

**EASTERN OKLAHOMA LIBRARY SYSTEM**

**MUSKOGEE, OKLAHOMA**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2020**

**JACKSON, FOX and RICHARDSON  
A PROFESSIONAL CORPORATION  
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P.O. BOX 1171  
ARDMORE, OK 73402**

# EASTERN OKLAHOMA LIBRARY SYSTEM

*Year Ended June 30, 2020*

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EASTERN OKLAHOMA LIBRARY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(Unaudited)

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FY20**

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## FINANCIAL HIGHLIGHTS

- **Total Revenue** for the System was **\$5,795,880**. This is a combined total of **\$5,595,805** in General Fund and **\$200,075** in Special Revenue.
- **Total Expenditures** (before depreciation) were **\$5,609,605**. This is a combined total of **\$5,406,895** in General Fund and **\$202,710** in Special Revenue.

Total General Fund Revenue increased by **3.2%** from the previous year. The primary Revenue source for General Fund, county ad valorem tax, grew **5%**. This is a **2%** growth rate over last year. Adair County revenue was up **7.5 %** from the previous year. Muskogee County revenue grew by **3%**. Last year Muskogee County revenue was up **.6%**.

General Fund Expenditures decreased by **1%**. Equipment purchases were down **83%**.

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, 2020 the total Special Revenue amount was **\$475,950**.

### **Investments**

The majority of the System's 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 are added into the Total Revenue for the System. Interest from investments made with Special Revenue is added back into the account that earned the interest.

**EASTERN OKLAHOMA LIBRARY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(Unaudited)**

**Where did the System spend its money?**

Total FY Expenditures include General Fund and Special Revenue.

	<u>FY20</u>		<u>FY19</u>	
<b>Staff</b>	<b>\$3,592,327</b>	<b>64%</b>	<b>3,533,238</b>	<b>63%</b>
<b>Materials</b>	<b>\$ 928,768</b>	<b>17%</b>	<b>995,203</b>	<b>18%</b>
<b>Operations</b>	<b>\$1,031,805</b>	<b>18%</b>	<b>998,179</b>	<b>18%</b>
<b>Equipment</b>	<b>\$ 28,628</b>	<b>1%</b>	<b>91,134</b>	<b>1%</b>

**... On Staffing – Personnel**

**There was a salary scale increase in FY20.** Beginning January 1<sup>st</sup>, the entire pay scale increased by **4.75%**. The starting hourly rate for clerks is now **\$11.00**. The change in the Budgeting format made raises possible for all branches. The Board's Personnel Philosophy says our employees are worth the investment and we need to stay competitive with our identified job markets.

The Assistant Director position has remained unfilled for most of the year. Hiring part time personnel happens almost 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. The Assistant Director search continues.

**Performance Management**

Performance evaluations are based on job descriptions, competencies and goals. Performance is rated as Outstanding, Successful or Needs Improvement. If revenue is adequate and the Board approves it, employees receiving an overall rating of Outstanding receive a performance reward.

Spring is normally the time for employee evaluations. Employees do self-evaluations at the end of March and Evaluators complete evaluations in April and May. This year the System essentially shut down for six weeks beginning mid-March. During the week of Spring Break, buildings were closed and service was delivered curbside. All staff were paid during the closures. Part time staff were paid based on an average number of hours worked in a week. Staff went back to the buildings in May and patrons were allowed in beginning June 1<sup>st</sup>. Because of the pandemic and the uneasiness some staff felt about returning to work with the public, the decision was made not to complete Performance Evaluations at this time. Performance evaluations will occur in the fall of 2020.

**EASTERN OKLAHOMA LIBRARY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Unaudited)**

**...On Materials**

The System budgeted **\$975,000 for materials** last year.

	<u>% of Material Budget - Purchased</u>		
PRINT	FY18 = 42%	FY19 = 40%	FY20 = 39%
ONLINE & DOWNLOADABLE	FY18 = 36%	FY19 = 40%	FY20 = 43%
AUDIO VISUAL	FY18 = 22%	FY19 = 20%	FY20 = 18%

PRINT includes paper books and magazines.

ONLINE & DOWNLOADABLE includes databases and e-books.

AUDIO VISUAL includes DVD's and Books on CD.

EOLS "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. During the pandemic, several Material vendors allowed libraries free access to material. The System increased its normal check out limit from 10 to 15 for Hoopla items and Hoopla gave patrons access to bonus borrows without cost to the System for several months. Material orders continued to occur during the System's closure as Managers selected from home and the Tech. Services Coordinator ordered from the Support Services office each day. Material orders were received each day, too.

With the new budgeting format, all database and online subscriptions were paid from the Support Services category. **\$375,000 was allocated to these resources and \$374,999 was spent.** All database subscriptions are available to every EOLS 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. Sub categories include postage, supplies, advertising, insurance, travel, speakers, maintenance, rent, etc.

There was a **2% increase** in Operations this year. The new Strategic Plan is to improve our digital access and create welcoming spaces.

