<u>2,593,631</u>	<u>-</u>	<u>2,283,505</u>	<u>4,877,136</u>
Total additions	<u>3,273,153</u>	<u>701,279</u>	<u>4,195,203</u>	<u>8,169,635</u>
<b>Deductions</b>				
Benefits paid	1,941,568	690,280	1,908,352	4,540,200
Administrative expense	<u>105,315</u>	<u>10,999</u>	<u>1,820</u>	<u>118,134</u>
Total deductions	<u>2,046,883</u>	<u>701,279</u>	<u>1,910,172</u>	<u>4,658,334</u>
Net increase in net position	1,226,270	-	2,285,031	3,511,301
Net position restricted for pensions and insurance, beginning of year	<u>25,828,257</u>	<u>-</u>	<u>16,686,817</u>	<u>42,515,074</u>
Net position restricted for pensions and insurance, end of year	<u>\$ 27,054,527</u>	<u>-</u>	<u>18,971,848</u>	<u>46,026,375</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018 and 2017**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Metropolitan Library Commission of Oklahoma County’s (the “Library”) financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

**Reporting Entity**

The Library is a corporate body for public purposes created under Title 65 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. There are no component units included within the reporting entity.

Under the Oklahoma Metropolitan Library Act (the “Act”), the Library is governed by the Board of Commissioners. Effective July 31, 2007, Section 554 of the Act was amended, increasing the number of the Board of Commissioners voting members from 19 to 27. The Board of Commissioners members include: 13 voting members who are appointees of the City of Oklahoma City; 1 voting member who is an appointee of the Oklahoma County Commissioners; 1 voting member each from the cities of Bethany, Choctaw, Del City, Edmond, Harrah, Jones, Luther, Midwest City, Nicoma Park, the Village, and Warr Acres; and 2 ex-officio members—the Mayor of Oklahoma City and the Chairman of the Oklahoma County Commissioners, for a total of 27 voting members. The Board of Commissioners also includes one nonvoting member, the Librarian, who conducts Library operations.

**Basis of Presentation**

The Library’s basic financial statements include both government-wide (reporting the Library as a whole) and the fund financial statements (reporting the Library’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Library does not have any activities classified as business-type activities. Internal Service Fund activity is eliminated in the fund financial statements to avoid “doubling up” revenues and expenses. Fiduciary funds are excluded from the government-wide and fund financial statements, but are reported separately in the fiduciary fund financial statements.

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Basis of Presentation, Continued**

***Government-Wide Financial Statements***

In the government-wide statements of net position, the Library's governmental activities are reported using the accrual basis of accounting. The Library's net position is reported in three parts—net investment in capital assets, restricted, and unrestricted. Revenues are recognized when earned and expenses are recognized when incurred.

The government-wide statements of activities report both the gross and net cost of each of the Library's programs and functions. The functions are also supported by general government revenues. The statements of activities reduce gross expenses (including depreciation) by related program revenues, operating grants and contributions, and capital grants and contributions. Program revenues must be directly associated with the function. Charges for services include charges and fees to customers for fines and charges for services provided. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

All interfund transactions between governmental funds and internal service funds are eliminated in the government-wide statements.

The net costs are normally covered by general revenue (property taxes, state aid, other taxes, etc.).

The government-wide focus is more on the sustainability of the Library as an entity and the changes in the Library's net position resulting from the current year's activities.

***Fund Financial Statements***

Fund financial statements report detailed information about the Library. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Nonmajor funds, if any, are aggregated and presented in a single column.

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Basis of Presentation, Continued**

*Fund Financial Statements, Continued*

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans. Employer and participant contributions are recognized in the period in which the contributions are due and the Library has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the plan.

The Library reports the following major governmental funds:

General Fund:

The *General Fund* is the primary operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund:

*Gifts and Grants Fund*—The Library accounts for resources received from various gifts and grants. These resources are restricted to, or designated for, specific purposes by a grantor.

Additionally, the Library reports the following fund types:

Proprietary Fund:

*Internal Service Fund*—Revenues and expenses related to services provided to the Library for employee insurance are accounted for in the Internal Service Fund, the insurance fund.

Fiduciary Funds:

*Employee Benefit Trust Funds*—The Pension Fund, the Flex Benefit Fund, and the Defined Contribution Fund are used to report assets held in trust for members and beneficiaries of the plans, and the assets cannot be used to support the Library's operating programs.

See Independent Auditors' Report.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The government-wide financial statements are presented on the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements.

Revenues are recognized when earned and expenses are recognized when a liability is incurred. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fiduciary fund financial statements are in conformity with the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* and GASB Statement No. 75, *Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

Modified Accrual

The fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are recognized when due.

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$500 or more and all books and materials are reported at historical cost or estimated historical cost, net of accumulated depreciation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30 years
Furniture and fixtures	7 years
Computer equipment	4 years
Vehicles	5 years
Books and materials	5 years

**Compensated Absences**

The Library accrues accumulated unpaid annual leave when it has been earned by the employee. Generally, up to 75% of annual leave must be taken during the calendar year earned and compensated absences are reported as current liabilities. Eligible employees who end their employment with the Library are reimbursed for each day of accumulated unpaid annual leave. Further details are provided in the Library's Employee Leave Policy.

**Annual Budget**

The Library is required by state law to prepare an annual budget. The Oklahoma County Excise Board formally approves an annual budget for the General Fund.

**Cash and Cash Equivalents**

The Library considers all cash on-hand, demand deposits, money market checking, and certificates of deposit held at an individual bank which are subject to early withdrawal penalties, no matter what the maturity period, to be cash and cash equivalents.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments held at June 30, 2018 and 2017, with original maturities greater than 1 year are stated at fair value.

**Investment Earnings**

Investment earnings principally consist of interest income and fair market value adjustments as the investments are presented at fair value. Investment earnings for the years ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 337,063	218,206
Fair market value adjustments	<u>(68,255)</u>	<u>(49,259)</u>
Investment earnings	<u>\$ 268,808</u>	<u>168,947</u>

**Advertising Costs**

All costs associated with advertising are expensed as incurred.

**Property Tax Revenues**

The Library is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within Oklahoma County. The County Assessor, upon receipt of the certification of tax levies from the Oklahoma County Excise Board, extends the tax levies on the tax roll for submission to the County Treasurer prior to October 1. The County Treasurer must commence tax collection within 15 days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half are due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 1. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has 2 years to redeem the property by paying the taxes and penalty owed. If at the end of 2 years the owner has not done so, the purchaser is issued a deed to the property. The Oklahoma County Assessor's Office bills and collects the property taxes and remits to the Library its share.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Property Taxes Receivable**

Property taxes receivable by the Library include uncollected taxes assessed as of October 1, 2017 and 2016, and earlier. The Library considers prior years' experience in estimating uncollectible property taxes. The balance in the allowance account was \$702,129 and \$2,303 as of June 30, 2018 and 2017, respectively. No provision has been made in the other funds for uncollectible amounts. All property taxes earned at year-end but not yet received are included in receivables reported on the government-wide statements. During the years ended June 30, 2018 and 2017, the Library wrote-off \$122,317 and \$988, respectively, of property taxes receivable as an uncollectible amount which related to the property taxes receivable of 2006 and earlier years. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Any remaining property taxes due are deferred until they become available.

Changes in the allowance for the years ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 2,303	2,303
Provision added to allowance during the year	745,622	-
Charge-offs	(122,317)	(988)
Recoveries	<u>76,521</u>	<u>988</u>
Balance, end of year	<u>\$ 702,129</u>	<u>2,303</u>

**Deferred Inflows and Outflows of Resources**

*Fund Financial Statements*

Deferred inflows of resources represents the portion of property taxes receivable that will be collected this year but are not available soon enough to pay current period expenditures and are deferred.

*Government-Wide Financial Statements*

Deferred inflows and outflows of resources represent amounts associated with the pension plan and other postemployment benefit (OPEB), as applicable, for differences between expected and actual experience, differences between projected and actual earnings on Pension Fund investments, and changes in assumptions. Notes 6 and 7 details the components of these items.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**State Revenues**

The Library receives revenue from the State of Oklahoma (the “State”) and the Oklahoma Department of Libraries to administer certain categorical library programs.

