



Financial Statements

For the Year Ended June 30, 2020

PIONEER LIBRARY SYSTEM

Index

June 30, 2020

	Page
Independent Auditors' Report	3
Required Supplementary Information: Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	13
Statement of Activities	14
<i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Statement of Fiduciary Net Position - Fiduciary Fund	17
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	18
Notes to Financial Statements	19
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund (Unaudited)	35
Schedule of Changes in Net Pension Liability (Unaudited)	36
Schedule of Pension Contributions (Unaudited)	37
Compliance and Internal Control	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38



# Gray, Blodgett & Company, PLLC

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS ADVISORS

629 24TH AVE SW  
NORMAN, OKLAHOMA 73069  
(405) 360-5533 FAX (405) 364-3771  
1-800-360-5535

TED BLODGETT, CPA, CVA, ABV, JD  
C. JANESE SHEPARD, CPA  
ROSS H. ROYE, CPA  
ANN A. ALBERTSON, CPA, CVA  
CYNTHIA K. BYARS, CPA  
JANICE L. GRAY, CPA  
RODNEY GRAY, CPA, CVA  
JONATHAN M. KERN, CPA  
BREE MONTOYA, CPA, CVA, ABV  
TRICIA P. PAMINTUAN, CPA  
RHONDA E. RAY, CPA  
CHRISTINE J. STEPHENS, CPA  
BRIAN C. WILKINS, CPA  
TIM WILSON, CPA  
JASON D. WINTERS, CPA

## INDEPENDENT AUDITORS' REPORT

September 29, 2020

To the Board of Trustees of  
Pioneer Library System  
Norman, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the fiduciary fund type of Pioneer Library System, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the aggregate discretely presented component unit, the Pioneer Library System Foundation, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, 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, the aggregate discretely presented component unit, each major fund, as well as the fiduciary fund type of the Library, 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.



To the Board of Trustees of  
Pioneer Library System  
September 29, 2020

### ***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 5–12, the budgetary comparison information on page 35, and the net pension liability and contribution information on pages 36-37 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, on our consideration of the System'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 solely 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 the effectiveness of the System's 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 Pioneer Library System's internal control over financial reporting and compliance.

GRAY, BLODGETT & COMPANY, PLLC

*Gray, Blodgett & Company, PLLC*



**Pioneer Library System  
Management's Discussion and Analysis (Unaudited)  
For the fiscal year ended June 30, 2020**

This discussion and analysis of the financial performance of Pioneer Library System (the Library's) provides an overall review of the Library's financial condition and results of operations for the fiscal year ended June 30, 2020. Readers should read this information in conjunction with the Library's financial statements.

Governmental Accounting Standards Board (GASB) statements 93, and 94 became effective as of June 30, 2020, however, these pronouncements do not affect the Library's financial statements.

**Financial Highlights**

For fiscal year 2019/2020, the Library's general fund reported an ending balance of \$12,217,633 versus \$10,156,868 for the fiscal year 2018/2019. Of the 2019/2020 year end-total, \$292,986 is committed for outstanding encumbrances, and \$568,555 is assigned for service upgrades and improvements of library services at current and future libraries within the system. Most of the outstanding encumbrances are for materials and technology equipment. Although the remaining balance of \$11,356,092 is unassigned, the Library administration, with the Board of Trustee's approval, will use a portion of these funds to fund upcoming library projects in the service area. The remainder of the money in these funds will be prudently used or committed to alleviate summer/fall cash flow problems and other emergencies that might arise.

The Library's operating revenue increased by 2.8% this year. This increase allowed the library system to set aside funds for future projects including the completion of the new Norman Public Library Central. The library purchased \$154,612 in materials and \$380,467 in technology equipment out of the current year's budget for the new library. Equipment items included a 24-hour library book vending machine, two thirteen bin sorters, laptop, and iPad vending machines. All these items will help provide customers faster access to materials and technology. In addition, the library purchased additional digital materials for customers, providing a wider selection of titles to customers during the pandemic.