A new service for the System is circulating Hotspots. Each branch has at least five units to check out and each unit costs \$22.99 a month. We equate this to the cost of one hardback book and the service is very popular. Hotspots added **\$14,500** to Operations. The System offers remote online printing for patrons who want to print something from their personal digital device. The service is called Printer-On and added about **\$10,800** to our expenses.

The Security officer for Muskogee Public resigned and was replaced with a labor contract with the Muskogee Fraternal Order of Police. The cost is similar, but the expense comes from the

**EASTERN OKLAHOMA LIBRARY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(Unaudited)**

Operations budget, not the Salaries budget. Consultant costs increased since we have a contract with Resolute a public relations firm from Tulsa.

The City of Muskogee reviewed their accounts and realized they hadn't been billing some businesses for trash pickup. Support Services utilities increased by \$74 each month. Telephone costs were **up \$5,000** but Data Circuit costs were **down \$10,000**. This is all part of the ebb and flow of E-rate funds. 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 is received when USAC approves the request and documentation is completed. Property revaluation costs increased **\$11,500**. This is now expended from the Support Services budget.

Some line items decreased. Advertising decreased by **\$9,000** since the System no longer places job ads in the Muskogee Phoenix. They are posted on the System's Facebook page and Indeed.com. Travel was down **\$8,700**. Travel to the Public Library Association conference in Nashville was by System van and one personal car. Beginning in March, everyone stayed home. No delivery costs and no travel between branches and Support Services for meetings. The annual OK Library Association conference was postponed to July and then the conference went online saving all of the branches travel expenses.

### **...On Equipment**

This category is for Equipment costing over \$500. Items less than \$500 are considered Equipment Supplies and are in the Operations category. No money was placed in the Equipment budget this year. In February, the city of Muskogee called and said "they were cleaning up accounts from past administrations' mistakes and discovered **\$28,000** that should have been sent to the System." Since all revenue is now budgeting together, each branch was asked how they would like to spend their share, approximately \$1,500. Several branches ordered ceiling mounted overhead projectors. Some, receipt printers and others received shelving.

### **Strategic Planning**

The System's new streamlined plan began July, 1, 2019. Our vision: *A welcoming library that inspires imagination and ideas.* Our mission: *We empower people by creating opportunities that enrich their lives with information, activities and services.*

Our focus areas are:

- Information, Learning and Entertainment
- Fiscal Sustainability
- Community Collaboration
- Welcoming, Safe and Versatile Spaces

Progress has been made on the Goals for FY20. Most of the circulation procedures have been updated and overdue fines were eliminated. The Board agreed that money owed to the System for more than a year or two was not collectable. All overdue fines and fees were forgiven on March 1<sup>st</sup>. The System will continue to bill patrons for lost items, but overdues on late material will not be collected. Borrowers will no longer be blocked from checking out

**EASTERN OKLAHOMA LIBRARY SYSTEM  
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YEAR ENDED JUNE 30, 2020  
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material because they owe an overdue fee. Revenue from overdue videos went from **\$40,495** last year to **\$23,262** this year. The Board will review the policy periodically. Our planned March marketing campaign was cut short by the pandemic and many patrons aren't aware of the change.

Cleaning up old accounts meant deleting unused borrower accounts. The System went from **74,151** card holders to **48,475**. An online registration procedure will soon be launched. Branches will work hard to get those numbers back up. While the libraries were closed to the public, much cleaning and weeding of the collection took place. The total number of items in the collection went from **449,212** last year to **391,967** this year.

The goal to "align system revenue with strategic goals" began with a change in the way the budget is created. All revenue is now totaled and from that total, Support Services costs and Emergency Reserve amounts are subtracted. Each branch is then budgeted an amount to cover current salaries. Materials and Operations are budgeted based on previous years' expenses. Since the library buildings were essentially closed for two months, this may not be the year from which to gather insight into the new budget.

The System continues to work with Resolute, a PR firm to create marketing materials for all branches. The new name and logo were officially launched at the January Board meeting. Changing our name legally and then on everything digital took some time. A new App was launched in May. It is very convenient for patrons to use.

Creating "welcoming and safe spaces" was re-imagined this year. Instead of comfy gathering spaces where people could spend several hours, branches are now safe spaces that have reduced occupancy and time limits on patron visits. Since May, a safe space is defined by limited seating and Plexiglass shields at the circulation desks. Safe spaces mean everyone wears a mask and toys in the children's area have been put away. Safe spaces mean cleaning more frequently and more thoroughly.

### **Budgetary Highlights**

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

After the Total Budgeted Revenue is determined – Expenditures are calculated.

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

Support Services includes the Salaries and Operations for the administrative department and E-Material for the entire System. It also includes some Operational costs for all branches like property revaluation fees. The Emergency Reserve is equal to three months' of Operational

**EASTERN OKLAHOMA LIBRARY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Expenses. Salaries, Materials and Operations are determined by size of community served and a three year history of expenses. Equipment purchases are determined by the Strategic Plan, individual Space Plans and history of previous purchases.

Grant Funds and Donations are Special Revenue and are tracked and expended by Location.

