

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM

MUSKOGEE, OKLAHOMA

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2018**

**JACKSON, FOX and RICHARDSON
A PROFESSIONAL CORPORATION
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EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM

Year Ended June 30, 2018

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EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FY18

FINANCIAL HIGHLIGHTS

- **Total Revenue** for the System was **\$5,421,825**. This is a combined total of **\$5,235,120** in General Fund and **\$186,705** in Special Revenue.
- **Total Expenditures** (before depreciation) were **\$5,705,796**. This is a combined total of **\$5,368,911** in General Fund and **\$336,885** in Special Revenue.

Total General Fund Revenue increased by 3.4% from the previous year. The primary Revenue source for General Fund, county ad valorem tax, grew 3%. McIntosh County revenue was up 8.6 % from the previous year. Muskogee County revenue grew by .8%.

General Fund Expenditures increased by 6%. Material purchases were up 14% and Staff expenses were up 6%.

The System tracks money through two accounts.

General Fund - Ad valorem taxes, fees, interest and State Aid – same categories but new funds – that come in every year.

Special Revenue – Donations, book sales and grants – money given to a specific branch or department. Some branches have larger donation accounts than others.

Special Revenue is not included in the annual budget. Branches are encouraged to purchase food and consumable program supplies from Special Revenue accounts. On June 30, 2018 the total Special Revenue amount was **\$482,020**. This includes \$150,000 from a grant we received in FY17 to purchase Children's reading material. We have three years to expend the grant.

Investments

The majority of our Ad Valorem taxes are received in January and February. This money is invested and is used in months when less ad valorem is received. Carryover funds, although tracked separately, are combined to create investments for the System. Interest from the investments is divided based on the percentage of total ad valorem collected.

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2018
 (Unaudited)

Where did the System spend its money?

Total FY Expenditures include General Fund and Special Revenue.

	FY18		FY17	
Staff	\$3,421,645	61%	3,220,717	64%
Materials	\$ 984,060	17%	799,519	16%
Operations	\$1,048,285	19%	919,526	18%
Equipment	\$ 184,275	3%	110,831	2%

... On Staffing- Personnel

Every position description in the System was updated in November to reflect the needed technology skills staff require to work successfully in our branches. Salaries for employees in Grades 4 to 11 increased 3% in January. A 5% increase was approved for Managers, recognizing their need to have additional skills and education. An additional Grade for Managers was created to acknowledge the special requirements for Managers in larger branches. The Board's Personnel Philosophy says our employees are worth the investment and we need to stay competitive with our identified job markets.

Professional positions are still a challenge to fill at EODLS. The Assistant Director position was recently filled after 9 months of vacancy. The Branch Manager for the Muskogee Library resigned in July. That position remains open. The starting salary is competitive for the state starting at \$52,000 a year.

Performance Management

Performance evaluations are based on job descriptions, competencies and goals. Performance management allows the System to set expectations, and, through constant evaluation, create consistent results.

Evaluators complete evaluations each April. For the sixth year, the board approved Performance Rewards for people who achieved an "Outstanding" performance rating. These employees were able to choose between a cash reward or three vacation days. Rewards always depend on revenue. Employees receiving a "Needs Improvement" rating do not receive pay increases or rewards.

The goal of giving an across the board increase to all employees who have achieved "Outstanding" or "Successful" won't occur in FY19. The re-designed Budget makes raises impossible in several branches.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Unaudited)**

...On Materials

The System budgets over \$950,000 for materials each year.

	<u>% of Material Purchased</u>		
PRINT	FY16 = 45%	FY17 = 49%	FY18 = 42%
ONLINE & DOWNLOADABLE	FY16 = 28%	FY17 = 26%	FY18 = 36%
AUDIO VISUAL	FY16 = 27%	FY17 = 25%	FY18 = 22%

PRINT includes paper books and magazines.

ONLINE & DOWNLOADABLE includes databases and e-books.

AUDIO VISUAL includes DVD's and Books on CD.

EODLS "circulates" e-books, downloadable audio-books and e-magazines. Downloadable music is available for patrons to check-out and keep. Movies and television shows are available on Hoopla. More branches have "Non-traditional" collections. In Ft. Gibson they have several STEM items like "Little Bits" and "Spheros". In Grove you can check out a fishing pole. Besides the exercise equipment in Tahlequah you can check out a Croquet set. Guitars are available in Checotah and you can check out ukuleles in Grove and Muldrow. Haskell and Grove have Hot-Spots for WiFi access. Warner has a collection of board games for family fun nights!

All database subscriptions are available to every EODLS patron and they can access most of the databases from home. Downloadable e-material can be used on home computers, phone or other devices. The OK. Dept. of Libraries continues to provide access to EBSCO databases to everyone in the state.

...On Operations

All expenses that are not Staff, Material or Equipment are accounted for in the Operations category. These are the everyday expenses for running the branches. Sub categories include postage, supplies, advertising, insurance, travel, speakers, maintenance, rent, etc.

Program Speakers can be paid with General Funds or with Special Revenue (Donations and grants). Each branch decides if a speaker is worth the price. We strive to have quality programs but we have to watch the bottom line when it comes to paying for a performance. The System spent over **\$77,000** on program speakers last year. **Over 5,200 programs** were held this year. Most of them did not include paid performers or speakers.

E-rate is a government program that allows schools, libraries and rural health centers to receive discounted telephone service and internet access. Reimbursements are received when USAC approves the request and documentation is completed. That can happen quickly or months after it is submitted. In FY17, EODLS paid over \$98,000 for combined access throughout the System. In FY18, the cost was less than \$25,000. We use a vendor to help us track the program and this year we changed our request to one System connection instead of individual connections. Paperwork is considerable less onerous with one request.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Unaudited)**

...On Equipment
Westville and Checotah purchased new microfilm reader/printers for approximately \$5,000 each. Researchers in both locations will appreciate the new equipment. Tahlequah purchased computers, furniture and end-caps for shelving. Eufaula spruced up their branch with some new computer tables. Grove updated their Young Adult area with new furniture and new paint. Warner, Hulbert and Eufaula bought new copiers a much used machine for any library.

