

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM

MUSKOGEE, OKLAHOMA

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2019**

**JACKSON, FOX and RICHARDSON
A PROFESSIONAL CORPORATION
129 'C' ST. NORTHWEST
P.O. BOX 1171
ARDMORE, OK 73402**

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM

Year Ended June 30, 2019

Table of Contents

REQUIRED SUPPLEMENTARY INFORMATION:

Management's Discussion and Analysis.....	3
Budgetary Comparison Schedule—General Fund.....	10
Pension/OPEB Schedules and Related Ratios.....	11-12

INDEPENDENT AUDITORS' REPORT.....	13
-----------------------------------	----

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements

Statement of Net Position.....	15
Statement of Activities.....	16

Fund Financial Statements

Balance Sheet – Governmental Funds.....	17
Statement of Revenue, Expenditures and Changes in Net Position – Governmental Funds.....	18
Notes to Financial Statements.....	19

OTHER SUPPLEMENTARY INFORMATION:

Schedule of State Financial Assistance.....	32
Combined Schedule of Expenditures, General and Special Revenue Funds – All Departments and Branches.....	33
Combined Schedule of Expenditures – General Fund by Branch.....	34
Combined Schedule of Expenditures – Special Revenue Fund by Branch.....	35

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.....	29
---	----

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Unaudited)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FY19**

FINANCIAL HIGHLIGHTS

- **Total Revenue** for the System was **\$5,562,954**. This is a combined total of **\$5,424,731** in General Fund and **\$138,223** in Special Revenue.
- **Total Expenditures** (before depreciation) were **\$5,639,620**. This is a combined total of **\$5,460,135** in General Fund and **\$179,485** 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%**. This is the same growth rate as last year. Adair County revenue was up **10.5 %** from the previous year. Muskogee County revenue grew by **.6%**.

General Fund Expenditures increased by **2%**. Equipment purchases were down **34%** and Staff expenses were up **3%**.

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, 2019 the total Special Revenue amount was **\$460,662**. 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 have been divided based on the percentage of total ad valorem collected.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Unaudited)**

Where did the System spend its money?

Total FY Expenditures include General Fund and Special Revenue.

	<u>FY19</u>		<u>FY18</u>	
Staff	\$3,533,238	63%	3,421,645	61%
Materials	\$ 995,203	18%	984,060	17%
Operations	\$ 998,179	18%	1,048,285	19%
Equipment	\$ 91,134	1%	184,275	3%

... On Staffing- Personnel

A new Muskogee Manager was hired after a five-month search. An I.T. Coordinator was hired after a two-month search. The Assistant Director position was filled but has recently been vacated. A professional Reference Librarian position has been open in Muskogee since July. Hiring part time personnel happens every month. Each branch has at least two part time clerks and the position is frequently vacated within two years. Professional positions have always been a challenge to fill. We will begin an Assistant Director search, soon.

There were no salary increases in FY19. Budget percentages were changed, and several branches were unable to afford raises. In an effort to push back monthly payroll cutoff dates, hourly employees with the System for the entire year received an extra week of pay. The Board's Personnel Philosophy says our employees are worth the investment and we need to stay competitive with our identified job markets.

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. 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.

Future budget plans include salary increases. System revenue remains relatively flat at a growth rate of 3%. There is always the challenge of finding the right people, paying them a competitive wage and staying within our budget.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Unaudited)**

...On Materials

The System budgeted over \$1,070,000 for materials last year.

	<u>% of Material Budget - Purchased</u>		
PRINT	FY17 = 49%	FY18 = 42%	FY19 = 40%
ONLINE & DOWNLOADABLE	FY17 = 26%	FY18 = 36%	FY19 = 40%
AUDIO VISUAL	FY17 = 25%	FY18 = 22%	FY19 = 20%

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 audiobooks and e-magazines. Downloadable music is available for patrons to check-out and keep. Movies and television shows are available on Hoopla. Last year, with funds from an Early Literacy Grant, the System was able to purchase over 300 Launchpads – pre-loaded tablets for children. Each year branches add to their "Non-traditional" collections. In Ft. Gibson they have Blue Ray players to check-out. In Grove you can check out a telescope and sewing machines. Tahlequah has looms. Haskell, Grove and Hulbert have Hot-Spots for Wi-Fi access. Warner, Hulbert, Kansas, Tahlequah and Muskogee have collections of board games for family fun nights! The library is not just a building with books!

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, smart phones 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. Subcategories include postage, supplies, advertising, insurance, travel, speakers, maintenance, rent, etc.

Supply purchases vary every year but in FY19, Supplies were down **11%**. Advertising was down as we move more job postings to free social media. 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 **\$73,600** on program speakers last year. **Over 4,500 programs** were held this year. Most of them did not include paid performers or speakers.