**End of FY20 recap**

	<u>Budget</u>	<u>Expenditures</u>	<u>% Unspent</u>
Stilwell	190,665	171,466	10%
Westville	144,749	134,269	7%
Tahlequah	613,743	547,967	11%
Hulbert	107,950	94,950	12%
Grove	393,162	362,424	8%
Jay	250,581	233,193	7%
Kansas	116,749	106,867	8%
Checotah	277,246	255,718	8%
Eufaula	233,497	199,477	15%
Haskell	92,832	80,631	13%
Muskogee	1,413,822	1,326,051	6%
Ft. Gibson	205,665	191,902	7%
Warner	117,749	98,728	16%
Sallisaw	228,865	206,845	10%
Muldrow	133,849	117,792	12%
Support Services	1,321,000	1,253,650	5%



**EASTERN OKLAHOMA LIBRARY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(Unaudited)**

## **Highlights of Service Provided in FY20**

A lot of great things happened in the System this year and the pandemic shouldn't overshadow the good our libraries do every day.

- EOLS officially changed its name in January!
- Overdue fines were eliminated in March!
- A Mobile App was launched in May!
- Managers and Board members learned how to use Zoom to attend meetings!
- Summer Reading Programs transitioned from paid performers to Grab and Go bags and take away crafts.
- **Over 545,000** patrons entered our libraries!
- **Over 195,000** people used our Wi-Fi.
- **68,700** patrons used our public computers!
- Hotpots were purchased for all branches to circulate!
- **Over 17,500** people attended a meeting at the library before the meeting rooms were closed for social distancing.

EOLS: A welcoming library that inspires imagination and ideas!

---

Mary J.S. Moroney, Executive Director

Amanda Spaulding, Business Manager

**EASTERN OKLAHOMA LIBRARY SYSTEM**  
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES--BUDGET AND ACTUAL--GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**  
(Unaudited)

	Proposed Budget	Approved Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Ad Valorem, Sales Tax & City Support	\$4,596,615	\$ 4,728,818	\$5,325,041	\$ 596,223
Oklahoma Dept of Libraries State Aid	95,000	90,000	92,205	2,205
Other Grants/Donations				-
Other Revenues	157,000	150,000	109,833	(40,167)
Interest Revenue	32,000	40,000	40,919	919
McIntosh Co Sales Tax/Muldraw City Support/Fort Gibson City Support	111,479	120,103	120,103	0
Total Revenues	4,992,094	5,128,921	5,688,102	559,181
<b>EXPENDITURES</b>				
Staff Expenditures	3,774,500	3,840,000	3,589,969	250,031
Supplies & Other Expenditures	1,084,378	1,026,623	903,846	122,777
Total Expenditures	4,858,878	4,866,623	4,493,815	372,808
<b>NET INCREASE (DECREASE)</b>	133,216	262,298	1,194,287	931,989
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital outlay				
Informational materials (books)	(935,000)	(975,000)	(900,616)	74,384
Equipment and furnishings	(38,000)	-	(12,463)	(12,463)
FY19 Revenue carryover	939,784	812,702	913,080	100,378
Total Other Financing Sources	(33,216)	(162,298)	0	162,298
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$1,194,287</b>	<b>\$ 1,094,287</b>

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 LIBRARY SYSTEM  
GASB 68 PENSION SCHEDULES AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2020**

	2019	2018	2017	2016	2015	2014
<u>Schedule 1</u> <u>Schedule of Proportionate Shares</u>						
Library proportion of the net pension liability	0.12622963%	0.11081704%	0.11381894%	0.10044798%	0.10563111%	0.10898829%
Library proportional share of the net pension liability	\$ 168,123	\$ 216,141	\$ 615,377	\$ 996,676	\$ 379,938	\$ 1,214,500
Library covered-employee payroll	2,006,290	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	8.38%	11.03%	33.02%	55.19%	22.35%	66.17%
OPERS fiduciary net position as a percentage of the total pension liability	98.63%	97.96%	94.28%	89.48%	96.00%	97.90%

	2019	2018	2017	2016	2015	2014
<u>Schedule 2</u> <u>Schedule of Contributions</u>						
Contractually required contribution	\$ 332,226	\$ 286,334	\$ 306,169	\$ 297,751	\$ 308,106	\$ 304,667
Contributions in relation the contractually required contributions	329,378	287,460	309,563	299,644	305,860	306,502
Contribution deficiency (excess)	2,848	(1,126)	(3,394)	(1,893)	2,246	(1,835)
Library's covered employee payroll	2,006,290	1,959,767	1,863,503	1,805,796	1,700,031	1,835,549
Contributions as a percentage of covered employee payroll	16.42%	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 LIBRARY SYSTEM  
GASB 75 OPEB SCHEDULES AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 1

Schedule of Proportionate Shares

	2019	2018	2017
Library proportion of the OPEB liability	0.12622963%	0.11081704%	0.11381894%
Library proportional share of the OPEB liability	\$ (49,073)	\$ (14,341)	\$ 13,037
Library covered-employee payroll	2,006,290	1,959,767	1,805,796
Library proportionate share of the OPEB liability as a percentage of covered payroll	-2.45%	-0.73%	0.72%
OPERS fiduciary net position as a percentage of the total OPEB liability	112.11%	103.94%	96.50%