Long Range Planning

Our latest Strategic Plan was adopted in September, 2016. We continue with our Mission: "EODLS welcomes and supports all people through equal access to information and quality services that build on traditions of the past and innovate for the future in pursuit of enhanced quality of life." Everyone will work on the new Service Initiatives:

- A) Reading, viewing and listening for pleasure and learning
 - B) Educational assistance for all students and learners
 - C) Comfortable Spaces
 - D) Support Technology
- Support Services has the additional initiatives:
- E) Increase marketing
 - F) Improve system organization.

For the third year, each branch had patrons complete an overall library satisfaction survey as well as individual program surveys. When asked, "What do you like most about the public library?" the number one answer was still "the helpful, friendly staff." Material availability, comfortable spaces and accessible computers round out the top four survey responses. More open hours, later hours and more week-end hours are always requested.

Creating a meaningful marketing campaign for the entire System remains a goal. A new Strategic Plan will be developed this year.

Budgetary Highlights

The current EODLS Budgeting method calls for the amount of ad valorem collected in a county to be budgeted for the branches in that county. Unspent funds are carried over and returned to the branch each year. Based on their share of county revenue, each branch is attributed a share of county population (service area). This method means that Hulbert, who received 15% of Cherokee County ad valorem – is responsible for serving 15% of Cherokee County's population. Hulbert's town population is 603, yet they are responsible for serving 7,267 Cherokee County residents.

EODLS is 1 Common Mission, 1 Common Service, 1 Dynamic Library!

In an effort to acknowledge the System as a whole and to change the budget method from "Mission follows Budget" to "Budget follows Mission" several alternative budgeting methods were discussed during the year.

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Unaudited)

Option #1 called for putting all of the System revenue in one pot and providing funds for each branch based on their city populations. Board members were reluctant to put the money in one pot because Sequoyah and Delaware counties are collecting ad valorem at 2 mills while the other counties are collecting ad valorem at 4 mills.

Option #2 was budgeting by performance. Each branch would receive a budget commiserate with their performance. A five year average of Circulation, Door Count, Computer Use, Number of Patrons, Holdings and Wi-Fi Usage were reviewed. This option was unsatisfactory because the more money a branch already had, the higher their performance. There was also concern that some stats may not be gathered uniformly.

Option #3 was designed to keep money collected in a county, in the county, but tracked its collection in the county. Using the Assessor's Report – Assessed Valuation by School, we can track where the ad valorem in each county is collected. Each school district was assigned to the nearest branch. Board members liked this method in Adair, Cherokee and McIntosh counties, but they felt the need to adjust Muskogee County's formula when Ft. Gibson was attributed twice as much as they were currently receiving and Muskogee lost 12% of their revenue. A compromise was struck and Ft. Gibson went from receiving 8.5% of county revenue to 17% and Muskogee was reduced from 80% to 73%. The budgets in the two counties collecting 2 mills were not changed.

The changes in the budget went into effect on July 1st. Open Hours were changed in seven branches. FY19 will be a year to watch. Budgetary changes may need to be made again in FY20. The System Emergency Reserve is based on three month's expenses. **Our current Emergency Reserve is \$1,225,000.**

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2018
 (Unaudited)

End of FY18 recap

	<u>Budget</u>	<u>Expenditures</u>	<u>% Unspent</u>
Stilwell	194,635	181,673	7%
Westville	199,380	176,152	12%
Tahlequah	826,516	757,175	8%
Hulbert	142,861	134,525	6%
Grove	521,268	479,497	8%
Jay	296,677	280,980	5%
Kansas	142,475	135,827	5%
Checotah	339,198	331,773	2%
Eufaula	364,996	305,231	16%
Haskell	122,265	113,235	7%
Muskogee	1,844,604	1,747,531	5%
Ft. Gibson	208,591	200,331	4%
Warner	178,931	144,320	19%
Sallisaw	308,848	286,542	7%
Muldrow	171,573	161,367	6%

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Unaudited)

Highlights of Service Provided in FY18

- Summer Reading Programs for children and teens are mainstays of the public library. **Twenty-nine** teen programs were added this year and attendance was up **59%**! **530** programs were held for children and **14,953** attended.
- This year, **5,271** programs were held in the branches and **95,186** people attended. That's a **32%** increase in programs and **33%** increase in attendance!
- **WiFi** logins and **Computer** usage remain strong with over **258,810 WiFi** users and **129,657 Computer** users.
- **764,294** people came through the library doors last year!
- **Print** Circulation is down **5%** but **E-circulation** is up **17%**.

EODLS is 1 Common Mission, 1 Common Service, 1 Dynamic Library!

Mary J.S. Moroney, Executive Director Amanda Spaulding, Business Manager

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES--BUDGET AND ACTUAL--GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Proposed Budget	Approved Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Ad Valorem, Sales Tax & City Support	\$4,284,701	\$ 4,408,629	\$4,932,432	\$ 523,803
Oklahoma Dept of Libraries State Aid	75,003	95,002	109,699	14,697
Other Grants/Donations				-
Other Revenues	150,757	155,914	160,436	4,522
Interest Revenue	16,000	17,001	22,606	5,605
McIntosh Co Sales Tax/Muldrow City Support/Fort Gibson City Support	110,410	123,246	121,839	(1,407)
Total Revenues	<u>4,636,871</u>	<u>4,799,792</u>	<u>5,347,012</u>	<u>547,220</u>
EXPENDITURES				
Staff Expenditures	2,927,910	2,988,709	3,415,517	(426,808)
Supplies & Other Expenditures	865,235	821,649	928,472	(106,823)
Operations	1,144,815	1,215,732	1,218,631	(2,899)
Total Expenditures	<u>4,937,960</u>	<u>5,026,090</u>	<u>5,562,620</u>	<u>(536,530)</u>
NET INCREASE (DECREASE)	(301,089)	(226,298)	(215,609)	10,689
OTHER FINANCING SOURCES (USES)				
Capital outlay				
Informational materials (books)	(617,252)	(685,341)	(913,030)	(227,689)
Equipment and furnishings	(126,834)	(151,387)	(111,892)	39,495
FY17 Revenue carryover	1,045,175	1,063,026	1,024,922	(38,104)
Total Other Financing Sources	<u>301,089</u>	<u>226,298</u>	<u>1</u>	<u>(226,297)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (215,608)</u>	<u>\$ (215,608)</u>

Revenue carryovers and grant funding cover budget deficiencies.
The above budget to actual does not include depreciation expense, but rather budgets
actual capital outlays.