E-rate is a government program that was created to allow schools, libraries and rural health centers to receive discounted telephone service and internet access. Reimbursements for telephone costs are now phased out. Reimbursement are received when USAC approves the request and documentation is completed. That can happen quickly or months after it is

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Unaudited)**

submitted. In FY19, EODLS paid a little less than **\$11,000** to connect the System to the Internet. Since Telephone costs are no longer supported by the E-rate program the System will continue to find ways to move branches to VOIP. Telephone costs increased by **50%** this year. Kellogg & Sovereign is the vendor we use to help track the program. Last year was the first time we asked for bids for one vendor to provide services for the entire System. Previously sixteen bids were requested; one for each branch and Support Services. Paperwork is considerably less with one request!

...On Equipment

Furniture and Equipment are the two categories the branches cut to make their budgets work. The branches with more revenue are able to update their furniture routinely. Branches with less revenue must find grants or make do with hand-me-downs from other libraries to update their surroundings. Ft. Gibson received a windfall with the re-worked budget of FY19 and was able to purchase over **\$12,000 in new furnishings and over \$5,000 in children's computers**. Tahlequah has always been able to update equipment. Grove spent **\$28,000 to update** their Children's area with new furniture and shelving. Stilwell got some much-needed shelving through a grant and Friends donations. Checotah received new carpeting from their City and with the new color scheme the library decided to update some chairs by recovering them with new upholstery.

Many of the branches are anxious to begin the new Strategic Plan. Each branch has written a Space Plan as part of the Focus Area: *Welcoming, Safe and Versatile Spaces*. They were encouraged to think broadly about what could be removed or added to their locations. With the new Budget format, as part of the *Fiscal Sustainability Focus Area*, the System expects to see some major changes in the way branches look and provide quality patron services.

Long Range Planning

This was the last year of our "FY16-19 Long Range Plan". We continued 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 worked on the 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 had the additional initiatives: E) Increase marketing
F) Improve system organization.

Our tagline was "*EODLS is 1 Common Mission, 1 Common Service, 1 Dynamic Library!*" Branches made great strides in cleaning up their collections and creating STEM and STEAM programming. Some comfortable spaces were created, and basic technology was supported. Items that still need work are marketing and public relations along with updating technology.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Unaudited)**

The System spent the past several months creating a new Strategic Plan. It went into effect on July 1st and has four Focus Areas: *Information, Learning and Entertainment; Fiscal Sustainability; Community Collaboration; and Welcoming, Safe and Versatile Spaces*. Some of the work identified was a continuation of the previous Service Initiatives. Managers can now create their own de-selection lists using BlueCloud Analytics software. Marketing began with a committee that wanted a new look for the System. A firm was hired to create a new web page and logo. An I.T. Coordinator was hired to replace the Electronic Resources Assistant. He will concentrate on repairing and upgrading technology equipment. The Board has already adopted a new Budget that will **“Improve system-wide funding equitability.”** Everyone is excited to work on the new plan and make some meaningful changes. Our new tagline is *“Inspiring Imagination and Ideas.”*

Budgetary Highlights

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

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 FY18 and the FY19 Budget changed revenue divisions in Adair, Cherokee, McIntosh and Muskogee counties. The budgets in the two counties collecting 2 mills were not changed.

Using the Assessor’s Report – Assessed Valuation by School, we tracked 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. 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%. Open Hours were changed in seven branches. During FY19, it was determined that this was not a successful formula. While discussing the new strategic plan, it was determined that *Fiscal Sustainability* was a needed area of focus. With that in mind, a new formula was developed.

Beginning with the FY20 Budget, all Revenue received will be placed in the Operating Budget. The Operating Budget will include; **A) Ad Valorem, B) State Aid, C) Interest, D) Miscellaneous revenue, E) City/County Support, F) Budget Carryover and G) Revenue Carryover**. This will be considered the Budgeted Revenue.

After the Total Budgeted Revenue is determined – Expenditures will be calculated.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Unaudited)**

The Operating Budget Expenditures will include; **A) Support Services, B) Emergency Reserve, C) Salaries, D) Materials, E) Operations and F) Equipment.**

Support Services will include the Salaries and Operations for the administrative department and E-Material for the entire System. The Emergency Reserve will equal three months of Operational Expenses. Salaries, Materials and Operations will be determined by size of community served and a three-year history of expenses. Equipment purchases will be determined by the Strategic Plan, individual Space Plans and history of previous purchases.

Grant Funds and Donations are Special Revenue and will continue to be tracked and expended by Location.

During FY19, the Business Manager worked with the bank to enable credit card transactions at each branch. Previously, five of the larger branches had this capability. With reductions in fees and the increased ease of functionality, all branches can now accept credit card payments for lost books, fines and fees. We also added a **GIVE** button to the website making it easier for donors who may want to make a monetary gift to any branch or department in the System.