Schedule 2

Schedule of Contributions

	2019	2018	2017
Contractually required contribution	\$ 23,660	\$ 21,144	\$ 21,430
Contributions in relation the contractually required contributions	24,322	20,120	21,667
Contribution deficiency (excess)	(662)	1,024	(237)
Library's covered employee payroll	2,006,290	1,959,767	1,805,796
Contributions as a percentage of covered employee payroll	1.21%	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

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Eastern Oklahoma 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 Library System (the Library), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Eastern Oklahoma 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 Library System as of June 30, 2020, 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 11, 2020, 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 11, 2020

**EASTERN OKLAHOMA LIBRARY SYSTEM**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

<u>ASSETS AND OTHER DEBITS</u>	General	Special Revenue	Totals
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,234,678	\$ 572,640	\$ 3,807,319
Receivables			
Ad Valorem Tax	118,171		118,171
Prepaid Expenditures	629		629
OPEB Asset	49,073		49,073
Property, Plant and Equipment:			
Informational materials	10,795,322	136,432	10,931,754
Furniture and equipment	2,419,689		2,419,689
Fine Art	87,046		87,046
Less: Accumulated depreciation	(10,447,674)	(109,036)	(10,556,710)
Total Assets and Other Debits	\$ 6,256,935	\$ 600,036	\$ 6,856,970
Deferred Outflows of Resources	\$ 366,986	\$ -	\$ 366,986
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 16,232	\$ 924	\$ 17,156
Compensated Absences Payable	157,673		157,673
Accrued Payroll and Related Costs	127,541		127,541
Net Pension Liability	168,123		168,123
Total Liabilities	\$ 469,569	\$ 924	\$ 470,493
Deferred Inflow of Resources	\$ 136,923	\$ -	\$ 136,923
<b>Net Position:</b>			
Net Investment in Capital Assets	2,854,384	27,395	2,881,779
Restricted		571,716	571,716
Unrestricted	3,163,045		3,163,045
Total Net Position	\$ 6,017,429	\$ 599,111	\$ 6,616,540

The accompanying notes are an integral part of this financial statement

**EASTERN OKLAHOMA LIBRARY SYSTEM  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

		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	\$ 745,361	\$ 128,905	\$ 72,090	\$ (544,366)
Personnel Services	3,553,587			(3,553,587)
Supplies & Other Expenses	289,967			(289,967)
Materials	154,170			(154,170)
Depreciation	770,784			(770,784)
Total Governmental Activities	\$5,513,869	\$ 128,905	\$ 72,090	\$ (5,312,875)
<u>General Revenue</u>				
Ad Valorem, Sales Tax, and City Support				5,452,594
State Aid				100,205
Interest				44,598
Miscellaneous				8,089
Gain/(Loss) on Sale				1,863
Total General Revenue				\$ 5,607,348
Change in Net Assets				\$ 294,474
Net Position, July 1, 2019				6,322,066
Net Position, June 30, 2020				\$ 6,616,540

The accompanying notes are an integral part of this financial statement



**EASTERN OKLAHOMA LIBRARY SYSTEM  
BALANCE SHEET-GOVERNMENTAL FUNDS  
JUNE 30, 2020**

<u>ASSETS AND OTHER DEBITS</u>	General	Special Revenue	Totals
Cash and Cash Equivalents	\$ 3,234,678	\$ 572,640	\$ 3,807,318
Ad Valorem Tax Receivables	118,171		118,171
Prepaid Expenditures	629		629
 Total Assets	 \$ 3,353,478	 \$ 572,640	 \$ 3,926,118
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 16,232	\$ 924	\$ 17,156
Compensated Absences Payable	157,673		157,673
Accrued Payroll and Related Costs	127,541		127,541
 Total Liabilities	 \$ 301,446	 \$ 924	 \$ 302,370
 Fund Balances			
Assigned			-
Committed	307,871		307,871
Unassigned	2,744,161	571,716	3,315,877
 Fund Balances, end of year	 \$ 3,052,032	 \$ 571,716	 \$ 3,623,748
 Total Liabilities and Fund Balances	 \$ 3,353,478	 \$ 572,640	

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 \$13,438,489 and the accumulated depreciation is \$10,556,710	2,881,779
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	(168,123)
Other Post-Employment Benefits liability (OPEB liability)	49,073
Deferred outflows of resources related to net pension liability/OPEB liability	366,986
Deferred inflows of resources related to net pension liability/OPEB liability	(136,923)
 Total Net Position - Governmental Activities	 \$6,616,540