JACKSON, FOX and RICHARDSON
A Professional Corporation
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Eastern Oklahoma District Library System
Muskogee, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Oklahoma District Library System (the Library), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Eastern Oklahoma District Library System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Oklahoma District Library System as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note 4 to the financial statements, in 2018, the Library adopted new accounting guidance,

GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages 3-9 and the Statement of Revenues and Expenses-General Fund-Budget to Actual on page 10, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 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.



Ardmore, Oklahoma
September 18, 2018

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2018

<u>ASSETS AND OTHER DEBITS</u>	General	Special Revenue	Totals
Assets:			
Cash and Cash Equivalents	\$ 3,022,453	\$ 567,248	\$ 3,589,701
Receivables			
Ad Valorem Tax	100,846		100,846
Prepaid Expenditures	16,738		16,738
Property, Plant and Equipment:			
Informational materials	10,290,459	98,997	10,389,456
Furniture and equipment	2,307,476		2,307,476
Fine Art	87,046		87,046
Less: Accumulated depreciation	(9,952,014)	(71,602)	(10,023,615)
Total Assets and Other Debits	\$ 5,873,002	\$ 594,644	\$ 6,467,646
Deferred Outflows of Resources	\$ 645,139	\$ -	\$ 645,139
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$ 53,274	\$ 278	\$ 53,552
Compensated Absences Payable	115,458		115,458
Accrued Payroll and Related Costs	153,787		153,787
OPEB Liability	13,036		13,036
Net Pension Liability	615,378		615,378
Total Liabilities	\$ 950,933	\$ 278	\$ 951,211
Deferred Inflow of Resources	\$ 136,909	\$ -	\$ 136,909
Net Position:			
Net Investment in Capital Assets	2,732,967	27,395	2,760,362
Restricted		566,971	566,971
Unrestricted	2,697,332		2,697,332
Total Net Position	\$ 5,430,299	\$ 594,366	\$ 6,024,665

The accompanying notes are an integral part of this financial statement

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	Charges for Services	Grants and Donations	Net (Expense) Revenue and Change in Net Assets
Primary Government				
Governmental Activities				Governmental Activities
Operating Expenses	\$ 814,985	\$ 160,436	\$ 140,511	\$ (514,039)
Personnel Services	3,376,123			(3,376,123)
Supplies & Other Expenses	270,089			(270,089)
Materials	156,128			(156,128)
Depreciation	951,307			(951,307)
Total Governmental Activities	<u>\$ 5,568,632</u>	<u>\$ 160,436</u>	<u>\$ 140,511</u>	<u>\$ (5,267,685)</u>
General Revenue				
Ad Valorem, Sales Tax, and City Support				5,055,621
State Aid				109,699
Interest				25,797
Miscellaneous				40,470
Gain/(Loss) on Sale				(10,707)
Total General Revenue				<u>\$ 5,220,880</u>
Change in Net Assets				\$ (46,805)
Net Position, July 1, 2017				6,076,874
PPA for recognition of GASB 75 - see below				(5,404)
Net Position, June 30, 2018				<u>\$ 6,024,665</u>

*prior period adjustment to record beginning balances for pension liabilities - See Note 3

The accompanying notes are an integral part of this financial statement

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2018

<u>ASSETS AND OTHER DEBITS</u>	General	Special Revenue	Totals
Cash and Cash Equivalents	\$ 3,022,453	\$ 567,248	\$3,589,701
Ad Valorem Tax Receivables	100,846		100,846
Prepaid Expenditures	16,738		16,738
Total Assets	\$ 3,140,036	\$ 567,248	\$3,707,284

<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 53,274	\$ 278	\$ 53,552
Compensated Absences Payable	115,458		115,458
Accrued Payroll and Related Costs	153,787		153,787
Total Liabilities	\$ 322,519	\$ 278	\$ 322,797

Fund Balances			
Assigned	190,383		190,383
Committed	2,627,133	566,971	3,194,104
Unassigned			
Fund Balances, end of year	\$ 2,817,516	\$ 566,971	\$3,384,487
Total Liabilities and Fund Balances	\$ 3,140,036	\$ 567,248	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in assets in governmental funds. The costs of these assets are \$12,783,977 and the accumulated depreciation is \$10,023,615 2,760,362

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. (615,378)

Net pension liability (13,036)

Other Post-Employment Benefits liability (OPEB liability) 645,139

Deferred outflows of resources related to net pension liability/OPEB liability (136,909)

Deferred inflows of resources related to net pension liability/OPEB liability

Total Net Position - Governmental Activities **\$6,024,665**

The accompanying notes are an integral part of this financial statement

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue	Governmental Funds
Revenues			
Ad Valorem, Sales Tax &	\$ 5,054,271	\$ -	\$ 5,054,271
City Support	109,699		109,699
State Aid		141,861	141,861
Grants/Donations		40,470	200,906
Other Revenues	160,436	3,191	25,797
Interest Revenue	22,606		
Total Revenues	\$ 5,347,012	\$ 185,522	\$ 5,532,534
Expenditures			
Staff Expenditures	\$ 3,369,996	\$ 6,128	\$ 3,376,124
Materials	909,361	34,369	943,730
Furniture and Equipment	40,563		40,563
Supplies and Other Expenditures	223,308	46,781	270,089
Operations	705,292	109,693	814,985
Total Expenditures	5,248,520	196,971	5,445,491
Net Change in Fund Balance	\$ 98,492	\$ (11,449)	\$ 87,043
Beginning Fund Balance	2,837,081	649,620	3,486,701
Ending Fund Balance	2,935,573	638,171	3,573,744
Total net changes in fund balances - governmental funds			87,043

The change in net assets reported in the statement of activities is different because:
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses. This is the amount by which capital outlays exceeds depreciation during the period.