The System recently added PrinterOn as an app for mobile printing. Anyone can send a print job from their smart phone or digital device to one of branches. The person then comes in to the library, makes a payment and leaves with their printing. Usage of System owned computers is down, but Wi-Fi usage is up. We need to find a way to help those personal devices use our printing services.

End of FY19 recap

	<u>Budget</u>	<u>Expenditures</u>	<u>% Unspent</u>
Stilwell	236,272	223,106	6%
Westville	201,393	179,870	11%
Tahlequah	871,567	790,251	9%
Hulbert	109,917	102,648	7%
Grove	512,499	486,204	5%
Jay	313,370	301,168	4%
Kansas	141,437	137,468	3%
Checotah	365,421	354,088	3%
Eufaula	374,711	309,689	17%
Haskell	117,064	104,541	11%
Muskogee	1,721,449	1,630,061	5%
Ft. Gibson	376,337	356,206	5%

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Unaudited)**

Warner	152,570	134,371	12%
Sallisaw	302,407	274,696	9%
Muldrow	168,444	155,473	8%

Highlights of Service Provided in FY19

- Summer Reading Programs for children and teens are mainstays of the public library. **Eighty-nine teen programs were held this year with 1,183 in attendance. 596 programs were held for children and 19,955 attended. That's an increase of 5,000!**
- This year, **4,503 programs** were held in the branches and **89,651 people** attended.
- **Wi-Fi logins** and **Computer usage** remain strong with over **269,423 Wi-Fi users** and **107,875 Computer users**.
- **797,134 people** came through the library doors last year! That's a **4%** increase.
- Print Circulation is still down 5% but **E-circulation is up 25%**.

EODLS: Inspiring Imagination and Ideas!

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, 2019
(Unaudited)

	Proposed Budget	Approved Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Ad Valorem, Sales Tax & City Support	\$4,408,627	\$ 4,596,615	\$ 5,095,866	\$ 499,251
Oklahoma Dept of Libraries State Aid	80,000	94,999	93,339	(1,660)
Other Grants/Donations				-
Other Revenues	152,616	156,503	148,725	(7,778)
Interest Revenue	19,001	23,001	43,596	20,595
McIntosh Co Sales Tax/Muldraw City Support/Fort Gibson City Support	121,840	117,278	117,277	(1)
Total Revenues	4,782,084	4,988,396	5,498,803	510,407
<u>EXPENDITURES</u>				
Staff Expenditures	2,999,900	3,035,825	3,526,439	(490,614)
Supplies & Other Expenditures Operations	854,332	815,159	886,286	(71,127)
	1,185,236	1,264,986	1,205,319	59,667
Total Expenditures	5,039,468	5,115,970	5,618,044	(502,074)
NET INCREASE (DECREASE)	(257,384)	(127,574)	(119,241)	8,333
<u>OTHER FINANCING SOURCES (USES)</u>				
Capital outlay				
Informational materials (books)	(625,685)	(700,205)	(973,338)	(273,133)
Equipment and furnishings	(54,664)	(147,118)	(74,072)	73,046
FY17 Revenue carryover	939,298	976,462	1,024,922	48,460
Total Other Financing Sources	258,949	129,139	(22,488)	(151,627)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,565	\$ 1,565	\$ (141,729)	\$ (143,294)

Revenue carryovers and grant funding cover budget deficiencies.

The above budget to actual does not include depreciation expense, but rather budgets actual capital outlays.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
GASB 68 PENSION SCHEDULES AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

Schedule 1

Schedule of Proportionate Shares

	2018	2017	2016	2015	2014
Library proportion of the net pension liability	0.11081704%	0.11381894%	0.10044798%	0.10563111%	0.10898829%
Library proportional share of the net pension liability	\$ 216,141	\$ 615,377	\$ 996,676	\$ 379,938	\$ 1,214,500
Library covered-employee payroll	1,959,767	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	11.03%	33.02%	55.19%	22.35%	66.17%
OPERS fiduciary net position as a percentage of the total pension liability	97.96%	94.28%	89.48%	96.00%	97.90%

Schedule 2

Schedule of Contributions

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 286,334	\$ 306,169	\$ 297,751	\$ 308,106	\$ 304,667
Contributions in relation the contractually required contributions	287,460	309,563	299,644	305,860	306,502
Contribution deficiency (excess)	(1,126)	(3,394)	(1,893)	2,246	(1,835)
Library's covered employee payroll	1,959,767	1,863,503	1,805,796	1,700,031	1,835,549
Contributions as a percentage of covered employee payroll	14.67%	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, 2019**