**Interfund Transfers**

During the course of normal operations, the Library has transactions between funds, including expenditures and transfers of resources to provide services and purchase assets. Transactions that are normal and recurring between funds are recorded as operating transfers.

Interfund transfers were used to transfer grant receipts from the Gifts and Grants Fund to the General Fund. For the purpose of the statements of activities, all interfund transfers between individual governmental funds have been eliminated.

**Contributed Facilities and Services**

The Library operates several branches located in government-owned buildings and receives certain services without charge. The estimated fair rental values of the premises and services are not reported in the accompanying statements of revenues, expenditures, and changes in fund balances.

**Grants**

The Library records income from grants in the period received or to the extent of expenses paid prior to reimbursement by a grant.

**Income Taxes**

The Library was established under the provisions of the Oklahoma Constitution and as such is exempt from income taxes under the Internal Revenue Code as a unit of government.

**Prepaid Expenses**

The Library uses the consumption method to record prepaid expenses. Prepaid expenses are payments in advance of the receipt of goods or services in exchange transactions and are usually made for insurance and rent. Prepaid expenses are reported as financial resources at the time of prepayment, and expenditures for prepaid services are recognized when the related services are received. Included in prepaid expenses is \$25,000 paid by the Library to the Flex Benefit Fund, which the Flex Benefit Fund reflects as a liability.

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Pensions**

*Defined Benefit Pension Plan*—For the 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 Metropolitan Library System Pension Plan (the “Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

*Defined Contribution Plan*—The Library also has a defined contribution plan. The defined contribution plan is discussed in Notes 2 and 6.

**Other Postemployment Employee Benefits (OPEB)**

The Library participates in a self-insurance health plan, which is a non-trusted single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the health insurance plan before retiring. In conjunction with the adoption of GASB 75, the Library has reflected a total OPEB liability, OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB in the accompanying government-wide financial statements. See Note 7 for additional information on OPEB.

**Restricted Resources**

The Library records gifts and grants as restricted when the donor specifies a restriction on the timing or use of the gift or grant. Expenses are allocated first to the restricted resource. If additional expense is incurred, the expense is allocated to unrestricted funds when the restriction has been depleted.

**Use of Estimates**

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

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Equity Classification**

*Government-Wide Financial Statements*

Equity is classified as net position and displayed in three components:

- (a) Net investment in capital assets—consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net position—consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (ii) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net position—all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the Library’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The classifications are defined as:

- (a) Nonspendable fund balance—includes amounts that cannot be spent because they are either (i) not in spendable form or (ii) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash, including prepaid expenses.

It is the responsibility of the Library’s Finance Director to identify and report all nonspendable funds appropriately in the Library’s financial statements.

- (b) Restricted fund balance—consists of amounts with constraints placed on the use of resources either (i) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (ii) imposed by law through constitutional provisions or enabling legislation.

It is the responsibility of the Library’s Finance Director to identify and report all restricted funds appropriately in the Library’s financial statements. The Library has identified the Gifts and Grants Fund as a restricted fund balance.

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Equity Classification, Continued**

*Fund Statements, Continued*

- (c) Committed fund balance—reflects specific purposes pursuant to constraints imposed by formal action of the Library’s highest level of decision-making authority. Also, such constraints can only be removed or changed by the same form of formal action.

For purposes of the committed fund balance, the Board of Commissioners is considered the Library’s highest level of decision-making authority. Funds set aside by the Board of Commissioners as committed fund balances require the passage of a resolution by a majority vote of the members of the Board of Commissioners. The passage of such a resolution must take place prior to the Library’s fiscal year-end in order for it to be applicable to the Library’s fiscal year-end, although it is permitted for the specific amount of the commitment to be determined after the fiscal year-end if additional information is required in order to determine the exact amount to be committed. The Board of Commissioners has the authority to remove or change the commitment of funds with a majority vote.

- (d) Assigned fund balance—reflects amounts that are constrained by the Library’s intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint. Assigned funds cannot cause a deficit in the unassigned fund balance.

For purposes of the assigned fund balance, the Board of Commissioners is considered the Library’s highest level of decision-making authority. Any funds that the Finance Director assigns for specific purposes must be reported to the Board of Commissioners at its next regular meeting. The assignment of funds shall be recorded in the Board of Commissioners’ official meeting minutes.

- (e) Unassigned fund balance—is the residual classification for the General Fund only. Unassigned fund balance essentially consists of excess funds that have not been classified in the above four fund balance categories.

It is the Library’s policy to first use the restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Library’s policy for the use of the unrestricted fund balance amounts require that committed amounts be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

See Independent Auditors’ Report.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Equity Classification, Continued**

*Fund Statements, Continued*

Effective July 1, 2010, the Library implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The following tables show the fund balance classifications as shown on the governmental funds balance sheets in accordance with GASB 54 as of June 30:

<u>2018</u>	<u>General Fund</u>	<u>Gifts and Grants Fund</u>	<u>Total Governmental Funds</u>
Fund balances:			
Nonspendable:			
Prepaid expenses	\$ 96,216	-	96,216
Restricted:			
Grants or gifts received for special programs	-	231,320	231,320
Assigned:			
Cash flow	8,000,000	-	8,000,000
Reserve for extra payday	490,000	-	490,000
Capital improvement:			
Almonte Library	2,056,000	-	2,056,000
Belle Isle Library	2,000,000	-	2,000,000
Bethany Library	400,000	-	400,000
Ralph Ellison Library	1,000,000	-	1,000,000
Future projects	2,352,663	-	2,352,663
Total assigned	16,298,663	-	16,298,663
Unassigned	9,716,056	-	9,716,056
Total fund balances	\$ 26,110,935	231,320	26,342,255

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Equity Classification, Continued**

*Fund Statements, Continued*

	<u>General Fund</u>	<u>Gifts and Grants Fund</u>	<u>Total Governmental Funds</u>
<u>2017</u>			
Fund balances:			
Nonspendable:			
Prepaid expenses	\$ 101,625	-	101,625
Restricted:			
Grants or gifts received for special programs	-	189,158	189,158
Assigned:			
Cash flow	7,000,000	-	7,000,000
Reserve for extra payday	380,000	-	380,000
Capital improvement:			
Belle Isle Library	950,000	-	950,000
Bethany Library	442,957	-	442,957
Capitol Hill Library	538,000	-	538,000
Del City Library	589,276	-	589,276
New Edmond Library	4,633,110	-	4,633,110
Village Library	491,481	-	491,481
Warr Acres Library	426,522	-	426,522
Total assigned	15,451,346	-	15,451,346
Unassigned	10,615,525	-	10,615,525
Total fund balances	\$ 26,168,496	189,158	26,357,654

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds. This is an extension of the formal budgetary integration in the General Fund. Encumbrances do not represent any further constraint on the use of amounts than is already communicated by governmental fund balance classification as restricted, committed, or assigned. As of June 30, 2018 and 2017, approximately \$366,000 and \$677,000, respectively, of encumbrances were outstanding.

**Recent Accounting Pronouncements**

In June 2015, GASB 75 was issued. GASB 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of GASB 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Library adopted GASB 75 effective July 1, 2017, and the prior period financial statements were restated.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recent Accounting Pronouncements, Continued**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. The Library will adopt GASB 84 effective July 1, 2019, for the June 30, 2020, reporting year. The Library has not determined the impact of GASB 84 on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Library has not determined the impact of GASB 87 on the financial statements.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 provides certain clarifications regarding debt as a liability and identifies additional required disclosures related to debt, including direct borrowings and direct placements of debt. The Library will adopt GASB 88 on July 1, 2019, for the June 30, 2020, reporting year. The Library does not expect GASB 88 to have a significant impact on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changes previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. The Library will adopt GASB 89 on July 1, 2020, for the June 30, 2021, reporting year. The Library does not expect GASB 89 to significantly impact the financial statements.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Reclassifications**

Certain reclassifications have been made to the prior year’s financial statements to conform to the current year presentation.