Depreciation expense	\$ (951,307)	
Capital outlays	828,166	(123,141)

Disposals of capital assets are not considered to be expenditures in the governmental funds. They are however, recorded as a loss in the statement of activities. Some expenses reported in that Statement do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: (10,707)

Change in net position of governmental activities \$ (46,805)

The accompanying notes are an integral part of this financial statement

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Eastern Oklahoma District Library System (EODLS) conform to generally accepted accounting principles, as applicable to governmental units. The *Governmental Accounting Standards Board* is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of EODLS's accounting policies are described below.

The Financial Reporting Entity – The Eastern Oklahoma District Library System is an independent special purpose district established under Title 65 Article 4, Public Library Systems, of the Oklahoma statutes. These statutes authorize and empower counties, cities and towns to join in the creation, development, and operation and maintenance of public libraries systems to serve multi-county districts. Title 65 authorizes special tax levies for the support of library systems to serve multi-county systems established under this act. The System includes fifteen branch libraries. Board members are appointed by various governmental entities within the counties of Adair, Cherokee, Delaware, McIntosh, Muskogee and Sequoyah. Under *Governmental Accounting Standards Board (GASB) No. 14*, the system is defined as a Special—Purpose Governmental Unit. As such, its accounting conforms to the particular operations of EODLS.

Basic Financial Statements – Government-Wide Statements –

The government-wide Statement of Net Position and Statement of Activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Library's net assets are reported in three parts – investment in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Basic Financial Statements – Fund Statements –

Fund financial statements report detailed information about the Library. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

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. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The following fund types are used by the system:

****Governmental Funds:**

- General Fund – To account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds – To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally, contractually, or by agreement restricted to expenditures for specified purposes.

Fund Balances

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

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 – CONTINUED**

Fund Balance - In the government-wide financial statements, equity is classified as net assets and displayed in three components:

1. Investment in capital assets – consists of capital assets, net of accumulated depreciation.
2. Restricted – consists of net assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
3. Unrestricted – All other assets that do not meet the definition of restricted or investment in capital assets.

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

1. Nonspendable - Fund balances that cannot be spent because they are either:
 - *Not in Spendable Form*—generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts. This classification also includes some long-term amounts such as property acquired for resale or the long-term portion of loans receivable. (However, if the eventual proceeds or collections from these would be restricted, committed, or assigned, these amounts would be included in that other classification.)
 - *Legally or Contractually Required to be Maintained Intact*—amounts that are required to be maintained intact, such as the principal of a permanent fund.
2. Restricted - amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.)
3. Committed - amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority. This classification might also include contractual obligations if existing resources have been committed for use in satisfying those contractual requirements. (The formal action to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.)
4. Assigned - amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given. Assigned fund balances represent tentative plans for future use of financial resources. The amounts are decided by the Board and can be reclassified as needed
5. Unassigned - this is the residual classification for the general fund (i.e., everything that is not in another classification or in another fund). The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

EODLS considers property taxes and other County/City support as available if they are collected within 60 days after year-end. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available. Donations and grant funds are considered earned when received, unless subject to forfeiture, in which case when received they are recorded as deferred revenues until earned.

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 - CONTINUED

Expenditures are recorded when the related fund liability is incurred.

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

Annual budgets are adopted for the General Fund on a basis consistent with generally accepted accounting principles. The annual budget is prepared by fund, function and department/branch. The department and branch managers may make transfers of budgeted amounts between expense functions without approval of the Board of Trustees, however management approval is required.

Cash and Cash Equivalents – Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within twelve months of the date acquired by EODLS. The investment policy of EODLS authorizes management to invest in U.S. Treasury bills, certificates of deposit fully covered by F.D.I.C. and U.S. government project notes in amounts up to \$250,000. Investments are stated at cost, which approximates market value. Collateral agreements from financial institutions are required when deposits exceed F.D.I.C. limits. Currently EODLS has a collateral agreement with the Firststar Bank of Muskogee.

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

Ad Valorem Tax Receivable – Included in ad valorem tax receivable is the uncollected portion of EODLS's share of prior year's property tax assessments for EODLS's six counties

Prepaid Expenditures – Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid expenditures.

Library Materials – Because library materials (books, periodicals, audio visual, etc.) purchased by EODLS have useful lives of greater than one year and in accordance with *Governmental Accounting Standards Board (GASB) Statements No. 34*, such acquisitions are capitalized and reported in the fund in which they are acquired at historical cost except for donated materials which are recorded at their estimated fair value.

Deferred Outflows and Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period and thus, will not be recognized as an inflow of resources (revenue) until then. SEE NOTE 4

Fixed Assets – In the Government-Wide financial statements and in accordance with *Governmental Accounting Standards Board (GASB) Statements No. 34*, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 - CONTINUED**

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

Office equipment	5 to 10 years
Furniture	10 to 20 years
Computer equipment	3 to 5 years
Vehicles	3 to 5 years
Other fixed assets	3 to 20 years

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

2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

Cash and Cash Equivalents

There are three categories of credit risk that apply to EODLS's cash and investments balances:

1. Insured by F.D.I.C. or collateralized with securities held by its agent in its name.
2. Uninsured or collateralized with securities held by the pledging institution's trust department or agent in EODLS's name.
3. Uninsured and uncollateralized: or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in EODLS's name; or collateralized with no written or approved collateral agreement

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

	Risk Category			Total
	1	2	3	
Deposits				
Demand Deposits	\$ 250,000	\$ 748,800		\$ 998,800
Certificates of Deposit		8,787		2,594,297
Totals	\$ 2,835,510	\$ 757,587	-	\$ 3,593,097

Accounts Receivable – EODLS's ad valorem property tax is billed by each of the six participating counties each November 30 on the net assessed value listed as of the prior January 1, for all real and business personal property located in the county. The ad valorem taxes are due on December 31, or one-half by December 31 and one-half by March 31. Accounts receivable represent tax collections measurable and collectible at period end. Generally, this represents July and August collections. This amounted to \$100,846 for the year ended June 30, 2018.