Schedule 1

Schedule of Proportionate Shares

	<u>2018</u>	<u>2017</u>
Library proportion of the OPEB liability	0.11081704%	0.11381894%
Library proportional share of the OPEB liability	\$ (14,341)	\$ 13,037
Library covered-employee payroll	1,959,767	1,805,796
Library proportionate share of the OPEB liability as a percentage of covered payroll	-0.73%	0.72%
OPERS fiduciary net position as a percentage of the total OPEB liability	103.94%	96.50%

Schedule 2

Schedule of Contributions

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 21,144	\$ 21,430
Contributions in relation the contractually required contributions	20,120	21,667
Contribution deficiency (excess)	1,024	(237)
Library's covered employee payroll	1,959,767	1,805,796
Contributions as a percentage of covered employee payroll	1.03%	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

JACKSON, FOX and RICHARDSON

A Professional Corporation

Certified Public Accountants

PO Box 1171 * 129 C Northwest
Ardmore, Oklahoma 73402-1171
Donald L. Jackson (1948-2015)
Kathy A. Fox CPA
Gabriel M. Richardson CPA EA

Phone (580) 223-1877 Fax (580) 223-1880
www.cpa-ok.com

kathy@cpa-ok.com
gabe@cpa-ok.com

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 and each major fund of the Eastern Oklahoma District Library System (the Library), as of and for the year ended June 30, 2019 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 and each major fund of the Eastern Oklahoma District Library System as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9, the Statement of Revenues and Expenses-General Fund-Budget to Actual on page 10, and the Pension/OPEB Schedules on pages 11-12 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Jaelyn Fox: Richman PC

Ardmore, Oklahoma
September 18, 2019

EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2019

<u>ASSETS AND OTHER DEBITS</u>	General	Special Revenue	Totals
Assets:			
Cash and Cash Equivalents	\$ 3,087,073	\$ 546,577	\$ 3,633,650
Receivables			
Ad Valorem Tax	88,700		88,700
Prepaid Expenditures	11,084		11,084
OPEB Asset	14,342		14,342
Property, Plant and Equipment:			
Informational materials	10,581,384	114,151	10,695,534
Furniture and equipment	2,395,373		2,395,373
Fine Art	87,046		87,046
Less: Accumulated depreciation	(10,238,347)	(86,756)	(10,325,103)
Total Assets and Other Debits	\$ 6,026,655	\$ 573,972	\$ 6,600,627
Deferred Outflows of Resources	\$ 464,873	\$ -	\$ 464,873
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$ 81,650	\$ 302	\$ 81,952
Compensated Absences Payable	125,421		125,421
Accrued Payroll and Related Costs	128,186		128,186
Net Pension Liability	216,142		216,142
Total Liabilities	\$ 551,399	\$ 302	\$ 551,701
Deferred Inflow of Resources	\$ 191,732	\$ -	\$ 191,732
Net Position:			
Net Investment in Capital Assets	2,825,456	27,395	2,852,851
Restricted		546,274	546,274
Unrestricted	2,922,941		2,922,941
Total Net Position	\$ 5,748,397	\$ 573,670	\$ 6,322,067

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, 2019**

		Program Revenues		Net (Expense) Revenue and Change in Net Assets
Primary Government	Expenses	Charges for Services	Grants and Donations	Governmental Activities
Governmental Activities				
Operating Expenses	\$ 764,123	\$ 148,725	\$ 90,551	\$ (524,848)
Personnel Services	3,342,692			(3,342,692)
Supplies & Other Expenses	251,751			(251,751)
Materials	156,743			(156,743)
Depreciation	824,197			(824,197)
Total Governmental Activities	\$ 5,339,506	\$ 148,725	\$ 90,551	\$ (5,100,231)
General Revenue				
Ad Valorem, Sales Tax, and City Support				5,215,860
State Aid				93,339
Interest				48,636
Miscellaneous				39,493
Gain/(Loss) on Sale				305
Total General Revenue				\$ 5,397,632
Change in Net Assets				\$ 297,401
Net Position, July 1, 2018				6,024,666
Net Position, June 30, 2019				\$ 6,322,067

The accompanying notes are an integral part of this financial statement

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2019**

<u>ASSETS AND OTHER DEBITS</u>	General	Special Revenue	Totals
Cash and Cash Equivalents	\$ 3,087,073	\$ 546,577	\$ 3,633,650
Ad Valorem Tax Receivables	88,700		88,700
Prepaid Expenditures	11,084		11,084
Total Assets	\$ 3,186,857	\$ 546,577	\$ 3,733,434
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 81,650	\$ 302	\$ 81,952
Compensated Absences Payable	125,421		125,421
Accrued Payroll and Related Costs	128,186		128,186
Total Liabilities	\$ 335,257	\$ 302	\$ 335,559
Fund Balances			
Assigned			-
Committed	216,615		216,615
Unassigned	2,634,985	546,275	3,181,260
Fund Balances, end of year	\$ 2,851,600	\$ 546,275	\$ 3,397,875
Total Liabilities and Fund Balances	\$ 3,186,857	\$ 546,577	