**Restatement of Prior Year Financial Statements**

The 2017 financial statements have been restated for implementation of GASB 75 in relation to the health insurance OPEB liability (HIP OPEB liability) (see Note 7). The effects of the changes on the financial statements were as follows:

	<u>Net OPEB Liability</u>	<u>Deferred Outflows Related to the Pension Plan and OPEB</u>	<u>Deferred Inflows Related to the Pension Plan and OPEB</u>	<u>Net Position</u>
As previously reported	\$ -	2,180,079	2,273,341	40,050,579
Effects of changes	<u>842,497</u>	<u>90,257</u>	<u>91,638</u>	<u>(843,878)</u>
As restated	<u>\$ 842,497</u>	<u>2,270,336</u>	<u>2,364,979</u>	<u>39,206,701</u>

**Date of Management’s Review of Subsequent Events**

Management has evaluated subsequent events through October 12, 2018, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The Library's investment policies are governed by State statutes. Permissible investments include direct obligations of the U.S. government and agencies; negotiable certificates of deposit of savings and loan associations and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Non-negotiable certificates of deposit are considered to be cash equivalents. Collateral is required for demand deposits and certificates of deposit on all amounts not covered by Federal Deposit Insurance Corporation insurance.

As a key part of the Library's activities, the Library holds investments that are measured and reported at fair value on a recurring basis. Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

Level 1—Unadjusted quoted prices in active markets for identical assets.

Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3. As of June 30, 2018 and 2017, the Library had no investments valued using NAV. Fair values of investments by level are presented below. The levels are presented as of June 30, 2018 and 2017.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

	Amounts Measured at <u>Fair Value</u>	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>June 30, 2018</i>				
<b><u>Investments by Fair Value Level</u></b>				
<i>The Library</i>				
U.S. government securities	\$ 9,876,312	9,876,312	-	-
U.S. treasury obligations	<u>14,544,772</u>	<u>14,544,772</u>	-	-
Total investments measured at fair value	<u>\$ 24,421,084</u>	<u>24,421,084</u>	-	-
<i>Fiduciary Funds</i>				
<b>Fixed income:</b>				
U.S. treasury obligations	\$ 3,149,951	3,149,951	-	-
Corporate bonds	<u>7,029,033</u>	-	<u>7,029,033</u>	-
Total fixed income	<u>10,178,984</u>	<u>3,149,951</u>	<u>7,029,033</u>	-
<b>Equities:</b>				
Common stock	8,223,550	8,223,550	-	-
Equity funds	<u>26,039,107</u>	<u>26,039,107</u>	-	-
Total equities	<u>34,262,657</u>	<u>34,262,657</u>	-	-
<b>Guaranteed investments:</b>				
Guaranteed interest account *	<u>4,144,221</u>	-	-	<u>4,144,221</u>
Total guaranteed investments	<u>4,144,221</u>	-	-	<u>4,144,221</u>
Total investments measured at fair value	<u>\$ 48,585,862</u>	<u>37,412,608</u>	<u>7,029,033</u>	<u>4,144,221</u>

\* The guaranteed investment account represents an account held by a life insurance company which pays a fixed guaranteed rate on the account. The account is generally stated at contract value as determined by the insurance company. As the value is determined by the insurance company, the investment is considered Level 3.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>June 30, 2017</i>				
<b><u>Investments by Fair Value Level</u></b>				
<i>The Library</i>				
U.S. government securities	\$ 11,925,050	11,925,050	-	-
U.S. treasury obligations	<u>9,999,370</u>	<u>9,999,370</u>	-	-
Total investments measured at fair value	<u>\$ 21,924,420</u>	<u>21,924,420</u>	<u>-</u>	<u>-</u>
<i>Fiduciary Funds</i>				
<b>Fixed income:</b>				
Certificates of deposit	\$ 249,000	249,000	-	-
U.S. treasury obligations	2,491,857	2,491,857	-	-
Corporate bonds	<u>5,301,199</u>	-	<u>5,301,199</u>	-
Total fixed income	<u>8,042,056</u>	<u>2,740,857</u>	<u>5,301,199</u>	-
<b>Equities:</b>				
Common stock	8,197,183	8,197,183	-	-
Equity funds	<u>23,982,114</u>	<u>23,982,114</u>	-	-
Total equities	<u>32,179,297</u>	<u>32,179,297</u>	-	-
<b>Guaranteed investments:</b>				
Guaranteed interest account*	<u>3,527,751</u>	-	-	<u>3,527,751</u>
Total guaranteed investments	<u>3,527,751</u>	-	-	<u>3,527,751</u>
Total investments measured at fair value	<u>\$ 43,749,104</u>	<u>34,920,154</u>	<u>5,301,199</u>	<u>3,527,751</u>

\* The guaranteed investment account represents an account held by a life insurance company which pays a fixed guaranteed rate on the account. The account is generally stated at contract value as determined by the insurance company. As the value is determined by the insurance company, the investment is considered Level 3.

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Custodial Credit Risk**

Custodial Credit Risk—Deposits

For deposits, custodial credit risk is the risk that in the event of the failure of a counterparty, the Library will not be able to recover the value of its deposits. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. At June 30, 2018 and 2017, the carrying amounts of the Library's cash and cash equivalents were \$4,361,845 and \$6,986,874, respectively, and the bank balances were \$4,578,689 and \$7,448,170, respectively. The difference in balances was primarily due to outstanding checks.

The fair value of investments pledged to secure deposits was approximately \$8,611,000 and \$22,339,000 at June 30, 2018 and 2017, respectively. The deposits were fully insured or collateralized as of June 30, 2018 and 2017.

Custodial Credit Risk—Investments

Investments are made under the custody of the Library Treasurer in accordance with investment policies complying with State statutes and Library policy.

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the Library will not be able to recover the value of its investments. Investment securities are exposed to custodial risk if they are uninsured, are not registered in the name of the Library, or are held by a counterparty or the counterparty's trust department but not in the name of the Library. While the investment policy does not specifically address custodial credit risk, all investments are insured and collateralized.

**Interest Rate Risk and Credit Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest changes. Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The following table provides information concerning credit risk.

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Interest Rate Risk and Credit Risk, Continued**

As of June 30, the Library had the following investments and maturities:

<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			<u>%</u>
			<u>Less than 1</u>	<u>1 or More, Less than 5</u>	<u>5 or More</u>	
<u>2018</u>						
Federal Home Loan Bank Federal National Mortgage Association	Aaa	\$ 3,982,992	-	3,982,992	-	16%
Federal National Mortgage Corporation	Aaa	1,976,476	-	1,976,476	-	8%
Federal Farm Credit Bank	Aaa	1,974,210	-	1,974,210	-	8%
U.S. Treasury obligations	Aaa	1,942,634	-	1,942,634	-	8%
		<u>14,544,772</u>	<u>14,544,772</u>	<u>-</u>	<u>-</u>	<u>60%</u>
		<u>\$ 24,421,084</u>	<u>14,544,772</u>	<u>9,876,312</u>	<u>-</u>	<u>100%</u>
<u>2017</u>						
Federal Home Loan Bank Federal National Mortgage Association	Aaa	\$ 3,980,082	-	3,980,082	-	18%
Federal National Mortgage Corporation	Aaa	3,987,102	1,996,806	1,990,296	-	18%
U.S. Treasury obligations	Aaa	3,957,866	-	3,957,866	-	18%
		<u>9,999,370</u>	<u>9,999,370</u>	<u>-</u>	<u>-</u>	<u>46%</u>
		<u>\$ 21,924,420</u>	<u>11,996,176</u>	<u>9,928,244</u>	<u>-</u>	<u>100%</u>

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Pension Fund**

The cash and investments of the Pension Fund are invested in various assets with the Bank of Oklahoma and may be used only for the payment of benefits to the members of the Pension Fund (see Note 6). The composition of the Pension Fund at fair value as of June 30 is shown in the following table:

	2018		2017	
	Fair Value	Exposure as a Percentage of Total Investment	Fair Value	Exposure as a Percentage of Total Investment
Cash	\$ 1,099,944	4%	2,222,488	8%
Fixed income:				
Certificates of deposit	-	0%	249,000	1%
U.S. Treasury obligations	3,149,951	11%	2,491,857	9%
Corporate bonds	7,029,033	25%	5,301,199	20%
	10,178,984		8,042,056	
Equities:				
Common stock	8,223,550	29%	8,197,183	30%
Equity funds	8,433,398	30%	8,538,017	31%
	16,656,948		16,735,200	
Receivables:				
Unsettled trades and accrued income	79,858	1%	54,783	1%
	\$ 28,015,734	100%	27,054,527	100%

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Pension Fund, Continued**

*Investment Allocation Policy*—On March 28, 1983, the Board of Commissioners appointed a Board of Administrators for the Pension Fund—the Library Retirement Pension Board (the “Pension Board”). The Pension Board has the responsibility for the management of the Pension Fund and has the responsibility for reviewing the Pension Fund and reporting on its status to the Board of Commissioners annually. The Pension Board consists of the three officers of the Board of Commissioners and three designated Library staff employees. Overall investment guidelines provide for diversification and allow investment in domestic and international equities, fixed-income securities, and cash equivalents.