For the year ended June 30, 2018 the total property tax levy collected for EODLS was \$4,932,432, which represented 4 mills in all counties except Delaware and Sequoyah County. Delaware County is 2.09 mills and Sequoyah County is 2 mills.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 – CONTINUED**

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

	Asset Balances		
	Equipment/ Furnishings	Informational Materials	Fine Art
Asset Balances, 7/1/17	\$ 2,286,452	\$10,107,214	\$87,046
Purchases/Donations	40,563	787,602	-
Disposals/Adjustments	(19,539)	(505,360)	-
Asset Balances, 6/30/18	<u>\$ 2,307,476</u>	<u>\$10,389,456</u>	<u>\$87,046</u>
	Accumulated Depreciation		
	Equipment/ Furnishings	Informational Materials	Fine Art
Asset Balances, 7/1/18	\$ 2,089,573	\$ 7,552,412	\$87,046
Depreciation Expense	163,704	787,603	-
Disposals/Adjustments	(151,363)	(505,360)	-
Asset Balances, 6/30/18	<u>\$ 2,101,914</u>	<u>\$ 7,834,655</u>	<u>\$87,046</u>
Depreciation Expense	<u>\$ 163,704</u>	<u>\$ 787,603</u>	

Leases – EODLS entered into a ten year lease effective February 2016, with renewal options on property located at 14 E Shawnee Bypass, Muskogee, Oklahoma for the administrative offices. Estimated lease rental payments under the terms of the lease are as follows:

FY 2019	\$ 59,700
FY 2020	\$ 59,700
FY 2021	\$ 64,700
FY 2022	\$ 71,700
FY 2023	\$ 71,700
FY 2024	\$ 71,700
FY 2025	\$ 41,825
FY 2026	\$ 0
FY 2027	\$ 0

3. OTHER NOTES

Participation in Risk Pools – EODLS maintains worker's compensation coverage through the Oklahoma State Insurance Fund, which is classified as a risk pool for this coverage.

Risk Management – EODLS is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; natural disaster; and board liability. EODLS manages these various risks of loss by purchasing insurance coverage

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018— CONTINUED

specific to the risks involved. Management believes such coverage is sufficient to preclude any significant uninsured losses to the EODLS. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

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

Concentration of Risk - The operation of EODLS is significantly dependent on the property values of the six counties in Eastern Oklahoma in which it operates. Any material change to the property values and ad valorem tax collections could have a significant impact on EODLS's ability to provide the current level of service.

Related Parties – Friends of the Library - These are separate not-for-profit entities established in the trade area of several branches. Their purpose is to support the local branches of EODLS. EODLS does not appoint members or manage any funds for the entities but is a recipient of gifts and volunteer time.

Subsequent Events - Management has evaluated all events subsequent to the balance sheet date of June 30, 2018 through the date of issuance of these financial statements, September 18, 2018, and has determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

Changes in Accounting Principles – The Government Accounting Standards Board (GASB) issued Statement number 75. The objective of this statement is to improve financial reporting by state and local governments for post-employment benefits other than pensions. It also improves information provided by governmental employers about financial support for pensions that is provided by other entities.

Income Taxes - No provision is made for income taxes. The Library is exempt from taxes under the Internal Revenue Code under Section 501(c)(3). The Library is exempt from filing an annual Form 990 with the IRS.

Prior Period Adjustment – Pursuant to Guidance regarding pension reporting under GASB 75, a prior period adjustment of \$ 5,404 was made to record beginning balances for OPEB liability, deferred outflows, and deferred inflows.

4. PENSION PLAN and OTHER POST-EMPLOYMENT BENEFIT PLANS

Employee's Retirement Plan – All of EODLS's eligible employees participate in the Oklahoma Public Employees Retirement System (OPERS), a statewide multiple-employer public employee retirement system.

Employees of multi-county libraries are eligible to participate in OPERS under Article 1-106 of Oklahoma statutes. OPERS is a cost sharing public employee retirement system, however, risks are not shared by EODLS but are the liability of OPERS and the State of Oklahoma. OPERS is funded through employer and employee contributions, but EODLS has no legal obligation for paying benefits.

All employees who work 20 hours/week, 1040 hours/year or more are eligible to participate in OPERS. Normal retirement requires 90 points (age plus years of credited service) however employees who initially became members of OPERS before July 1, 1992 are required to have 80 points. Effective July 1, 1994, all members of the Oklahoma Public Retirement System are required to pay retirement contributions on the gross salary earned (less overtime) up to the maximum annual salary established by statute. Since that time the salary cap has gradually risen and effective July 1, 1998, the cap was waived. EODLS contributed 12.5% of gross compensation and the employee contributes 3.5% of his or her wages.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 – CONTINUED**

Effective July 1, 1999, EODLS's contribution rate was adjusted to 10%. During fiscal year ended June 30, 2004, OPERS allowed a new step-up incentive program wherein eligible employees could contribute an additional 2.91%.

This is an irrevocable option and the employee cannot alter the contribution rate as long as they are an employee of EODLS or a participant in OPERS. Currently 14 employees are enrolled. Effective July 1, 2010, EODLS's rate increased to 16.5%. The employee rate remains at 3.5%. Contributions to OPERS by the Library were \$307,580 for 2018.

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

The net pension liability and OPEB liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Library's proportion of both the net pension and OPEB liabilities were based on the Board's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2017. Based upon this information, the Library's proportion was 0.11381894%.