The Pioneer Library System Foundation completed its tenth year of operation as of June 30, 2020. The Foundation was organized for the purpose of Supporting Literacy and a Love of Learning throughout Pioneer Library System Communities. The Foundation awarded \$500 grants to each of the twelve branches and awarded four \$1,000 competitive grants to the winning branch applicants to support local programs around the topics of health literacy, STEAM skills-building and more. In addition, the Foundation provided financial support for many of the Library's programs including the 2020 PLS Reads and the system-wide Summer Learning Challenge. The Foundation provided funding for the books awarded to children who finished the challenge and to health departments in all three PLS counties. The Foundation has been included as a component unit of the Library System and the Foundation has issued its own financial statements, available from the Library Foundation administrative office.

The general fund balance increased by \$2,060,765 from fiscal year 2019 due to the increase in collection of revenue and the decrease in spending in expense categories including disability insurance, contract labor, materials, continuing education, telephone, travel, vehicles, marketing and communication, data processing, technology, programming, and system facilities.

## **Overview of the Financial Statement**

The Pioneer Library System's basic financial statements consist of fund financial statements, notes to financial statements, and required supplementary information.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net position represents information on all the Library's assets, liabilities, deferred inflows, and deferred outflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 13 and 14 of this report.

### Fund Financial Statements

The Library System has two kinds of funds – Governmental Funds and Fiduciary Funds:

Governmental Funds encompass two types: General Fund and Other Governmental Funds:

General Fund represents unrestricted resources that are available for on-going general library operations. This is the Library System's primary operating fund.

Other Governmental Funds include Gift/Grant Funds.

Gifts/Grant Funds include funds provided by intergovernmental grants and other third parties' gifts and grants. All those funds are generally restricted as to use. Therefore, each fund accounts for its receipts and disbursements of the restricted functions.

Fiduciary Funds are reported in the fiduciary fund financial statements but are excluded from government-wide reporting. They include the Pioneer Library System Pension Plan. Fiduciary fund financial statements report resources that are not available to fund Library System general operations.

### Notes to the Financial Statements

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

## Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as comparative statement between budget and actual expenditures, and certain historical data concerning the defined benefit plan.

### **Financial Analysis of Library System's Funds**

As financial information is accumulated on a continuous and consistent basis, financial statements and expenditure reports for governmental funds are presented to the Pioneer Library System Board of Trustees.

For fiscal year 2019/2020 governmental fund balances changed as follows:

	General Fund	Other	Total
	Funds	Governmental	Governmental
	Funds	Funds	Funds
Revenues	\$ 19,263,566	\$ 127,829	\$ 19,391,395
Expenditures	\$ 17,202,801	\$ 124,358	\$ 17,327,159
Net Increase	\$ 2,060,765	\$ 3,471	\$ 2,064,236

For fiscal year 2018/2019 governmental fund balances changed as follows:

	General Fund	Other	Total
	Funds	Governmental	Governmental
	Funds	Funds	Funds
Revenues	\$ 18,746,262	\$ 125,141	\$ 18,871,403
Expenditures	\$ 17,609,442	\$ 118,137	\$ 17,727,579
Net Decrease	\$ 1,136,820	\$ 7,004	\$ 1,143,824

#### **General Fund:**

The Library System is primarily (or 96%) funded by Ad Valorem (property) tax. For the 2019/2020 financial year the tax rates were; a 6.06 mill Ad Valorem (property) tax in Pottawatomie County, a 6.11 mill Ad Valorem (property) tax in McClain County and a 6.11 mill Ad Valorem (property) tax in Cleveland County. For fiscal year 2019/2020, the Counties' assessed property value had an increase of 3.91% versus 4.32% for 2018/2019. Actual tax collections increased by 4.2% versus 4.0% for the prior year. The increase of 4.2% was due to the collection of more tax revenue. Fines and other charges for services revenue for 2019/2020 decreased by \$133,643 from 2018/2019. This decrease was precipitated by the closure of the library system due to the pandemic and the waiving of fines during this time period. State Aid decreased by \$733 over the prior year. This decrease was caused by the state giving us less money. Interest income decreased by \$96,170 over the prior year. This decrease is attributed to a decrease in interest rates.