The accompanying notes are an integral part of this financial statement

**EASTERN OKLAHOMA LIBRARY SYSTEM  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Special Revenue	Governmental Funds
<b>Revenues</b>			
Ad Valorem, Sales Tax & City Support	\$ 5,445,145	\$ 7,449	\$ 5,452,594
State Aid	92,205	8,000	100,205
Grants/Donations		72,090	72,090
Other Revenues	109,833	27,160	136,993
Interest Revenue	40,919	3,679	44,598
			-
<b>Total Revenues</b>	<b>\$ 5,688,102</b>	<b>\$ 118,378</b>	<b>\$ 5,806,480</b>
<b>Expenditures</b>			
Staff Expenditures	\$ 3,551,229	\$ 2,358	\$ 3,553,587
Materials	896,877	28,076	924,953
Furniture and Equipment	28,628		28,628
Supplies and Other Expenditures	201,394	88,572	289,966
Operations	705,899	39,462	745,361
			-
<b>Total Expenditures</b>	<b>5,384,027</b>	<b>158,468</b>	<b>5,542,495</b>
<b>Net Change in Fund Balance</b>	<b>\$ 304,075</b>	<b>\$ (40,090)</b>	<b>\$ 263,985</b>
<b>Beginning Fund Balance</b>	<b>3,027,419</b>	<b>563,031</b>	<b>3,590,450</b>
<b>Ending Fund Balance</b>	<b>3,331,494</b>	<b>522,941</b>	<b>3,854,435</b>
<b>Total net changes in fund balances - governmental funds</b>			<b>263,985</b>

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	\$ (770,783)	
Capital outlays	<u>799,409</u>	28,626

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:

1,863

Change in net position of governmental activities \$ 294,474

The accompanying notes are an integral part of this financial statement

**EASTERN OKLAHOMA LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Eastern Oklahoma Library System (EOLS) 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 EOLS's accounting policies are described below.

The Financial Reporting Entity – The Eastern Oklahoma 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 EOLS.

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

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

**EASTERN OKLAHOMA LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 – 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.

EOLS 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 LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 - CONTINUED**

Expenditures are recorded when the related fund liability is incurred.

Budgets – EOLS 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 EOLS. The investment policy of EOLS 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 EOLS 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 EOLS's share of prior year's property tax assessments for EOLS's six counties

Prepaid Expenditures – Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid expenditures.

Library Materials – Because library materials (books, periodicals, audio visual, etc.) purchased by EOLS 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 LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 - 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 EOLS'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 EOLS'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 EOLS's name; or collateralized with no written or approved collateral agreement

EOLS'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 EOLS are carried at cost. The carrying amount of deposits is stated as "cash and cash equivalents" in the financial statements.

Deposits	Risk Category			Total
	1	2	3	Collateral
Demand Deposits	\$ 250,000	\$ 1,351,410		\$ 1,601,410
Certificates of Deposit	2,187,531	9,148		2,196,679
Totals	\$ 2,437,531	\$ 1,360,558	\$ -	\$ 3,798,089

Accounts Receivable – EOLS'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 \$118,171 for the year ended June 30, 2020.

For the year ended June 30, 2020 the total property tax levy collected for EOLS was \$5,331,140, 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 LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 – 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, 7/1/19	\$ 2,395,372	\$ 10,695,534	\$ 87,046
Purchases/Donations	28,628	771,084	-
Disposals/Adjustments	(4,311)	(534,864)	-
Asset Balances, 6/30/20	\$ 2,419,689	\$ 10,931,754	\$ 87,046

	Accumulated Depreciation		
	Equipment/ Furnishings	Informational Materials	Fine Art
Asset Balances, 7/1/19	\$ 2,252,276	\$ 7,985,781	\$ 87,046
Depreciation Expense	114,082	656,701	-
Disposals/Adjustments	(4,311)	(534,864)	-
Asset Balances, 6/30/20	\$ 2,362,047	\$ 8,107,618	\$ 87,046
Depreciation Expense	\$ 114,082	\$ 656,701	

Leases – EOLS entered into a ten-year lease effective November 2015, 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 2021	\$ 67,700
FY 2022	\$ 71,700
FY 2023	\$ 71,700
FY 2024	\$ 71,700
FY 2025	\$ 23,900
FY 2026	\$ 0
FY 2027	\$ 0
FY 2028	\$ 0

**3. OTHER NOTES**

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

Risk Management – EOLS 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. EOLS 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 LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020– CONTINUED**

uninsured losses to the EOLS. 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 EOLS 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 EOLS'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 EOLS. EOLS 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, 2020 through the date of issuance of these financial statements, September 11, 2020, 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 EOLS'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 EOLS but are the liability of OPERS and the State of Oklahoma. OPERS is funded through employer and employee contributions, but EOLS 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. EOLS contributed 12.5% of gross compensation and the employee contributes 3.5% of his or her wages.

Effective July 1, 1999, EOLS'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 EOLS or a participant in OPERS. Currently 15 employees are enrolled. Effective July 1, 2010, EOLS's rate increased to 16.5%. The employee rate remains at 3.5%. Contributions to OPERS by the Library were \$337,801 for 2020.



**EASTERN OKLAHOMA LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020– 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, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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, 2019. Based upon this information, the Library's proportion was 0.12622963%.