For the year ended June 30, 2018, the Library recognized the following related to its proportionate share of the Net Pension Liability:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	287,460	110,047
Changes in assumptions	273,191	
Net difference between projected and actual earnings on pension plan investments	27,490	
Change in proportion and differences between contributions and proportionate share of contributions	26,259	
Contributions during measurement date		(3,075)
Contributions subsequent to measurement date	<u>287,460</u>	<u>106,972</u>
	<u>\$ 614,400</u>	<u>\$ 106,972</u>
Net pension liability - \$615,377		Pension expense - \$260,854

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 – CONTINUED**

Reported deferred outflows of resources of \$287,460 resulting from the Library's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows	Deferred Inflows
2019	270,950	193,910
2020	197,763	342
2021	137	(43,640)
2022	(141,909)	(43,640)
2023	-	-
Thereafter	-	-
	<u>\$ 326,941</u>	<u>\$ 106,972</u>

Actuarial Methods and Assumptions

The total pension liability was determined on an actuarial valuation prepared as of July 1, 2017 using the following actuarial assumptions:

- Investment return – 7% compounded annually net of investment expense and including inflation
- Salary Increase – 3.5% to 9.5% per year, including inflation
- Mortality rates – Active participants and non-disabled pensioners: RP-2014 Mortality Table projected to 2025 (disabled pensioners set forward 12 years)
- Annual post-retirement benefit increase – none
- Assumed inflation rate – 3%
- Payroll growth rate – 3.5%
- Actuarial cost method – entry age
- Select period for termination of employment assumptions – 10 years
- Percentage of married individuals – 85%, males and females
- Spouse age difference – Males four years older than spouse
- Turnover – varies from 1-22%

The actuarial assumptions used in this valuation are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2017. The experience study report is dated October 10, 2017.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

	Target Asset Allocation	Long-term Expected Real Rate of Return
US Large Cap Equity	38.0%	5.3%
US Small Cap Equity	6.0%	7.0%
US Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
	<u>100.0%</u>	

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 – CONTINUED**

Discount Rate

The discount rate used to measure the total pension liability was 7% for the year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in the state statute. Based on those assumptions, OPERS fiduciary net position was projected through 2114 to be available to make all projected future benefit payments of current plan members.

The following presents the net pension liability of the employer calculated using the discount rate of 7%, as well as what the Library net pension 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	Current Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability	\$ 1,818,773	\$ 615,377	\$ (403,617)

Other Post-Employment Benefit Plans

OPERS also administers a health insurance subsidy plan (HISP) as part of its cost-sharing pension plan. This plan is considered OPEB in accordance with the provisions of GASB 75.

Reported deferred outflows of resources of \$20,120 resulting from the Library's contributions subsequent to the measurement date will be recognized as a decrease of the OPEB liability in the year ended June 30, 2019.

For the year ended June 30, 2018, the Library recognized the following related to its proportionate share of the OPEB Liability:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		16,069
Changes in assumptions	10,618	
Net difference between projected and actual earnings on pension plan investments		14,068

Change in proportion and differences between contributions and proportionate share of contributions

Contributions during measurement date (200)

Contributions subsequent to measurement date

20,120	\$ 29,937
\$ 30,738	\$ 29,937

OPEB liability \$ 13,036

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 – CONTINUED**

The same actuarial methods and assumptions were used for the OPEB liability as the net pension liability.

Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

	Deferred Outflows	Deferred Inflows
2019	1,985	(6,483)
2020	1,985	(6,483)
2021	1,985	(6,483)
2022	1,985	(6,483)
2023	1,985	(2,966)
Thereafter	693	(1,039)
	10,618	(29,937)

The discount rate used to measure the total OPEB liability was also 7% for the year. The following presents the OPEB liability of the employer calculated using the discount rate of 7%, as well as what the Library's 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	Current Rate	1% Increase
OPEB liability	6.00%	7.00%	8.00%
\$ 51,495	\$ 13,037	\$ (20,026)	

Detailed information about the pension's plan fiduciary net position is available in the separately issued financial report of the OPERS, which can be located at www.opers.ok.gov.

Attorney General opinions as well as the Oklahoma Supreme Court have implied that the State of Oklahoma is legally responsible for any pension liability over the employers' set contribution amount. However, GASB Statement 68 and GASB 75 require that the net pension liability and OPEB liability be accounted for and reported by the entity that created the liability. Therefore, the Library's portion of the State's net pension liability and OPEB liability have been recorded and reported.

JACKSON, FOX and RICHARDSON

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

Board of Directors
Eastern Oklahoma District Library System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eastern Oklahoma District Library System (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 September 18, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Jason Fox, Rinker PC

Ardmore, Oklahoma
September 18, 2018

OTHER SUPPLEMENTARY INFORMATION

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
GASB 68 PENSION SCHEDULES AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018**

Schedule 1
Schedule of Proportionate Shares

	2017	2016	2015	2014
Library proportion of the net pension liability	0.11381894%	0.10044798%	0.10563111%	0.10898829%
Library proportional share of the net pension liability	\$ 615,377	\$ 996,676	\$ 379,938	\$ 1,214,500
Library covered-employee payroll	1,863,503	1,805,796	1,700,031	1,835,549
Library proportionate share of the net pension liability as a percentage of covered payroll	33.02%	55.19%	22.35%	66.17%
OPERS fiduciary net position as a percentage of the total pension liability	94.28%	89.48%	96.00%	97.90%

Schedule 2
Schedule of Contributions

	2017	2016	2015	2014
Contractually required contribution	\$ 306,169	\$ 297,751	\$ 308,106	\$ 304,667
Contributions in relation the contractually required contributions	309,563	299,644	305,860	306,502
Contribution deficiency (excess)	(3,394)	(1,893)	2,246	(1,835)
Library's covered employee payroll	1,863,503	1,805,796	1,700,031	1,835,549
Contributions as a percentage of covered employee payroll	16.61%	16.59%	17.99%	16.70%

Notes to schedule:

GASB Statement 68 requires the information presented in the above schedules cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest information available.

Benefit Changes: Information to present a 10-year history is not readily available

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
 GASB 75 OPEB SCHEDULES AND RELATED RATIOS
 FOR THE YEAR ENDED JUNE 30, 2018**

Schedule 1
Schedule of Proportionate Shares

	2017
Library proportion of the OPEB liability	0.11381894%
Library proportional share of the OPEB liability	\$ 13,037
Library covered-employee payroll	1,805,796
Library proportionate share of the OPEB liability as a percentage of covered payroll	0.72%
OPERS fiduciary net position as a percentage of the total OPEB liability	96.50%

Schedule 2
Schedule of Contributions

	2017
Contractually required contribution	\$ 21,430
Contributions in relation the contractually required contributions	21,667
Contribution deficiency (excess)	(237)
Library's covered employee payroll	1,805,796
Contributions as a percentage of covered employee payroll	1.20%

Notes to schedule:

GASB Statement 75 requires the information presented in the above schedules cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 75 and is the latest information available.