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 \$13,177,953 and the accumulated depreciation is \$10,325,103	2,852,851
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.	
Net pension liability	(216,142)
Other Post-Employment Benefits liability (OPEB liability)	14,342
Deferred outflows of resources related to net pension liability/OPEB liability	464,873
Deferred inflows of resources related to net pension liability/OPEB liability	(191,732)
Total Net Position - Governmental Activities	\$6,322,067

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, 2019**

	General Fund	Special Revenue	Governmental Funds
Revenues			
Ad Valorem, Sales Tax & City Support	\$ 5,213,025	\$ -	\$ 5,213,025
State Aid	93,339		93,339
Grants/Donations		93,386	93,386
Other Revenues	148,725	39,493	188,218
Interest Revenue	43,596	5,039	48,635
Total Revenues	\$ 5,498,685	\$ 137,918	\$ 5,636,603
Expenditures			
Staff Expenditures	\$ 3,335,893	\$ 6,799	\$ 3,342,692
Materials	960,836	20,104	980,940
Furniture and Equipment	91,134		91,134
Supplies and Other Expenditures	203,372	48,379	251,751
Operations	697,547	66,576	764,123
Total Expenditures	5,288,782	141,858	5,430,640
Net Change in Fund Balance	\$ 209,903	\$ (3,940)	\$ 205,963
Beginning Fund Balance	2,817,516	566,971	3,384,487
Ending Fund Balance	3,027,419	563,031	3,590,450
Total net changes in fund balances - governmental funds			205,963

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	\$ (824,197)	
Capital outlays	<u>915,330</u>	91,133

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:

Change in net position of governmental activities	<u>\$ 297,401</u>
---	-------------------

The accompanying notes are an integral part of this financial statement

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

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, 2019 – 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 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, 2019 - 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, 2019 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, 2019 - 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	Collateral
Deposits				
Demand Deposits	\$ 250,000	\$ 890,053		\$ 1,140,053
Certificates of Deposit	2,478,662	9,001		2,487,663
Totals	\$ 2,728,662	\$ 899,054	\$ -	\$ 3,627,716

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 \$88,700 for the year ended June 30, 2019.

For the year ended June 30, 2019 the total property tax levy collected for EODLS was \$5,095,747, 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, 2019 – 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, 7/1/18	\$ 2,307,476	\$ 10,389,456	\$ 87,046
Purchases/Donations	91,134	825,552	-
Disposals/Adjustments	(3,237)	(519,473)	-
Asset Balances, 6/30/19	\$ 2,395,373	\$ 10,695,534	\$ 87,046
	Accumulated Depreciation		
	Equipment/ Furnishings	Informational Materials	Fine Art
Asset Balances, 7/1/18	\$ 2,101,914	\$ 7,834,655	\$ 87,046
Depreciation Expense	153,597	670,600	-
Disposals/Adjustments	(158,188)	(364,521)	-
Asset Balances, 6/30/19	\$ 2,097,323	\$ 8,140,733	\$ 87,046
Depreciation Expense	\$ 153,597	\$ 670,599	

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 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 specific to the risks involved. Management believes such coverage is sufficient to preclude any significant

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019– CONTINUED**

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, 2019 through the date of issuance of these financial statements, September 18, 2019, and has determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

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.

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.

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 15 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 \$353,700 for 2019.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019– CONTINUED**

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

The net pension liability and OPEB liability were measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2018. Based upon this information, the Library's proportion was 0.11081704%.

For the year ended June 30, 2019, the Library recognized the following related to its proportionate share of the Net Pension Liability:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		121,728
Changes in assumptions	92,952	
Net difference between projected and actual earnings on pension plan investments		35,356
Change in proportion and differences between contributions and proportionate share of contributions	10,533	
Contributions during measurement date		(1,892)
Contributions subsequent to measurement date	329,378	
	\$ 432,862	\$ 155,192

Net pension liability - \$216,141

Pension expense - \$184,221

Reported deferred outflows of resources of \$329,378 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, 2020. 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
2020	202,848	85,033
2021	10,987	31,236
2022	(124,258)	(1,783)
2023	13,909	40,706
2024	-	-
Thereafter	-	-
	\$ 103,486	\$ 155,192

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019– CONTINUED**

Actuarial Methods and Assumptions

The total pension liability was determined on an actuarial valuation prepared as of July 1, 2018 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 nondisabled pensioners: RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- Annual post-retirement benefit increase – none
- Assumed inflation rate – 2.75%
- Payroll growth rate – 3.5%
- Actuarial cost method – entry age
- Select period for termination of employment assumptions – 10 years

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, 2016. The experience study report is dated April 13, 2017.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
US Large Cap Equity	38.0%	3.8%
US Small Cap Equity	6.0%	4.9%
US Fixed Income	32.0%	1.5%
Non-US Equity	24.0%	9.2%
	100.0%	

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	\$ 1,386,807	\$ 216,141	\$ (775,935)

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.