The Expense category Personnel Services increased from 2019 to 2020 due to the 4.0% salary performance adjustment that was given to the staff who qualified for the adjustment, an increase in retirement expenses due to the increased contribution to the defined benefit plan that the Board of Trustees wanted to make to reduce the plan liability, and an increase in health insurance expense. The Expense category of Materials decreased because most of the materials purchased for the opening day collection for the new Norman Public Library Central were purchased in the prior fiscal year. The Technology and Automation category decreased because most of the technology equipment purchased for the new Norman Public Library Central were purchased in the prior fiscal year.

The System Services and General and Administrative expense categories were different in 2020 than in 2019 because of the following:

- Attorney Fees expenses increased as the defined benefit pension plan needed to be revised to meet IRS regulations and the plan monitoring of the DC and 457B plan were transitioned to MassMutual.
- Professional Services expenses increased because a pay compensation study was conducted.
- The collection of the Norman Public Library Central was relocated to the new building.
- Excessive moisture was remediated at the 300 Norman Center Court location.
- Continuing Education expenses decreased because several of the scheduled conferences were either postponed or attended remotely due to the pandemic.
- The increase in equipment is due to the fact more equipment items were purchased for the branches this year.
- The telephone costs decreased this year due to the fact that some services were eliminated, and some cities began paying for costs that the Library System had been paying for in prior years.
- Travel expenses decreased this year because less travel took place due to the pandemic.
- Vehicle costs decreased as only one vehicle was purchased during the current year.
- Marketing and Communications cost decreased because the Phase Two expenses were relocated to another budget and less encumbered items from a prior year were paid out of the current year.
- Data Processing expenses decreased because only one payroll provider was paid out of the current year.
- System Facilities expenses decreased due to the locations being closed for an extended period due to the Pandemic.
- System Outreach expenses increased due to the career online high school scholarship program the Library System began offering as a service to the public.

#### Other Governmental Funds:

Gifts/Grants Funds – In fiscal year 2019/2020, Pioneer Library System received \$94,177 in gifts and grants. Outright gifts to PLS totaled \$61,938, over 70% of which was provided by Friends groups throughout the Library System (\$43,477). This past year, Pioneer Library System received \$10,000 in grants. The City of Purcell donated \$11,000 to fund programs at the Purcell Library. All of the grantors and donors have not only provided financial support but have also been active partners providing excellent library services to the community.

#### Fiduciary Funds:

The investments of the System Pension Plan increased due to the increase in the stock market. The Pioneer Library System Board of Trustees froze the defined benefit pension plan as of December 31, 2008 and instituted a defined contribution retirement plan. The provider of all System retirement plans is MassMutual.