Benefit Changes: Information to present a 10-year history is not readily available

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available

Eastern Oklahoma District Library System
Schedule of State Financial Assistance
Year ended June 30, 2018
 (Unaudited)

State of Oklahoma Assistance	Project	Receipts	Expenses
Oklahoma Department of Library State Aid and Other Grants	Amount	Recognized	Paid
Oklahoma Department of Libraries			
State Aid and Other Grants for the			
Development and Expansion of Library Services	\$ 111,600	\$ 111,600	\$ 111,600
	\$ 111,600	\$ 111,600	\$ 111,600

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
 SCHEDULE OF COMBINED EXPENDITURES, GENERAL
 AND SPECIAL REVENUE FUNDS - ALL DEPARTMENTS AND BRANCHES
 FOR THE YEAR ENDED JUNE 30, 2018
 (Unaudited)

	TOTAL SUPPORT SERVICES	TOTAL LIBRARIES SERVICES	TOTAL
STAFF EXPENDITURES	\$ 615,786	\$ 2,805,859	3,421,645
Books	32,783	355,953	388,736
Periodical	414	27,843	28,256
Compact Discs	-	78,458	78,458
Online Subscription	122,796	5,075	127,870
Downloadable Audios	231,085	4,493	235,578
DVD	60	115,806	115,866
Other-Microforms, Kits, Software	-	9,295	9,295
LIBRARY MATERIALS	387,138	596,922	984,060
Postage	1,242	22,294	23,536
Supplies	14,266	249,707	263,973
Equipment Supplies	-	9,594	9,594
Consultants/Speakers/Grants	29,181	88,251	117,431
Printing/Binding	-	5,059	5,059
Inspection Expense	48	1,161	1,209
Telephone	858	20,918	21,776
Insurance	5,856	22,425	28,281
Data Circ Line/Automation	440	2,053	2,494
AMIGOS/OCLC	33,035	-	33,035
Seminars/Training	1,673	9,255	10,927
Travel/Gasoline	20,236	25,422	45,659
Software/licenses	455	7,559	8,014
Continuing Education	4,243	8,606	12,849
Equip Maint Contracts	11,452	121,647	133,098
Other Maint/Repairs	3,447	81,561	85,008
Recovery Expense	-	11,859	11,859
Fees	295	934	1,229
Equipment Rent/Lease	-	-	0
Utilities	12,860	256	13,116
Property Revaluation	-	83,943	83,943
Advertising	5,226	19,793	25,018
Memberships	5,822	6,070	11,892
Meals/Food	1,135	25,603	26,738
Rent	59,982	1,037	61,019
Staff Development	211	2,393	2,603
US Data Capture	-	3,133	3,133
Construction Expense	-	-	0
Misc Contract Labor	534	3,292	3,826
Miscellaneous	-	3,264	3,264
SUPPLIES & OTHER EXP	212,495	837,088	1,049,583
EQUIPMENT & FURNISHINGS	3,211	181,064	184,275
TOTAL EXPENDITURES	\$ 1,218,631	\$ 4,420,932	\$ 5,639,563

Please note: This report includes materials expenditure which, under GASB 34 reclassified as assets in the Government-Wide Fund Financial Statements

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
SCHEDULE OF COMBINED EXPENDITURES, GENERAL REVENUE FUNDS
PUBLIC SERVICE BRANCH
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

	Stillwell	Westville	Tahlequah	Hulbert	Grove	Jay	Kansas	Checotah	Eufaula	Haskell	Muskogee	Fort Gibson	Warner	Sallisaw	Muldrow	Total Public Services
STAFF EXPENDITURES	\$100,007	\$93,003	\$344,053	\$63,811	\$189,569	\$150,603	\$66,576	\$165,511	\$145,415	\$66,673	\$1,026,645	\$109,347	\$62,597	\$145,284	\$70,637	2,799,731
Books	12,215	13,457	42,579	9,449	42,466	25,036	11,429	18,350	23,089	3,632	86,848	10,457	13,936	22,344	19,081	354,367
Periodical	780	1,665	3,779	1,131	2,947	1,112	956	2,556	1,702	499	6,778	959	360	2,257	364	27,843
Compact Discs	275	3,272	32,042	729	8,189	3,788	967	727	3,150	581	19,450	100	698	3,025	1,465	78,458
Online Subscription	-	-	-	-	-	-	-	-	-	-	5,075	-	-	-	-	5,075
Downloadable Audios	-	-	-	-	-	-	-	-	-	-	4,173	-	-	-	320	4,493
DVD	3,513	2,140	21,803	2,901	15,930	7,089	4,027	4,372	4,611	2,636	23,375	2,580	6,386	6,147	8,250	115,761
Other-micro, kits, sft wr	60	60	1,961	-	1,025	-	-	65	125	-	1,447	549	-	-	504	5,796
LIBRARY MATERIALS	16,842	20,594	102,164	14,211	70,557	37,024	17,380	26,070	32,677	7,347	147,146	14,644	21,380	33,774	29,984	591,792
Postage	528	415	2,327	343	711	1,181	655	829	1,509	585	9,094	525	213	2,053	1,328	22,294
Supplies	8,823	4,209	23,206	9,152	26,521	12,205	10,643	20,271	12,918	3,276	41,367	8,887	4,521	8,969	8,374	203,342
Consultants/Speakers	750	950	5,976	4,687	9,782	2,410	3,018	14,125	2,750	3,652	750	5,924	3,993	750	750	60,268
Printing/Binding	-	-	-	-	-	-	-	42	-	-	5,017	-	-	-	-	5,059
Recovery Expense	519	313	1,835	179	904	474	286	537	537	143	4,144	510	233	850	394	11,859
Telephone	1,099	504	1,609	318	1,552	2,319	1,036	3,567	1,667	2,209	3,721	467	852	-	-	20,919
Insurance	887	985	1,727	734	1,680	875	749	1,092	1,136	763	8,256	938	696	1,023	883	22,425
Data Circ	-	-	-	135	-	-	-	-	-	-	-	399	1,519	-	-	2,053
Line/Automation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fees	43	19	94	6	66	49	-	42	103	-	200	-	37	7	19	685
Seminars/Training	195	765	1,115	418	1,463	345	398	890	15	123	2,890	355	123	250	171	9,515
Travel/Gasoline	2,151	1,469	2,239	659	6,152	1,380	809	1,658	1,068	300	3,058	63	111	2,397	1,370	24,882
Software/Licenses	362	173	2,254	115	535	381	115	343	343	247	1,111	285	266	612	420	7,560
Equip Maint Contracts	4,308	5,138	17,845	3,178	10,221	5,585	3,018	6,221	6,950	3,425	36,757	4,647	3,927	6,507	3,920	121,647
Other Maint/Repairs	1,649	-	18,900	75	10,180	-	-	500	290	-	46,668	-	-	-	-	78,263
Equipment Rent/Lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Utilities	-	-	-	-	-	-	255	-	-	-	-	-	-	-	-	255
Property Revaluation	6,596	6,596	18,290	3,228	6,710	4,258	1,935	5,524	5,524	821	13,132	1,395	1,067	5,764	3,103	83,943
Equipment Supplies	33	33	763	633	1,212	245	1,132	867	1,710	33	1,318	33	345	33	297	8,689
Advertising	192	202	489	317	2,391	356	4	1,269	2,120	134	11,055	134	621	90	176	19,554
Memberships	-	-	657	48	808	503	48	545	814	119	1,419	410	219	225	107	5,920
Meals/Food	-	41	122	7	360	17	12	691	66	9	379	21	64	99	62	1,948
Rent	40	-	-	-	755	-	-	-	-	20	182	-	40	-	-	1,037
Staff Development	120	106	226	87	182	116	90	157	154	87	642	113	90	136	87	2,393
US Data Capture Fees	29	-	658	26	649	77	54	539	159	4	658	174	71	28	7	3,133
Construction Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Digitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Misc Contract Labor	-	-	-	-	500	133	-	46	-	-	-	-	-	-	-	679
Miscellaneous	-	18	28	700	132	120	59	115	15	-	711	-	-	-	-	1,897
SUPPLIES & OTHER EXP	28,326	21,936	100,358	25,044	83,466	33,028	24,315	59,869	39,849	15,950	192,531	25,281	19,006	29,793	21,468	720,219
EQUIPMENT & FURNISHINGS	1,693	6,609	30,655	7,620	17,637	4,713	581	11,375	8,011	0	8,127	5,593	4,906	581	581	108,681
TOTAL EXPENDITURES	\$146,868	\$142,142	\$577,230	\$110,685	\$361,228	\$225,369	\$108,851	\$262,824	\$225,951	\$89,970	\$1,374,449	\$154,865	\$107,888	\$209,432	\$122,670	\$4,220,423