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019– CONTINUED**

For the year ended June 30, 2019, 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		22,547
Changes in assumptions	8,406	
Net difference between projected and actual earnings on pension plan investments		13,299
Change in proportion and differences between contributions and proportionate share of contributions	(718)	
Contributions during measurement date		694
Contributions subsequent to measurement date	24,322	
	\$ 32,010	\$ 36,540
OPEB Asset	\$ (14,341)	

Reported deferred outflows of resources of \$24,322 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, 2020.

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
2020	1,792	9,154
2021	1,792	9,154
2022	1,792	9,154
2023	1,792	5,730
2024	536	3,097
Thereafter	(17)	251
	7,687	36,540

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019– CONTINUED**

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
	6.00%	7.00%	8.00%
OPEB liability	\$ 22,832	\$ (14,341)	\$ (46,314)

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

A Professional Corporation

Certified Public Accountants

PO Box 1171 * 129 C Northwest

Ardmore, Oklahoma 73402-1171

Donald L. Jackson (1948-2015)

Kathy A. Fox CPA

Gabriel M. Richardson CPA EA

Phone (580) 223-1877 Fax (580) 223-1880

www.cpa-ok.com

kathy@cpa-ok.com

gabe@cpa-ok.com

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 and each major fund of Eastern Oklahoma District Library System (the Library) as of and for the year ended June 30, 2019, 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, 2019.

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: Ridenour

Ardmore, Oklahoma
September 18, 2019

OTHER SUPPLEMENTARY INFORMATION

Eastern Oklahoma District Library System
Schedule of State Financial Assistance
Year ended June 30, 2019
(Unaudited)

State of Oklahoma Assistance	Project Amount	Receipts Recognized	Expenses Paid
Oklahoma Department of Library State Aid and Other Grants			
Oklahoma Department of Libraries State Aid and Other Grants for the Development and Expansion of Library Services	\$ 97,539	\$ 97,539	\$ 97,539
	<u>\$ 97,539</u>	<u>\$ 97,539</u>	<u>\$ 97,539</u>

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
SCHEDULE OF COMBINED EXPENDITURES, GENERAL
AND SPECIAL REVENUE FUNDS – ALL DEPARTMENTS AND BRANCHES
FOR THE YEAR ENDED JUNE 30, 2019**

(Unaudited)

	TOTAL SUPPORT SERVICES	TOTAL LIBRARIES SERVICES	TOTAL
<u>STAFF EXPENDITURES</u>	\$ 619,465	\$ 2,913,773	3,533,238
Books	16,196	366,076	382,272
Periodical	279	25,750	26,029
Compact Discs	79	63,380	63,459
Online Subscription	125,639	5,075	130,714
Downloadable Audios	243,431	15,890	259,322
DVD	22	119,874	119,896
Other-Microforms, Kits, Software	-	13,511	13,511
<u>LIBRARY MATERIALS</u>	385,647	609,557	995,203
Postage	1,059	19,329.43	20,389
Supplies	8,086	230,692.08	238,778
Equipment Supplies	549	7,637.67	8,187
Consultants/Speakers/Grants	24,938	89,117.52	114,055
Printing/Binding	-	2,796.30	2,796
Inspection Expense	45	275	320
Telephone	5,066	27,669.14	32,735
Insurance	5,684	21,144	26,828
Data Circ Line/Automation	494	10,460.90	10,955
AMIGOS/OCLC	34,455		34,455
Seminars/Training	1,663	5,015.65	6,678
Travel/Gasoline	16,635	25,176.18	41,811
Software/Licenses	3,072	6,349.92	9,422
Continuing Education	2,184	14,871.30	17,055
Equip Maint Contracts	11,430	102,578.81	114,009
Other Maint/Repairs	5,162	78,287.66	83,449
Recovery Expense	-	9,674.95	9,675
Fees	-	740.80	741
Equipment Rent/Lease	-	-	0
Utilities	9,708	276.64	9,985
Property Revaluation	-	83,444.17	83,444
Advertising	1,521	16,422.64	17,944
Memberships	5,642	5,620.50	11,263
Meals/Food	699	22,911.45	23,610
Rent	59,869	750	60,619
Staff Development	475	4,711.06	5,186
US Data Capture	75	4,228.72	4,303
Construction Expense	-	-	0
Misc Contract Labor	-	450	450
Miscellaneous	-	9,037.40	9,037
<u>SUPPLIES & OTHER EXP</u>	198,509	799,670	998,179
<u>EQUIPMENT & FURNISHINGS</u>	1,697	89,436	91,134
<u>TOTAL EXPENDITURES</u>	\$ 1,205,319	\$ 4,412,436	\$5,617,754