For the year ended June 30, 2020, 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		39,562
Changes in assumptions		
Net difference between projected and actual earnings on pension plan investments		50,728
Change in proportion and differences between contributions and proportionate share of contributions	20,875	
Contributions during measurement date		1,442
Contributions subsequent to measurement date	315,343	
	\$ 336,217	\$ 91,732

Net pension liability - \$168,123

Pension expense - \$322,967

Reported deferred outflows of resources of \$315,343 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, 2021. 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
2021	55,416	39,835
2022	(105,235)	1,317
2023	43,269	48,473
2024	27,426	2,107
2025	-	-
Thereafter	-	-
	\$ 20,876	\$ 91,732

**EASTERN OKLAHOMA LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020– CONTINUED**

Actuarial Methods and Assumptions

The total pension liability was determined on an actuarial valuation prepared as of July 1, 2019 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, 2019 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%	1.4%
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 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 1,520,093	\$ 168,123	\$ (978,089)

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 LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020– CONTINUED**

For the year ended June 30, 2020, 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		39,875
Changes in assumptions	7,374	
Net difference between projected and actual earnings on pension plan investments		5,302
Change in proportion and differences between contributions and proportionate share of contributions	937	
Contributions during measurement date		14
Contributions subsequent to measurement date	22,458	
	<b>\$ 30,769</b>	<b>\$ 45,191</b>
OPEB Asset	\$ (49,073)	

Reported deferred outflows of resources of \$22,458 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, 2021.

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
2021	2,368	13,024
2022	2,368	13,024
2023	2,368	9,124
2024	937	6,121
2025	269	3,898
Thereafter	-	-
	<b>8,310</b>	<b>45,191</b>

**EASTERN OKLAHOMA LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020– 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 6.00%	Current Rate 7.00%	1% Increase 8.00%
OPEB liability	\$ (7,751)	\$ (49,071)	\$ (84,614)

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](http://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

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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 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 Library System (the Library) as of and for the year ended June 30, 2020, 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 11, 2020.

### 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

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A handwritten signature in black ink that reads "Jackson Fox" followed by a stylized flourish and the letters "PC".

Ardmore, Oklahoma  
September 11, 2020

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OTHER SUPPLEMENTARY INFORMATION

**Eastern Oklahoma Library System**  
**Schedule of State Financial Assistance**  
**Year ended June 30, 2020**  
 (Unaudited)

<b>State of Oklahoma Assistance</b>	<b>Project Amount</b>	<b>Receipts Recognized</b>	<b>Expenses Paid</b>
<b>Oklahoma Department of Library State Aid and Other Grants</b>			
Oklahoma Department of Libraries State Aid and Other Grants for the Development and Expansion of Library Services	\$ 100,205	\$ 100,205	\$ 100,205
	<u>\$ 100,205</u>	<u>\$ 100,205</u>	<u>\$ 100,205</u>



**EASTERN OKLAHOMA LIBRARY SYSTEM**  
**SCHEDULE OF COMBINED EXPENDITURES, GENERAL**  
**AND SPECIAL REVENUE FUNDS – ALL DEPARTMENTS AND BRANCHES**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
(Unaudited)

	TOTAL SUPPORT SERVICES	TOTAL LIBRARIES SERVICES	TOTAL
<b>STAFF EXPENDITURES</b>	\$ 645,320	\$ 2,947,008	3,592,327
Books	772	328,117	328,889
Periodical	139	26,100	26,239
Compact Discs	-	52,142	52,142
Online Subscription	127,932	-	127,932
Downloadable Audios	270,186	10,276	280,462
DVD	-	108,916	108,916
Other-Microforms, Kits, Software	-	4,188	4,188
<b>LIBRARY MATERIALS</b>	<b>399,028</b>	<b>529,739</b>	<b>928,768</b>
Postage	1,300	16,833	18,133
Supplies	15,041	264,888	279,928
Equipment Supplies	659	9,379	10,038
Consultants/Speakers/Grants	46,496	40,415	86,911
Printing/Binding	-	2,386	2,386
Inspection Expense	-	116	116
Telephone	6,362	31,548	37,909
Insurance	5,949	21,126	27,075
Data Circ Line/Automation	768	-	768
AMIGOS/OCLC	37,486	-	37,486
Seminars/Training	1,347	5,163	6,510
Travel/Gasoline	15,945	15,581	31,526
Internet Access	-	14,526	14,526
Software/Licenses	13,528	7,060	20,588
Continuing Education	2,943	12,326	15,269
Equip Maint Contracts	13,071	109,801	122,871
Other Maint/Repairs	9,724	73,206	82,931
Recovery Expense	-	7,679	7,679
Fees	173	443	616
Equipment Rent/Lease	-	-	0
Utilities	11,462	235	11,696
Property Revaluation	-	94,958	94,958
Advertising	864	7,916	8,780
Memberships	5,313	5,379	10,692
Meals/Food	453	15,130	15,583
Rent	59,800	628	60,428
Staff Development	91	1,050	1,141
US Data Capture	-	4,095	4,095
Construction Expense	-	-	0
Misc Contract Labor	-	20,693	20,693
Miscellaneous	-	474	474
<b>SUPPLIES &amp; OTHER EXP</b>	<b>248,774</b>	<b>783,032</b>	<b>1,031,805</b>
<b>EQUIPMENT &amp; FURNISHINGS</b>	<b>1,206</b>	<b>27,422</b>	<b>28,628</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,294,327</b>	<b>\$ 4,287,201</b>	<b>\$5,581,528</b>