The following are the investment allocation limits:

	<u>Upper Limit</u>
Domestic large cap equities	50%
Domestic small cap equities	9%
International equities	9%
Fixed-income securities	45%
Cash equivalents	5%

The Pension Fund addresses custodial credit risk, with the policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the Board of Commissioners. At June 30, 2018 and 2017, the Pension Fund held \$28,015,734 and \$27,054,527, respectively, in cash, investments, and receivables. This amount was held by the investment counterparty, in the name of the Pension Fund.

Pursuant to the Prudent Investor Rule, Oklahoma statutes restrict Pension Fund investing.

During the years ended June 30, 2018 and 2017, the Pension Board made no significant investment policy changes.

*Method Used to Value Investments*—The Pension Fund’s investments are reported at fair value. Debt and equity securities are reported at fair value, as determined by the Plan’s custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs.

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Pension Fund, Continued**

*Custodial Credit Risk*—Custodial credit risk is the risk that in the event of the failure of a counterparty, the Library will not be able to recover the value of its investments. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Library, or are held by a counterparty or the counterparty’s trust department but not in the name of the Library. All cash, cash equivalents, and investments of the Pension Fund are insured and collateralized.

*Rate of Return*—For the years ended June 30, 2018 and 2017, the annual money-weighted rate of return on the Pension Fund’s investments, net of the Pension Fund’s investment expense, was 7.23% and 9.88%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Concentration of Credit Risk*—The investment policy limits the concentration of equity investments to no more than 5% in any one issuer. Except as noted in the table below, no investment with a single firm exceeds 5% of the Pension Fund’s net position.

The following table presents the individual investments exceeding the 5% threshold at June 30:

<u>Classification of Investment</u>	<u>Name of Investment</u>	<u>2018</u>		
		<u>Shares Held</u>	<u>Cost</u>	<u>Fair Value</u>
Equity fund	Vanguard 500 Index Fund Admiral Class	16,704	\$ 3,260,866	4,192,253
<u>Classification of Investment</u>	<u>Name of Investment</u>	<u>2017</u>		
		<u>Shares Held</u>	<u>Cost</u>	<u>Fair Value</u>
Equity fund	Vanguard 500 Index Fund Admiral Class	19,343	\$ 3,760,873	4,328,072
Cash	Cavanal Hill Government Money Market Account	2,222,006	2,222,006	2,222,488

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Pension Fund, Continued**

*Foreign Currency Risk*—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Pension Fund held no foreign investments at June 30, 2018 or 2017. As such, no Pension Fund investments were subject to foreign currency risk.

*Credit Risk*—Fixed-income investments are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The following tables provide information as of June 30 concerning credit risk:

<u>S&amp;P 500 Rating</u>	<u>2018</u>	
	<u>Fair Value</u>	<u>Percentage of Total Fixed-Income Investments at Fair Value</u>
AAA	\$ 498,053	5%
AA+	98,261	1%
AA-	492,603	5%
A	782,859	8%
A+	361,516	4%
A-	1,567,893	15%
BBB+	1,472,271	14%
BBB	1,364,547	13%
BBB-	191,502	2%
NR	<u>3,349,479</u>	<u>33%</u>
	<u>\$ 10,178,984</u>	<u>100%</u>

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Pension Fund, Continued**

*Credit Risk—Continued:*

<u>S&amp;P 500 Rating</u>	<u>Fair Value</u>	<u>2017</u>
		Percentage of Total Fixed-Income Investments at <u>Fair Value</u>
AAA	\$ 2,996,798	38%
AA2	100,219	1%
A1	703,519	9%
A2	690,387	9%
A3	897,495	12%
BAA1	1,299,383	17%
BAA2	206,275	3%
BAA3	98,166	1%
NR	<u>800,814</u>	<u>10%</u>
	<u>\$ 7,793,056</u>	<u>100%</u>

At both June 30, 2018 and 2017, the Pension Fund did not hold any pooled fixed income funds.

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Pension Fund, Continued**

*Interest Rate Risk*—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, the Pension Fund had the following fixed-income investments with maturities:

<u>Investment Type</u>	<u>Investment Maturities at Fair Value (in Years)</u>			
	<u>Less than 1</u>	<u>1 or More, Less than 5</u>	<u>5 or More, Less than 10</u>	<u>Total Fair Value</u>
<u>2018</u>				
U.S. Treasury obligations	\$ 1,194,233	1,955,718	-	3,149,951
Corporate bonds	<u>1,014,482</u>	<u>6,014,551</u>	<u>-</u>	<u>7,029,033</u>
	<u>\$ 2,208,715</u>	<u>7,970,269</u>	<u>-</u>	<u>10,178,984</u>
<u>2017</u>				
U.S. Treasury obligations	\$ -	2,491,857	-	2,491,857
Corporate bonds	<u>1,085,910</u>	<u>4,115,165</u>	<u>100,124</u>	<u>5,301,199</u>
	<u>\$ 1,085,910</u>	<u>6,607,022</u>	<u>100,124</u>	<u>7,793,056</u>

**Defined Contribution Fund**

The investments of the Defined Contribution Fund are invested in mutual funds and a guaranteed interest account with Mass Mutual Life Insurance Company and may be used only for the payment of benefits to the participants of the defined contribution plan (see Note 6).

The following table presents the fair value of the defined contribution plan's investments by type at June 30:

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>2018</u>	<u>2017</u>
Guaranteed interest account	\$ 4,144,221	3,527,751
Mutual funds	<u>17,605,709</u>	<u>15,444,097</u>
	<u>\$ 21,749,930</u>	<u>18,971,848</u>

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Defined Contribution Fund, Continued**

*Custodial Credit Risk*—Custodial credit risk is the risk that in the event of the failure of a counterparty, the Library will not be able to recover the value of its investments. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Library, or are held by a counterparty or the counterparty’s trust department but not in the name of the Library. While the trust agreement does not specifically address custodial credit risk, all investments are insured and collateralized.

*Concentration of Credit Risk*—Except as noted below, no single investment exceeds 5% of the Defined Contribution Fund’s total investments. The following table presents the individual investments exceeding the 5% threshold at June 30:

<u>Classification of Investment</u>	<u>Name of Investment</u>	<u>Fair Value</u>
<u>2018</u>		
Mutual fund	MM RetireSmart 2030	\$ 1,454,362
Mutual fund	American Century Equity Growth Fund	2,257,161
Guaranteed interest account	MM Guaranteed interest account	4,144,221
<u>2017</u>		
Mutual fund	MM RetireSmart 2020	1,208,132
Mutual fund	MM RetireSmart 2030	1,589,275
Mutual fund	American Century Equity Growth Fund	2,276,530
Guaranteed interest account	MM Guaranteed interest account	3,527,751

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(3) COLLECTIONS**

The Library has not capitalized existing inexhaustible collections, including research books, because the values are not readily determinable.