Please note: This report includes materials expenditure which, under GASB 34 reclassified as assets in the Statement of Net Position

**EASTERN OKLAHOMA DISTRICT LIBRARY SYSTEM
SCHEDULE OF COMBINED EXPENDITURES, GENERAL REVENUE FUNDS
PUBLIC SERVICE BRANCH**

FOR THE YEAR ENDED JUNE 30, 2019

	(Unaudited)											Fort		Total Public		
	Shilwell	Westville	Tahlequah	Hulbert	Grove	Jay	Kansas	Checotah	Eufaula	Haskell	Muskogee	Gibson	Warner	Sallisaw	Muldrow	Services
STAFF EXPENDITURES	\$109,902	\$94,321	\$360,671	\$54,473	\$207,789	\$164,902	\$70,682	\$166,124	\$141,588	\$61,300	\$1,025,515	\$168,823	\$62,847	\$145,596	\$72,441	\$2,906,973
Books	17,884	14,557	45,325	3,017	37,702	26,220	10,740	21,342	21,362	3,473	73,693	26,372	16,452	25,186	18,843	362,168
Periodical	800	1,222	3,876	1,080	3,392	1,146	996	2,680	1,714	562	4,791	1,015	501	1,886	149	25,750
Compact Discs	799	4,813	29,243	-	4,818	3,981	1,015	1,102	3,708	-	6,892	2,017	628	2,916	1,549	63,380
Online Subscription	-	-	-	-	-	-	5,075	-	-	-	-	-	-	-	-	5,075
Downloadable Audios	-	1,960	3,930	-	-	1,479	-	880	1,450	-	3,271	1,000	280	390	1,252	15,890
DVD	6,738	3,814	17,978	481	12,924	6,226	4,546	7,276	4,777	1,962	25,536	8,480	3,177	6,607	7,591	118,112
Other-micro, kits, software	0	0	1,707	-	1,335	-	-	-	-	-	6,961	3,448	62	-	-	13,512
LIBRARY MATERIALS	\$26,221	\$26,365	\$102,058	\$4,578	\$60,170	\$38,953	\$17,297	\$38,355	\$33,010	\$5,997	\$121,084	\$42,333	\$21,099	\$36,985	\$29,384	\$603,888
Postage	652	332	2,018	328	626	1,292	569	988	1,115	428	6,325	900	210	2,039	1,507	19,329
Supplies	8,292	3,482	20,800	6,575	22,250	10,928	8,647	30,626	12,471	3,037	26,775	11,915	4,076	7,996	7,188	185,058
Consultants/Speakers	2,206	563	10,281	3,168	5,526	3,281	3,218	17,663	4,298	2,551	812	7,007	3,374	563	1,163	65,662
Printing/Binding	-	-	-	-	48	-	-	-	-	-	2,748	-	-	-	-	2,796
Recovery Expense	492	322	1,495	143	895	358	233	474	349	170	3,186	349	331	528	349	9,675
Telephone	1,186	958	3,211	1,038	1,821	1,675	1,363	3,560	1,211	1,886	7,518	1,147	1,095	-	-	27,669
Insurance	829	927	1,646	685	1,605	821	700	1,043	1,067	715	7,796	875	644	965	827	21,144
Data Circ	151	-	-	2,334	-	1,192	3,718	608	-	-	2,334	-	-	-	125	10,461
Line/Automation	-	-	-	-	8	-	66	21	40	38	280	74	-	50	54	741
Fees	8	17	85	-	177	246	177	346	206	127	866	520	127	174	140	5,101
Seminars/Training	501	641	346	177	491	2,708	970	955	1,718	361	1,472	660	221	1,185	826	24,946
Travel/Gasoline	2,760	2,314	2,366	764	5,666	2,708	970	955	1,718	361	1,472	660	221	1,185	826	24,946
Software/Licenses	354	121	818	81	516	395	80	435	435	253	1,403	435	314	395	314	6,349
Equip Maint Contracts	3,837	3,433	15,443	2,401	8,014	4,758	2,595	5,952	5,939	2,840	31,131	4,001	2,911	5,753	3,391	102,399
Other Maint/Repairs	-	400	17,967	-	10,080	-	-	1,325	140	-	48,376	-	-	-	-	78,288
Equipment Rent/Lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Utilities	-	-	-	-	-	-	277	-	-	-	-	-	-	-	-	277
Property Revaluation	7,820	6,144	18,625	2,302	6,674	4,236	1,925	6,085	5,184	809	11,816	2,752	809	5,371	2,892	83,444
Equipment Supplies	-	-	1,513	-	1,393	595	227	644	170	-	1,010	629	120	-	-	6,302
Advertising	253	567	1,844	-	3,767	-	394	1,345	570	376	5,567	414	982	172	86	16,336
Memberships	93	93	603	51	808	263	51	545	566	141	1,061	417	241	198	177	5,307
Meals/Food	46	37	42	34	281	25	34	516	22	120	252	194	197	10	5	1,815
Rent	40	-	-	-	482	-	-	-	-	-	168	35	25	-	-	750
Staff Development	222	152	556	101	374	222	152	273	277	182	1,314	253	152	293	222	4,711
US Data Capture Fees	160	134	707	137	596	169	172	482	228	142	519	243	180	214	146	4,229
Construction Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Digitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Misc Contract Labor	-	-	-	-	-	-	-	300	-	-	-	-	-	-	-	300
Miscellaneous	18	-18	6,500	-	132	105	-	-	-	-	225	-	-	-	-	6,962
SUPPLIES & OTHER EXP	\$29,920	\$20,619	\$106,866	\$20,317	\$72,053	\$33,268	\$25,566	\$74,175	\$36,004	\$14,145	\$160,639	\$35,151	\$16,009	\$25,904	\$19,412	\$690,049
EQUIPMENT & FURNISHINGS	\$2,533	\$215	\$7,231	\$215	\$28,689	\$900	\$215	\$4,545	\$1,367	\$215	\$4,540	\$19,384	\$1,898	\$215	\$215	\$72,375
TOTAL EXPENDITURES	\$168,576	\$141,520	\$576,826	\$79,583	\$368,701	\$238,023	\$113,760	\$283,198	\$211,970	\$81,657	\$1,311,777	\$265,691	\$101,853	\$208,699	\$121,452	\$4,273,285