Please note: This report includes materials expenditures which, under GASB 34 have been reclassified as assets in the Government-Wide and Fund Financial Statements
*Note: This schedule does not include depreciation expense which is a non-cash item.

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
SCHEDULE OF COMBINED EXPENDITURES, SPECIAL REVENUE FUNDS
PUBLIC SERVICE BRANCH
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

	Stillwell	Westville	Tahlequah	Hulbert	Grove	Jay	Kansas	Checotah	Eufaula	Haskell	Muskogee	Fort Gibson	Warner	Sallisaw	Muldrow	Total Public Services
STAFF EXPENDITURES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,128	\$0	\$0	\$0	\$0	\$6,128
Books	-	-	-	-	1,586	-	-	-	-	-	-	-	-	-	-	1,586
Periodical	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Compact Discs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Online Subscription	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Downloadable Audios	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
DVD	-	-	-	-	-	-	-	-	-	-	-	45	-	-	-	45
Other-Misc, kits, software	1,000	-	-	-	-	-	-	456	-	-	-	43	-	1,000	1,000	3,499
LIBRARY MATERIALS	1,000	0	0	0	1,586	0	0	456	0	0	0	88	0	1,000	1,000	5,130
Postage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Supplies	4,317	1,056	1,532	2,327	2,205	204	2,351	1,736	756	1,020	20,725	1,901	482	1,502	3,362	45,475
Consultants/Speakers/Grants	1,318	1,468	-	217	250	200	1,492	-	6,010	-	8,289	2,879	-	2,980	2,980	28,083
Printing/Binding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Data Circ Line/Automation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
AMIGOS/OCLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Seminars/Training	-	-	-	320	1,034	-	320	-	-	-	3,434	-	3,239	-	-	8,346
Travel/Gasoline	-	-	-	55	-	-	55	-	55	-	55	207	-	55	55	539
Software/Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Equip Maint Contracts	-	-	-	-	-	-	-	1,246	-	-	-	-	-	-	-	1,246
Other Maint/Repairs	2,052	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,052
Equipment Rent/Lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Property Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Equipment Supplies	-	-	-	-	251	-	-	-	-	-	-	-	-	454	200	905
Advertising	140	-	-	-	-	-	-	-	99	-	-	-	-	-	-	239
Memberships	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150
Meals/Food	1,067	279	1,119	2,029	2,397	264	3,928	3,142	1,511	153	4,973	1,110	286	681	355	23,295
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Misc Contract Labor	-	-	-	-	-	-	2,212	400	-	-	-	-	-	-	-	2,612
Construction Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Miscellaneous	-	-	-	-	-	-	-	-	-	-	2,777	-	-	-	-	2,777
SUPPLIES & OTHER EXP	8,894	2,803	2,651	4,948	6,137	668	10,360	6,524	8,431	1,173	40,253	6,097	4,006	5,823	6,952	115,720
EQUIPMENT & FURNISHINGS	18,784	0	13,004	0	22,704	0	0	0	0	0	8,230	0	0	1,669	1,669	66,060
TOTAL EXPENDITURES	\$28,678	\$2,803	\$15,655	\$4,948	\$30,427	\$668	\$10,360	\$6,980	\$8,431	\$1,173	\$54,611	\$6,185	\$4,006	\$8,492	\$9,621	\$193,037

Please note: This report includes materials expenditures which, under GASB 34 have been reclassified as assets in the Government-Wide and Fund Financial Statements

*Note: This schedule does not include depreciation expense which is a non-cash item.