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

**EASTERN OKLAHOMA LIBRARY SYSTEM  
SCHEDULE OF COMBINED EXPENDITURES, GENERAL REVENUE FUNDS  
PUBLIC SERVICE BRANCH  
FOR THE YEAR ENDED JUNE 30, 2020**

(Unaudited)

	Stillwell	Westville	Tahlequah	Hubert	Grove	Jay	Kansas	Checotah	Eufaula	Haskell	Muskogee	Fort Gibson	Warner	Sallisaw	Midrow	Total Public Services
<b>STAFF EXPENDITURES</b>	\$127,863	\$97,057	\$384,437	\$83,445	\$239,035	\$170,690	\$71,199	\$171,477	\$143,752	\$60,630	\$1,009,383	\$143,456	\$82,938	\$148,307	\$70,979	\$2,944,649
Books	10,361	10,042	43,250	7,039	34,562	21,141	9,699	18,109	15,782	3,418	88,200	13,577	13,078	19,595	16,217	324,070
Periodical	811	765	4,274	1,051	3,252	2,140	1,072	2,270	1,749	501	4,381	1,022	501	1,859	452	26,100
Online Subscription	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Compact Discs	70	1,542	17,181	361	4,318	3,261	683	-	3,298	-	16,272	935	384	2,493	1,344	52,142
Downloadable Audios	-	-	3,950	-	-	-	-	-	440	-	2,679	-	840	372	1,996	10,276
DVD	2,842	3,181	21,017	2,295	10,693	6,138	2,882	4,642	3,978	1,523	26,574	4,293	3,987	7,509	7,364	108,916
Micro, kits, softwr, non	120	-	1,323	151	632	-	278	60	60	-	1,193	-	296	-	-	4,113
<b>LIBRARY MATERIALS</b>	\$14,204	\$15,529	\$90,994	\$10,897	\$53,456	\$32,680	\$14,614	\$25,081	\$25,307	\$5,442	\$139,299	\$19,828	\$19,086	\$31,827	\$27,373	\$525,617
Postage	494	308	1,485	270	682	1,067	467	745	590	409	5,950	1,085	412	1,707	1,160	16,833
Supplies	7,761	4,050	22,506	9,043	22,870	11,824	8,288	20,490	8,739	4,929	30,509	6,950	5,492	7,206	6,123	176,781
Equipment Supplies	500	-	3,486	153	240	-	160	704	-	-	1,414	1,047	591	310	310	8,914
Meals/Food	-	-	25	3	638	16	3	523	138	-	382	279	146	50	50	2,254
Advertising	481	159	204	416	760	185	-	1,748	1,544	-	1,940	196	-	86	172	7,891
Printing/Binding	-	-	-	-	-	-	-	-	-	-	2,386	-	-	-	-	2,386
Telephone	1,453	1,167	3,681	1,229	2,231	2,009	1,585	3,790	1,270	2,185	8,419	1,304	1,226	-	-	31,548
Insurance	842	906	1,663	647	1,328	792	756	1,028	1,065	682	8,188	871	612	946	799	21,126
Data Circ Line/Automation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Internet Access	989	989	2,033	46	230	1,035	989	1,034	1,035	-	2,102	1,035	989	1,035	989	14,526
Seminars/Train/Education	-	65	-	33	905	-	33	635	305	33	1,994	494	33	328	177	5,033
Staff Development	57	46	126	34	80	46	34	57	57	34	285	46	34	68	46	1,050
US Data Capture Fees	238	234	460	211	333	245	242	270	279	185	373	277	224	293	231	4,095
Fees	32	71	41	17	41	8	11	19	19	11	155	17	43	12	7	443
Memberships	93	93	649	48	844	225	48	550	393	161	1,164	426	261	188	227	5,369
Travel/Gasoline	1,082	1,233	889	509	4,827	564	783	978	1,182	216	20,588	850	159	550	573	15,561
Misc Contract Labor	-	-	-	-	-	-	-	105	-	-	-	-	-	-	-	20,693
Recovery Expense	376	242	1,119	98	635	331	233	448	340	143	2,551	170	197	555	242	7,679
Consultants/Speakers	878	563	763	1,613	5,271	563	1,613	11,340	1,047	878	563	3,657	878	813	563	30,997
Software/Licenses	368	127	835	85	973	411	85	651	255	283	1,472	453	326	411	326	7,060
Equip Maint Contracts	5,113	4,733	13,632	3,355	9,515	5,809	3,490	7,051	6,585	3,343	26,821	5,801	3,991	6,341	4,319	109,801
Other Maint/Repairs	-	-	17,784	175	10,060	210	-	484	-	-	43,058	-	-	-	-	71,771
Equipment Rent/Lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Utilities	-	-	-	-	-	-	235	-	-	-	-	-	-	-	-	235
Construction Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Digitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Rent	-	-	-	-	420	-	-	-	-	-	168	-	25	-	-	613
Miscellaneous	28	-	-	-	111	81	-	-	14	-	116	31	-	-	-	381
Property Revaluation	8,614	6,766	21,226	2,623	6,939	4,403	2,002	6,528	5,561	1,068	15,587	3,630	1,068	5,812	3,130	94,958
<b>SUPPLIES &amp; OTHER EXP</b>	\$29,399	\$21,683	\$92,536	\$20,608	\$69,933	\$29,823	\$21,054	\$59,160	\$30,418	\$14,559	\$177,369	\$28,619	\$16,704	\$26,711	\$19,440	\$658,015
<b>EQUIPMENT</b>	\$790	\$790	\$845	\$0	\$0	\$1,554	\$0	\$790	\$1,935	\$790	\$0	\$1,488	\$1,489	\$0	\$790	\$11,258
<b>TOTAL EXPENDITURES</b>	<b>\$172,255</b>	<b>\$135,059</b>	<b>\$648,812</b>	<b>\$94,950</b>	<b>\$362,424</b>	<b>\$234,747</b>	<b>\$106,856</b>	<b>\$256,508</b>	<b>\$201,411</b>	<b>\$81,421</b>	<b>\$1,326,052</b>	<b>\$193,391</b>	<b>\$100,217</b>	<b>\$206,846</b>	<b>\$118,561</b>	<b>\$4,139,540</b>