Please note: This report includes materials expenditures which, under GASB 34 have been reclassified as assets in the Statement of Net Position

*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, 2019

(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	\$6,799	\$0	\$0	\$0	\$0	\$6,799
Books	24	-	-	-	17	-	-	-	-	-	1,437	-	-	689	1,742	3,908
Periodical	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Compact Discs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Online Subscription	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Downloadable Audios	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
DVD	252	-	252	-	-	252	-	-	-	-	252	252	-	252	252	1,762
Other-Mico, kits, softw are	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
LIBRARY MATERIALS	\$276	\$0	\$252	\$0	\$17	\$252	\$0	\$0	\$0	\$0	\$1,689	\$252	\$0	\$940	\$1,993	\$5,670
Postage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Supplies	7,290	1,613	3,438	1,081	3,119	1,164	943	2,805	1,379	580	17,153	2,436	306	373	1,956	45,634
Consultants/Speakers/Grants	620	1,964	2,948	175	-25	-	-	-	5,218	-	8,237	350	-	1,634	2,334	23,456
Printing/Binding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Data Circ Line/Automation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
AMIGOS/OCLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Seminars/Training	-	-	-	612	6,813	-	612	-	-	-	3,465	-	3,286	-	-	14,786
Travel/Gasoline	-	-	-	-	-	-	-	-	132	-	98	-	-	-	-	230
Softw are/Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Equip Maint Contracts	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
Other Maint/Repairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Equipment Rent/Lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Property Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Equipment Supplies	719	-	-	-	-	-	-	-	405	212	-	-	-	-	-	1,336
Advertising	-	-	-	-	-	50	-	-	-	-	37	-	-	-	-	87
Memberships	-	-	54	-	-	-	-	-	-	-	110	-	-	150	-	314
Meals/Food	206	358	1,032	1,538	2,098	900	3,275	3,781	522	174	4,621	572	174	1,117	729	21,097
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Misc Contract Labor	-	-	-	-	-	-	-	-	-	-	150	-	-	-	-	150
Construction Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Miscellaneous	-	-	-	-	-	-	-	-	-	-	2,350	-	-	-	-	2,350
SUPPLIES & OTHER EXP	\$9,016	\$3,935	\$7,473	\$3,405	\$12,005	\$2,113	\$4,830	\$6,586	\$7,656	\$966	\$36,221	\$3,358	\$3,765	\$3,273	\$5,018	\$109,620
EQUIPMENT & FURNISHINGS	\$13,370	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$772	\$0	\$1,278	\$0	\$0	\$0	\$0	\$15,420
TOTAL EXPENDITURES	\$22,662	\$3,935	\$7,725	\$3,405	\$12,022	\$2,365	\$4,830	\$6,586	\$8,428	\$966	\$45,987	\$3,610	\$3,765	\$4,214	\$7,012	\$137,509

Please note: This report includes materials expenditures which, under GASB 34 have been reclassified as assets in the Statement of Net Position
*Note: This schedule does not include depreciation expense which is a non-cash item.