## The Library System as a Whole

	2019-2020	2018-2019
Assets		
Current and Other Assets	\$ 13,895,731	\$ 11,747,856
Capital Assets	\$ 9,998,577	\$ 10,165,744
Total Assets	\$ 23,894,308	\$ 21,913,600
Deferred Outflows of Resources		
Outflows Related to Net Pension Liability	\$ 790,015	\$ 812,852
Total Deferred Outflows of Resources	\$ 790,015	\$ 812,852
Liabilities		
Accounts Payable and Accrued Expenses	\$ 545,275	\$ 522,794
Other Liabilities	\$ 483,308	\$ 422,150
Net Pension Liability	\$ (282,274)	\$ 600,034
Total Liabilities	\$ 746,309	\$ 1,544,978
Deferred Inflows of Resources		
Inflows Related to Net Pension Liability	\$ 704,641	\$ 374,942
Total Deferred Inflows of Resources	\$ 704,641	\$ 374,942
Net Position		
Net Investment in Capital Assets	\$ 9,998,577	\$ 10,165,744
Restricted Net Assets	\$ 649,515	\$ 646,045
Unrestricted Net Assets	\$ 12,585,281	\$ 9,994,743
Total Net Position	\$ 23,233,373	\$ 20,806,532
Change in Net Position		
Beginning Net Position	\$ 20,806,532	\$ 18,870,458
Restatement	\$ 174,013	\$ -
Beginning Net Position as Restated	\$ 20,980,545	\$ 18,870,458
Revenues		
Property Taxes	\$ 18,716,453	\$ 17,969,160
Charges for Services	\$ 296,763	\$ 429,849
Operating Grants	\$ 94,177	\$ 94,187
Capital Grants	\$ 28,705	\$ 12,346
State Aid	\$ 116,712	\$ 117,445
Investment Earnings	\$ 133,638	\$ 229,808
Net Change In Beneficial Assets Held by Others	\$ 4,947	\$ 18,608
Loss on Disposal	\$ (1,395)	\$ (4,121)
Total Revenues	\$ 19,390,000	\$ 18,867,282
Expenses		
Public Library Services	\$ 13,007,340	\$ 12,643,871
Administrative Services	\$ 1,900,169	\$ 2,196,693
Depreciation-Unallocated	\$ 2,229,663	\$ 2,090,644
Total Expenses	\$ 17,137,172	\$ 16,931,208
Increase in Net Position	\$ 2,252,828	\$ 1,936,074
Ending Net Position	\$ 23,233,373	\$ 20,806,532

See Accompanying Notes to Financial Statements

## General Fund Budgetary Highlights

The General Fund budget for fiscal year 2019/2020 was \$19,734,429. This was a 1.44% increase over the previous year. The highlights of the budget include:

- A 4.0% salary adjustment for staff who received a successful or outstanding rating on their annual performance evaluation and are not in their training period,
- The Health Insurance line item was increased \$217,600 to cover an expected increase in costs for the last three months of the fiscal year when the new rates for Medical and Dental Insurance are received in April.
- Retirement budget increased \$100,000 to reflect an additional contribution to the Defined Benefit retirement plan.
- Group Term Life Insurance was decreased \$5,000 to reflect lower rates caused by a change in insurance carriers.
- Disability Insurance was decreased \$11,000 to reflect lower rates caused by a change in insurance carriers.
- Contract Labor line item was increased \$7,000 to cover the cost of temporary workers needed this year.
- Workers Compensation line item was increased \$5,000 to reflect actual costs.
- Materials line item was increased \$150,000 to reflect additional funds needed for Kanopy and Hoopla expenses to increase digital access to customers during the pandemic.
- Materials Norman Central line item was decreased to reflect the fact that almost all of the materials for the opening day collection for the new Norman Public Library Central were purchased out of the 18/19 budget.
- Professional Services line item was increased \$150,500 to cover additional costs for the moving of the Norman Central collection to the new building, to cover additional Phase Two expenses, to cover additional costs for the excessive moisture remediation at the 300 Norman Center Court location, to cover costs of a pay compensation study, and to cover the costs of drug testing employees.
- Equipment line item was decreased \$30,000 to reflect actual costs.
- Supplies line item was increased \$10,000 to reflect actual costs associated with adding a new branch library, Norman Public Library Central. NPL Central saw over 244,000 visitors and had over 804,000 circulation transactions in 2019/2020, even with time being closed during the move to the new facility.
- Telephone line item was decreased \$10,000 to reflect the fact that the system will no longer be paying for the phone lines at the Norman Central branch.
- The Vehicle budget increased \$19,000 to reflect the purchase of last year's vehicle that came from this year's budget.
- Audit line item was increased \$3,750 to reflect the anticipated increase in audit price.
- The Reprographics line item was decreased \$15,000 to reflect actual costs.
- Revaluation was increased \$8,000 to reflect actual costs.
- Technology Norman Central line item was decreased to reflect the fact that almost all of the technology items for the new Norman Public Library Central were purchased from the 2018/2019 budget year. In 2019/2020, customers at NPL Central circulated 2,406 tablets, checked out 1,815 items from the 24-Hour Library, and logged on for 14,899 Wi-Fi sessions and 8,003 in-library computer sessions.
- Continuing Education line item was increased \$8,000 to reflect the cost associated with the PLA conference and the additional staff attending OLA since the Executive Director is the OLA President this year. PLS had two program proposals selected out of 588 submitted to the 2020 PLA Annual Conference and staff at all levels presented in Nashville in February 2020 on the topics of Staff Inclusion and Senior STEAM Outreach.