**(4) CAPITAL ASSETS**

Capital asset activity for the years ended June 30 was as follows:

	<u>Balance at June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 273,126	-	-	273,126
Capital assets being depreciated:				
Library materials	24,247,307	4,655,025	(2,287,751)	26,614,581
Furniture and fixtures	4,527,442	317,194	(147,721)	4,696,915
Computer equipment	4,122,199	362,071	(254,844)	4,229,426
Vehicles	557,391	-	-	557,391
Buildings and improvements	5,431,420	-	(19,020)	5,412,400
Total capital assets being depreciated	<u>38,885,759</u>	<u>5,334,290</u>	<u>(2,709,336)</u>	<u>41,510,713</u>
Less accumulated depreciation:				
Library materials	15,157,606	4,294,100	(2,287,751)	17,163,955
Furniture and fixtures	3,843,978	248,805	(133,138)	3,959,645
Computer equipment	3,102,794	507,932	(252,239)	3,358,487
Vehicles	475,637	34,649	-	510,286
Buildings and improvements	1,647,317	168,261	(12,838)	1,802,740
Total accumulated depreciation	<u>24,227,332</u>	<u>5,253,747</u>	<u>(2,685,966)</u>	<u>26,795,113</u>
Total capital assets being depreciated, net	<u>14,658,427</u>	<u>80,543</u>	<u>(23,370)</u>	<u>14,715,600</u>
Capital assets, net	<u>\$ 14,931,553</u>	<u>80,543</u>	<u>(23,370)</u>	<u>14,988,726</u>

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CAPITAL ASSETS, CONTINUED**

	<u>Balance at June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 315,571	-	(42,445)	273,126
Capital assets being depreciated:				
Library materials	22,875,821	4,565,795	(3,194,309)	24,247,307
Furniture and fixtures	4,575,310	106,955	(154,823)	4,527,442
Computer equipment	3,800,131	493,980	(171,912)	4,122,199
Vehicles	533,787	23,604	-	557,391
Buildings and improvements	5,955,349	-	(523,929)	5,431,420
Total capital assets being depreciated	<u>37,740,398</u>	<u>5,190,334</u>	<u>(4,044,973)</u>	<u>38,885,759</u>
Less accumulated depreciation:				
Library materials	14,164,183	4,187,732	(3,194,309)	15,157,606
Furniture and fixtures	3,504,038	441,722	(101,782)	3,843,978
Computer equipment	2,567,402	706,240	(170,848)	3,102,794
Vehicles	434,752	40,885	-	475,637
Buildings and improvements	1,876,389	289,014	(518,086)	1,647,317
Total accumulated depreciation	<u>22,546,764</u>	<u>5,665,593</u>	<u>(3,985,025)</u>	<u>24,227,332</u>
Total capital assets being depreciated, net	<u>15,193,634</u>	<u>(475,259)</u>	<u>(59,948)</u>	<u>14,658,427</u>
Capital assets, net	<u>\$ 15,509,205</u>	<u>(475,259)</u>	<u>(102,393)</u>	<u>14,931,553</u>

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(5) COMPENSATED ABSENCES**

Compensated absences are liquidated through the General Fund. Generally, up to 75% of annual leave must be taken during the calendar year earned, and compensated absences are reported as current liabilities.

	Balance at <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2018</u>	Amounts Due Within <u>1 Year</u>
Compensated absences	\$ 544,168	1,127,514	(992,260)	679,422	679,422

	Balance at <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2017</u>	Amounts Due Within <u>1 Year</u>
Compensated absences	\$ 439,778	1,120,186	(1,015,796)	544,168	544,168

**(6) RETIREMENT PLANS**

**Defined Benefit Pension Plan**

*General Information about the Defined Benefit Pension Plan*

*Plan Description*—The Plan is a single-employer plan that covers some full-time employees of the Library. The Plan is a defined benefit plan which provides for retirement benefits based on length of service and salary. The Plan was amended effective January 1, 2008. This latest amendment lowered the vesting schedule from 5-year cliff vesting to 3 years. Death, early and late retirement, and deferred vested benefits are also available under the Plan. Assets of the Plan are held separately and may be used only for the payment of benefits to the members of the Plan. Actuarial valuations are performed annually on July 1.

The Plan’s membership consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Retirees, disabled participants, and beneficiaries currently receiving benefits	98	100
Terminated vested participants	7	11
Active participants	30	35
	<u>135</u>	<u>146</u>

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*General Information about the Defined Benefit Pension Plan, Continued*

*Plan Description—Continued*

Effective August 29, 2005, the Plan was frozen and no new employees are eligible to participate. A defined contribution plan was established for new employees.

Benefit payments for the Plan are as follows:

- a) The normal monthly retirement benefit will be 2.5% of an employee's average monthly earnings multiplied by years of credited service up to a maximum of 32 years. "Average monthly earnings" means the average of the employee's highest 60 consecutive completed calendar months of employment by the Library.
- b) The early retirement benefit will be the greater of the actuarial equivalent of the employee's accrued benefit at normal retirement date or the aggregate value of the employee's participant contributions plus interest credited.
- c) The late retirement benefits will be the greater of: 1) the normal retirement pension determined under the Plan, taking into account service and compensation credited after normal retirement age; or 2) the accrued benefit, determined as the later of normal retirement age or the end of the prior plan year, actuarially adjusted for late retirement.

*Contributions*—Participating employees contribute 4% of their compensation to the Plan. The Library contributes any additional amount necessary to fund normal cost and to amortize unfunded past service costs over a period of 30 years. The actuarial required contributions for 2018 and 2017 were \$598,598 and \$1,002,373, respectively.

The Plan does not issue stand-alone financial statements and related required supplementary information. The information is included within these financial statements, notes to the financial statements, and the required supplementary information.

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Net Pension Liability*

The Library's net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The components of the Library's net pension liability of the participating employer at June 30 were as follows:

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 28,820,357	30,002,430
Plan fiduciary net position	<u>28,015,734</u>	<u>27,054,527</u>
Library's net pension liability	<u>\$ 804,623</u>	<u>2,947,903</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.21%</u>	<u>90.17%</u>

*Actuarial Assumptions*—The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

	<u>2018</u>	<u>2017</u>
Inflation:	None	None
Salary increases:	5%	5%
Investment rate of return:	7%, net of pension plan investment expense	7%, net of pension plan investment expense

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Net Pension Liability, Continued*

*Actuarial Assumptions—Continued*

Mortality rates were based on the RP-2015 Health Annuitant Mortality Table for males and females for July 1, 2018 and 2017, respectively.

The actuarial assumptions used in the July 1, 2018 and 2017, valuations were based on the results of an actuarial experience study for the period July 2009 to June 2013.

The long-term expected rate of return on the Plan’s investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of the Plan’s 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. Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target asset allocation as of June 30 (see discussion of the Plan’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	
	<u>2018</u>	<u>2017</u>
Fixed-income securities	3.81%	3.64%
Domestic equity	6.90%	7.97%
International equity	7.12%	7.47%
Cash equivalents	2.00%	2.00%

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Net Pension Liability, Continued*

*Discount Rate*—The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates equal to the differences between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<u>2018</u>			
Balance at June 30, 2017	\$ 30,002,430	27,054,527	2,947,903
Changes for the year:			
Service cost	257,595	-	257,595
Interest	2,030,008	-	2,030,008
Differences between expected and actual experience	(1,465,033)	-	(1,465,033)
Contribution—employer	-	1,005,675	(1,005,675)
Contribution—employee	-	38,028	(38,028)
Net investment income	-	2,010,720	(2,010,720)
Benefit payments, including refunds of employee contributions	(2,004,643)	(2,004,643)	-
Administrative expense	-	(88,573)	88,573
Net changes	(1,182,073)	961,207	(2,143,280)
Balance at June 30, 2018	\$ 28,820,357	28,015,734	804,623

See Independent Auditors’ Report.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Changes in the Net Pension Liability, Continued*

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<u>2017</u>			
Balance at June 30, 2016	\$ 30,532,642	25,828,257	4,704,385
Changes for the year:			
Service cost	331,469	-	331,469
Interest	2,069,330	-	2,069,330
Differences between expected and actual experience	(989,443)	-	(989,443)
Contribution—employer	-	624,271	(624,271)
Contribution—employee	-	55,251	(55,251)
Net investment income	-	2,593,631	(2,593,631)
Benefit payments, including refunds of employee contributions	(1,941,568)	(1,941,568)	-
Administrative expense	-	(105,315)	105,315
Net changes	(530,212)	1,226,270	(1,756,482)
Balance at June 30, 2017	\$ 30,002,430	27,054,527	2,947,903

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Changes in the Net Pension Liability, Continued*

*Sensibility of the Net Pension Liability to Changes in the Discount Rate*—The following presents the net pension liability of the employers calculated using the discount rate of 7.0%, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability (asset) June 30, 2018	\$ 3,303,723	804,623	(1,763,585)
Net pension liability June 30, 2017	\$ 5,629,077	2,947,903	106,254

*The Plan’s Fiduciary Net Position*—Detailed information about the Plan’s fiduciary net position is available in Note 2.