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 LIBRARY SYSTEM**  
**SCHEDULE OF COMBINED EXPENDITURES, SPECIAL REVENUE FUNDS**  
**PUBLIC SERVICE BRANCH**

**FOR THE YEAR ENDED JUNE 30, 2020**

(Unaudited)

	Stillwell	Westville	Tablequah	Hulbert	Grove	Jay	Kansas	Checotah	Eufula	Haskell	Muskogee	Fort Gibson	Warner	Sallisaw	Muldrow	Total Public Services
<b>STAFF EXPENDITURES</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,358	\$0	\$0	\$0	\$0	\$2,358
Books	-	-	189	-	-	259	-	-	999	-	-	-	-	1,300	1,300	4,047
Periodical	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Compact Discs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Online Subscription	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Downloadable Audios	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
DVD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Other-Mico, kits, softw are	-	-	-	-	-	-	75	-	-	-	-	-	-	-	-	75
<b>LIBRARY MATERIALS</b>	\$0	\$0	\$189	\$0	\$0	\$259	\$0	\$75	\$999	\$0	\$0	\$0	\$0	\$1,300	\$1,300	\$4,122
Postage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Supplies	6,790	4,227	4,851	4,956	7,216	5,263	4,275	9,532	5,379	3,132	15,191	5,260	3,210	3,576	5,250	88,107
Equipment Supplies	-	465	-	-	-	-	-	-	-	-	-	-	-	-	-	465
Meals/Food	283	228	692	1,463	1,578	305	1,059	3,049	451	15	2,281	802	185	226	261	12,876
Advertising	-	-	-	-	-	-	-	-	-	-	25	-	-	-	-	25
Printing/Binding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Data Circ Line/Automation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Seminars/Training/Education	-	-	-	-	2,904	-	-	-	2,539	-	6,040	-	1,573	-	-	13,056
Memberships	-	-	-	-	-	-	-	-	-	-	10	-	-	-	-	10
Travel/Gasoline	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Misc Contract Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Consultants/Speakers/Grants	-	700	665	-	-	200	-	720	2,209	-	3,974	-	-	350	600	9,418
Software/Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Equip Maint Contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Other Maint/Repairs	-	-	-	-	1,435	-	-	-	-	-	-	-	-	-	-	1,435
Equipment Rent/Lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Construction Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Rent	-	-	-	-	-	-	-	-	-	-	15	-	-	-	-	15
Miscellaneous	-	-	-	-	-	-	-	-	-	-	209	-	-	-	-	209
<b>SUPPLIES &amp; OTHER EXP</b>	\$7,073	\$5,620	\$6,207	\$6,419	\$13,133	\$5,768	\$5,333	\$13,301	\$10,578	\$3,147	\$27,745	\$6,061	\$4,968	\$4,152	\$6,111	\$125,617
<b>EQUIPMENT</b>	\$7,792	\$0	\$1,664	\$1,880	\$2,408	\$0	\$465	\$0	\$500	\$0	\$1,455	\$0	\$0	\$0	\$0	\$16,164
<b>TOTAL EXPENDITURES</b>	<b>\$14,865</b>	<b>\$5,620</b>	<b>\$8,061</b>	<b>\$8,300</b>	<b>\$15,541</b>	<b>\$6,027</b>	<b>\$5,799</b>	<b>\$13,376</b>	<b>\$12,077</b>	<b>\$3,147</b>	<b>\$31,558</b>	<b>\$6,061</b>	<b>\$4,968</b>	<b>\$5,452</b>	<b>\$7,411</b>	<b>\$148,261</b>

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.