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

For the years ended June 30, 2018 and 2017, the Library recognized pension expense of \$186,726 and \$674,188, respectively.

Pension expense was computed as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Service cost	\$ 257,595	331,469
Interest on total pension liability	2,030,008	2,069,330
Differences in expected and actual experiences	(426,894)	(179,840)
Changes in assumptions	52,490	52,491
Employee contributions	(38,028)	(55,251)
Projected earnings on investments	(1,857,084)	(1,760,120)
Differences between projected earnings and actual	80,066	110,794
Pension plan administrative expense	88,573	105,315
	<u>\$ 186,726</u>	<u>674,188</u>

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Pension Expense, Deferred Outflows of Resources, and  
Deferred Inflows of Resources Related to Pensions, Continued*

At June 30, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2018</u>		
Differences between expected and actual experience	\$ 263,434	2,152,689
Changes of assumptions	126,161	-
Net difference between projected and actual earnings on Pension Fund investments	<u>968,516</u>	<u>623,016</u>
	<u>\$ 1,358,111</u>	<u>2,775,705</u>
<u>2017</u>		
Differences between expected and actual experience	\$ 347,906	1,199,022
Changes of assumptions	178,652	-
Net difference between projected and actual earnings on Pension Fund investments	<u>1,653,521</u>	<u>1,074,319</u>
	<u>\$ 2,180,079</u>	<u>2,273,341</u>

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Pension Expense, Deferred Outflows of Resources, and  
Deferred Inflows of Resources Related to Pensions, Continued*

As of June 30, 2018, amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,

2019	\$	113,171
2020		(288,321)
2021		(501,071)
2022		(421,045)
2023		<u>(320,328)</u>
	\$	<u>(1,417,594)</u>

**Defined Contribution Plan**

Effective August 29, 2005, the Metropolitan Library System Defined Contribution Plan (the "Contribution Plan") was established. The Contribution Plan is intended to be a governmental plan as defined in Internal Revenue Code Section 414(d), and is to be approved and qualified by the Internal Revenue Service as satisfying the governmental plan requirements of Sections 401(a) and 501(a) and other pertinent provisions of the Internal Revenue Code of 1986. Under the Contribution Plan, the employer's contribution shall be discretionary, to be determined by the employer, and is available to all participants. During 2018 and 2017, the Library contributed 10% of each participant's compensation. Participants are fully vested in the employer's contributions after 3 years. Participants may make voluntary contributions of 4% or 6% of compensation before tax. Participants are fully vested in the voluntary contributions. Participants may direct the Contribution Plan's trustee in the investment of their individual account balances. Normal retirement age is the latter of a participant's 65<sup>th</sup> birthday or the 5<sup>th</sup> anniversary of the first day of the plan year in which participation in the Contribution Plan commenced. For the years ended June 30, 2018 and 2017, the Library's contribution to the Contribution Plan was \$1,327,895 and \$1,240,003, respectively.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) RETIREMENT PLANS, CONTINUED**

**Deferred Compensation Plan**

The Library offers its employees a Deferred Compensation Plan as authorized by Section 457 of the Internal Revenue Code, as amended by the Tax Reform Act of 1986, and in accordance with the provisions of Sections 1701 through 1706 of Title 74 of the Oklahoma Statutes.

The Deferred Compensation Plan is available to all Library employees. Employees may direct the investment of their contributions in available investment options offered by the Deferred Compensation Plan. All interest, dividends, and investment fees are allocated to employees' accounts. For the years ended June 30, 2018 and 2017, employee contributions to the Deferred Compensation Plan totaled \$146,911 and \$116,687, respectively.

**(7) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS**

**Description**

The Library participates in a self-insurance health plan (see Note 8), which is a non-trusted single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the self-insurance health plan before retiring.

In conjunction with providing the postretirement medical benefits through the self-insurance health plan, the Library determined that an OPEB liability existed. The Library calculated the HIP OPEB liability.

As previously discussed, the Library adopted GASB 75 effective July 1, 2017, which required the recording of the Library's total OPEB liability, OPEB expense, deferred outflows of resources, and deferred inflows of resources related to the HIP OPEB liability. This included a restatement of certain balances in the June 30, 2017, financial statements as detailed in Note 1.

The self-insurance health plan provides members with postretirement medical benefits until age 65 if the retiree and spouse pay the full active premium. Participants in the self-insurance health plan can elect to enroll in special coverage, and surviving spouses may continue in the Plan until age 65. Contributions to the self-insurance health plan are made by both the participant and the Library on a "pay as you go" basis.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(7) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED**

**OPEB Liability, OPEB Expense, Deferred Outflows of Resources, and  
Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the Library reported a liability for the HIP OPEB liability. The Library used a measurement date and valuation date of July 1, 2017, to calculate the total HIP OPEB liability.

For the year ended June 30, 2018, the Library recognized OPEB expense of \$91,209. At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to the HIP OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	81,105
Differences between expected and actual experience	<u>79,883</u>	<u>-</u>
	<u>\$ 79,883</u>	<u>81,105</u>

As of June 30, 2018, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,

2019	\$ (159)
2020	(159)
2021	(159)
2022	(159)
2023	(159)
Thereafter	<u>(427)</u>
	<u>\$ (1,222)</u>

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(7) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED**

**Actuarial Methods and Assumptions**

The total HIP OPEB liability was determined based on actuarial valuations prepared using a July 1, 2017, measurement date using the following actuarial assumptions:

- Investment return—Not applicable, as the self-insurance health plan is unfunded, and benefits are not paid from a qualifying trust
- Mortality rates—RP-2000 Healthy Annuitant Mortality Table for males or females, as appropriate with adjustments for mortality improvements based on Scale AA
- Salary scale—3% per year
- Plan participation—30% of retired employees are assumed to participate in the self-insurance health plan.
- Marital assumptions—None
- Plan entry date is the date of hire
- Actuarial cost method—Entry age normal based upon salary
- Healthcare trend rate—A level 4.00%

The June 30, 2017, the self-insurance health plan had total participants of 272, consisting of 254 active participants and 18 retirees or surviving spouses.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.58% for June 30, 2018. The discount rate was determined using a 20-year Municipal Bond AA rate.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(7) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and  
Healthcare Trend Rate**

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*—The following presents the total HIP OPEB liability of the Library at June 30, 2018, calculated using the discount rate of 3.58% for 2018, as well as what the Library’s total HIP OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease ( <u>2.58%</u> )	Current Discount Rate ( <u>3.58%</u> )	1% Increase ( <u>4.58%</u> )
Total OPEB liability	\$ <u>993,734</u>	<u>838,394</u>	<u>713,643</u>

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate*—The following presents the total OPEB liability at June 30, 2018, calculated using the healthcare trend rate of 4.00%, as well as what the liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease in Healthcare Trend Rate ( <u>3.00%</u> )	Current Healthcare Trend Rate ( <u>4.00%</u> )	1% Increase in Healthcare Trend Rate ( <u>5.00%</u> )
Total OPEB liability	\$ <u>774,861</u>	<u>838,594</u>	<u>981,994</u>

See Independent Auditors’ Report.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(8) SELF-INSURANCE RISK OF LOSS**

The Library operates a self-insurance plan to fund its employee health benefits. The Library purchased insurance policies to limit its maximum possible benefit cost on both an employee basis and an aggregate basis. The Library has a contract with a third-party administrator to operate the self-insurance plan. For the years ended June 30, 2018 and 2017, the Library has limited its risk of loss by purchasing insurance to pay an individual's claim in excess of \$85,000.

The carrying amount of liabilities for unpaid claims is equal to the amount of claims unpaid but due at year-end. This amount has been determined by the third-party administrator.

Changes in the claims liability amounts for the years ended June 30 were:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 261,832	384,054	303,715
Current year claims	3,558,162	2,688,413	3,262,353
Claim payments	<u>(3,599,668)</u>	<u>(2,810,635)</u>	<u>(3,182,014)</u>
Balance, end of year	<u>\$ 220,326</u>	<u>261,832</u>	<u>384,054</u>

**(9) RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; or natural disasters for which the Library carries commercial insurance. There have been no significant reductions in coverage from the prior year, and settlements have not exceeded coverage in the past 3 years.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(10) COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

On an ongoing basis, the Library leases 19 branch library buildings from the area cities and Oklahoma City. All of the branch buildings, except for the Del City library building, the temporary Bethany location, and the Almonte Shopping Center library building, are leased for \$1 per year. The terms of the leases are for a period of 1 year and automatically renew each year for a total term of 10 years unless written notice is given by either party of its intent not to renew. The Library provides for all maintenance, utilities, repairs, and liability insurance for all leased buildings. The Del City library building is leased for \$400 per month. The temporary Bethany location is leased for \$4,100 per month. The Almonte Shopping Center library building is leased for approximately \$7,000 per month. The City of Oklahoma City reimburses the Library for this expense, and the reimbursement is included in other income. On occasion, the Library makes contributions towards the construction of a new library building. The purpose of the contribution is for the Library to have partial say in the design of the building since the design and construction of the building can affect the operations of the Library. During the years ended June 30, 2018 and 2017, the Library made no such contribution.

Total lease and equipment rental expense for the years ended June 30, 2018 and 2017, was \$64,100 and \$64,357, respectively.

**Legal**

From time to time, the Library is involved in certain legal proceedings arising in the normal course of business. In the opinion of management and counsel, the ultimate disposition of such proceedings will not have a material effect on the Library's financial statements.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SUPPLEMENTARY INFORMATION REQUIRED BY  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
STATEMENT NO. 34**

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**Schedule I**

**BUDGETARY COMPARISON SCHEDULE—GENERAL FUND (UNAUDITED)**

*Year Ended June 30, 2018*

	Budgeted Amounts— <u>Original</u>	Budgeted Amounts— <u>Final</u>	Actual Amounts— Modified <u>Accrual Basis</u>	Modified Accrual to Budgetary Basis <u>Adjustments</u>	Actual Amounts— Budgetary <u>Basis</u>	Variance with Final Budget— Positive <u>(Negative)</u>
Budgetary fund balance, beginning of year:						
Carryover funds	\$ 8,985,178	8,985,178	10,717,150	(454,025)	11,171,175	2,185,997
Capital reserve	15,451,346	15,451,346	15,451,346	-	15,451,346	-
	<u>24,436,524</u>	<u>24,436,524</u>	<u>26,168,496</u>	<u>(454,025)</u>	<u>26,622,521</u>	<u>2,185,997</u>
Resources (inflows):						
Property taxes	33,481,872	33,481,872	37,001,348	92,062	36,909,286	3,427,414
Collections on book fines and copy services	387,951	387,951	81,720	(496,096)	577,816	189,865
State revenue	222,796	222,796	268,355	-	268,355	45,559
Investment earnings	-	-	268,808	-	268,808	268,808
Other	-	-	44,295	-	44,295	44,295
Total resources (inflows)	<u>34,092,619</u>	<u>34,092,619</u>	<u>37,664,526</u>	<u>(404,034)</u> <sup>(1)</sup>	<u>38,068,560</u>	<u>3,975,941</u>
Charges to appropriations:						
Personal services	27,750,513	27,750,513	24,926,484	-	24,926,484	2,824,029
Maintenance and operations:						
Contractual services	5,819,807	5,819,807	4,922,020	53,928	4,868,092	951,715
Commodities	1,182,466	1,182,466	1,182,910	3,412	1,179,498	2,968
Capital outlays—operations	7,477,694	7,477,694	6,690,673	96,102	6,594,571	883,123
Total charges to appropriations	<u>42,230,480</u>	<u>42,230,480</u>	<u>37,722,087</u>	<u>153,442</u> <sup>(2)</sup>	<u>37,568,645</u>	<u>4,661,835</u>
Net changes in budgetary fund balance	(8,137,861)	(8,137,861)	(57,561)	(557,476)	499,915	8,637,776
Budgetary fund balance, end of year:						
Carryover funds	-	-	9,812,272	(1,011,501)	10,823,773	10,823,773
Capital reserve	16,298,663	16,298,663	16,298,663	-	16,298,663	-
	<u>\$ 16,298,663</u>	<u>16,298,663</u>	<u>26,110,935</u>	<u>(1,011,501)</u>	<u>27,122,436</u>	<u>10,823,773</u>

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**Schedule I, Continued**

**BUDGETARY COMPARISON SCHEDULE—GENERAL FUND (UNAUDITED), CONTINUED**

*Year Ended June 30, 2017*

	Budgeted Amounts— <u>Original</u>	Budgeted Amounts— <u>Final</u>	Actual Amounts— Modified <u>Accrual Basis</u>	Modified Accrual to Budgetary Basis <u>Adjustments</u>	Actual Amounts— Budgetary <u>Basis</u>	Variance with Final Budget— Positive <u>(Negative)</u>
Budgetary fund balance, beginning of year:						
Carryover funds	\$ 12,324,901	12,324,901	13,297,787	(269,840)	13,567,627	1,242,726
Capital reserve	<u>14,232,021</u>	<u>14,232,021</u>	<u>14,232,021</u>	-	<u>14,232,021</u>	-
	<u>26,556,922</u>	<u>26,556,922</u>	<u>27,529,808</u>	<u>(269,840)</u>	<u>27,799,648</u>	<u>1,242,726</u>
Resources (inflows):						
Property taxes	32,238,068	32,238,068	35,704,352	1,254	35,703,098	3,465,030
Collections on book fines and copy services	500,310	500,310	686,308	-	686,308	185,998
State revenue	239,154	239,154	247,551	-	247,551	8,397
Investment earnings	-	-	168,947	(30,855)	199,802	199,802
Other	-	-	(68,980)	(160,409)	91,429	91,429
Total resources (inflows)	<u>32,977,532</u>	<u>32,977,532</u>	<u>36,738,178</u>	<u>(190,010)</u> <sup>(1)</sup>	<u>36,928,188</u>	<u>3,950,656</u>
Charges to appropriations (outflows):						
Personal services	25,655,068	25,655,068	24,398,829	62,661	24,336,168	1,318,900
Maintenance and operations:						
Contractual services	5,907,267	5,907,267	5,165,651	(2,002,431)	7,168,082	(1,260,815)
Commodities	2,111,916	2,111,916	1,392,356	671,746	720,610	1,391,306
Capital outlays—operations	<u>10,408,857</u>	<u>10,408,857</u>	<u>7,142,654</u>	<u>1,262,199</u>	<u>5,880,455</u>	<u>4,528,402</u>
Total charges to appropriations (outflows)	<u>44,083,108</u>	<u>44,083,108</u>	<u>38,099,490</u>	<u>(5,825)</u> <sup>(2)</sup>	<u>38,105,315</u>	<u>5,977,793</u>
Net changes in budgetary fund balance	(11,105,576)	(11,105,576)	(1,361,312)	(184,185)	(1,177,127)	9,928,449
Budgetary fund balance, end of year:						
Carryover funds	-	-	10,717,150	(454,025)	11,171,175	11,171,175
Capital reserve	<u>15,451,346</u>	<u>15,451,346</u>	<u>15,451,346</u>	-	<u>15,451,346</u>	-
	<u>\$ 15,451,346</u>	<u>15,451,346</u>	<u>26,168,496</u>	<u>(454,025)</u>	<u>26,622,521</u>	<u>11,171,175</u>

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**BUDGETARY COMPARISON SCHEDULE—GENERAL FUND (UNAUDITED), CONTINUED**

<i>Years Ended June 30,</i>	<i>2018</i>	<i>2017</i>
Budget-to-actual reconciliation:		
(1) Revenues on a budgetary basis are based on cash received rather than the modified accrual basis used for financial reporting, and the Revolving Fund is not reported as part of the General Fund for budgetary purposes.	\$ (404,034)	(190,010)
(2) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting. In addition, the Revolving Fund is not reported as part of the General Fund for budgetary purposes. Reserves for future cash flow and improvement needs were included in the budgetary basis, but not in the GAAP basis.	<u>(153,442)</u>	<u>5,825</u>
Total budget-to-actual reconciliation	<u>\$ (557,476)</u>	<u>(184,185)</u>

Note: Under the budgetary basis of accounting, revenues are recognized when they are received rather than when they are earned. Purchases of materials, outside services, and capital outlays are recognized as expenditures when the commitment to purchase is made (encumbered).

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SUPPLEMENTARY INFORMATION REQUIRED BY  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
STATEMENTS NO. 67 and 68**

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY—  
DEFINED BENEFIT PENSION PLAN**

**Last 6 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Total pension liability</b>						
Service cost	\$ 257,595	331,469	379,654	440,000	459,906	523,417
Interest	2,030,008	2,069,330	2,058,626	1,963,789	1,937,455	1,871,153
Differences between expected and actual experience	(1,465,033)	(989,443)	(38,374)	601,322	(767,420)	(121,662)
Changes in assumptions	-	-	-	125,003	246,053	-
Benefit payments, including refunds of member contributions	<u>(2,004,643)</u>	<u>(1,941,568)</u>	<u>(1,793,103)</u>	<u>(1,636,804)</u>	<u>(1,322,954)</u>	<u>(1,201,505)</u>
Net change in total pension liability	(1,182,073)	(530,212)	606,803	1,493,310	553,040	1,071,403
Total pension liability—beginning	<u>30,002,430</u>	<u>30,532,642</u>	<u>29,925,839</u>	<u>28,432,529</u>	<u>27,879,489</u>	<u>26,808,086</u>
Total pension liability—ending <sup>(a)</sup>	<u>\$ 28,820,357</u>	<u>30,002,430</u>	<u>30,532,642</u>	<u>29,925,839</u>	<u>28,432,529</u>	<u>27,879,489</u>
<b>Plan fiduciary net position</b>						
Contributions—Library	\$ 1,005,675	624,271	767,210	812,823	1,130,104	1,074,744
Contributions—employees	38,028	55,251	63,791	77,896	98,634	108,805
Net investment income (loss)	2,010,720	2,593,631	398,368	(119,212)	3,700,555	2,456,234
Benefit payments, including refunds of member contributions	<u>(2,093,216)</u>	<u>(2,046,883)</u>	<u>(1,854,928)</u>	<u>(1,694,684)</u>	<u>(1,390,402)</u>	<u>(1,267,896)</u>
Net change in plan fiduciary net position	961,207	1,226,270	(625,559)	(923,177)	3,538,891	2,371,887
Plan fiduciary net position—beginning	<u>27,054,527</u>	<u>25,828,257</u>	<u>26,453,816</u>	<u>27,376,993</u>	<u>23,838,102</u>	<u>21,466,215</u>
Plan fiduciary net position—ending <sup>(b)</sup>	<u>\$ 28,015,734</u>	<u>27,054,527</u>	<u>25,828,257</u>	<u>26,453,816</u>	<u>27,376,993</u>	<u>23,838,102</u>
Plan's net pension liability (a - b)	<u>\$ 804,623</u>	<u>2,947,903</u>	<u>4,704,385</u>	<u>3,472,023</u>	<u>1,055,536</u>	<u>4,041,387</u>

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.

See accompanying notes to required supplemental information.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SCHEDULE OF NET PENSION LIABILITY—  
DEFINED BENEFIT PENSION PLAN**

**Last 6 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total pension liability	\$ 28,820,357	30,002,430	30,532,642	29,925,839	28,432,529	27,879,489
Plan fiduciary net position	<u>28,015,734</u>	<u>27,054,527</u>	<u>25,828,257</u>	<u>26,453,816</u>	<u>27,376,993</u>	<u>23,838,102</u>
Plan's net pension liability	<u>\$ 804,623</u>	<u>2,947,903</u>	<u>4,704,385</u>	<u>3,472,023</u>	<u>1,055,536</u>	<u>4,041,387</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.21%</u>	<u>90.17%</u>	<u>84.59%</u>	<u>88.40%</u>	<u>96.29%</u>	<u>85.50%</u>
Covered payroll	<u>\$ 1,463,754</u>	<u>1,725,494</u>	<u>2,110,020</u>	<u>1,968,884</u>	<u>2,196,275</u>	<u>2,607,287</u>
Plan's net pension liability as a percentage of covered payroll	<u>54.97%</u>	<u>170.84%</u>	<u>222.95%</u>	<u>176.34%</u>	<u>48.06%</u>	<u>155.00%</u>

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.  
See accompanying notes to required supplemental information.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER—  
DEFINED BENEFIT PENSION PLAN**

<b><u>Last 8 Fiscal Years</u></b>								
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 598,598	1,002,373	869,712	812,823	1,130,104	1,074,744	1,114,433	996,982
Contributions in relation to the actuarially determined contribution	<u>1,005,675</u>	<u>624,271</u>	<u>767,210</u>	<u>812,823</u>	<u>1,130,104</u>	<u>1,074,744</u>	<u>1,114,433</u>	<u>996,982</u>
Contribution excess (deficiency)	<u>\$ 407,077</u>	<u>(378,102)</u>	<u>(102,502)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	<u>\$ 1,463,754</u>	<u>1,725,494</u>	<u>2,110,020</u>	<u>1,968,884</u>	<u>2,196,275</u>	<u>2,607,287</u>	<u>2,617,869</u>	<u>2,857,692</u>
Contributions as a percentage of covered payroll	<u>68.71%</u>	<u>36.18%</u>	<u>36.36%</u>	<u>41.28%</u>	<u>51.46%</u>	<u>41.22%</u>	<u>42.57%</u>	<u>34.89%</u>

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.  
See accompanying notes to required supplemental information.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SCHEDULE OF INVESTMENT RETURNS—DEFINED BENEFIT PENSION PLAN**

**Last 6 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return, net of investment expense	7.23%	9.88%	(5.51)%	(0.65)%	15.27%	11.14%

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.  
See accompanying notes to required supplemental information.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2018**

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**DEFINED BENEFIT PENSION PLAN (SCHEDULES II THROUGH V)**

The information presented in Schedule II through Schedule V was determined as part of an actuarial valuation by an independent enrolled actuary (Newport Group) at the dates indicated. Additional information as of the July 1, 2018, valuation follows:

Actuarial cost method:	Aggregate cost method
Amortization method:	None
Asset valuation method:	5-year smoothed market value
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases	5%
Cost-of-living adjustment	None

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SUPPLEMENTARY INFORMATION REQUIRED BY  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
STATEMENT NO. 75**

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**

**Current Fiscal Year**

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 68,738
Interest	24,011
Differences between expected and actual experiences	90,257
Changes of assumptions	(91,638)
Estimated benefit payments	<u>(95,271)</u>
Net change in total OPEB liability	(3,903)
Total OPEB liability—beginning, restated	<u>842,497</u>
Total OPEB liability—ending	<u><u>\$ 838,594</u></u>
 Covered employee payroll	 <u><u>\$ 14,653,807</u></u>
 Total OPEB liability as a percentage of covered-employee payroll	  <u><u>5.7%</u></u>

Note to Schedule: Only the current fiscal year is presented because 10-year data is not yet available.

See Independent Auditors' Report.



**INDEPENDENT AUDITORS' 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 Commissioners  
Metropolitan Library Commission of  
Oklahoma County

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Library Commission of Oklahoma County (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 October 12, 2018. Our report also includes an explanatory paragraph to emphasize adoption of Governmental Accounting Standards Board Statement No. 75 by the Library. In addition, our report includes an explanatory paragraph disclaiming an opinion on required supplementary information.

**Internal Control Over Financial Reporting**

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

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

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

(Continued)

**INDEPENDENT AUDITORS' 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, CONTINUED**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library'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 Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Finley + Cook, PLLC*

Shawnee, Oklahoma  
October 12, 2018