- Marketing and Communications budget increased \$40,000 to cover expenses encumbered from the prior year and to cover the costs associated with the opening of the new Norman Public Library Central.
- Programing line item was increased \$5,000 to reflect actual costs.
- Literacy budget was increased \$19,000 to reflect the fact that class instructors are now paid from this budget.
- System Facilities was increased \$83,000 to replace HVAC units at the 300 Norman Center Court location.
- System Outreach increased \$5,000 to reflect actual costs.
- Fund Balance Carryover Current Year increased \$771,775.
- Assigned Fund Balance reflects several items: Cleveland County, \$274,560; McClain County, \$173,996; Pottawatomie County, \$50,000; Library Projects, \$220,000.
- Committed Fund Balance decreased to zero as this amount was added to expense categories this year.
- Unassigned Fund Balance Increased \$1,915,491.
- Total Fund Balance for 2019/2020 was \$9,470,139.

### **Capital Asset and Long-Term Debt**

The Library System's investment in capital assets, net of accumulated depreciation, as of June 30, 2020 was \$9,998,577 and on June 30, 2019 was \$10,165,744. Of the total depreciable capital assets, net of accumulated depreciation, on June 30, 2020, 19% are furniture, equipment and vehicles; 41% are building and property; and the remaining 40% are books and materials. Of the total depreciable capital assets, net of accumulated depreciation, on June 30, 2019 15% are furniture, equipment, and vehicles; 48 % are building and property; and the remaining 37% are books and materials.

The Library System has no long-term liabilities. The Board limits borrowing to short-term, usually in the fall in anticipation of ad valorem receipts beginning in December. Typically, the note is paid off in mid-January. In 2019/2020, the Library borrowed no money and incurred no interest expense.

### **Economic Environment and Next Year's Budget**

The Library System's primary revenue is Ad Valorem (property) tax. The annual growth in the Cleveland, McClain and Pottawatomie County's property value is the most important factor for the Library System's revenue outlook. For the most recent fiscal year the System collected 6.11, 6.11 and 6.06 mills of the assessed property value from the respective counties. The fractional part of the millage is due to the abolishment of the personal property tax in two of the counties. The system is now at the millage cap allowed by state law.

In general, the Library System still expects a continued growth in the tax revenue for the next year. The Cleveland County Assessor has certified 5.44% growth in property value for 2020; the Pottawatomie County Assessor has certified a 2.73% growth and the McClain County Assessor has certified a 6.95% growth.

For fiscal year 2020/2021, the Library Board plans to approve a general fund budget of \$19,994,332 versus \$19,734,429 for 2019/2020.

- A 2.0% salary adjustment for staff who qualify and are still employed on September 30, 2020. Salaried staff who completed their 19-20 Annual Performance Evaluations with Successful or Outstanding ratings and not on Training Period will be paid retroactively from July 1; hourly staff's Salary Increase will begin October 1<sup>st</sup>.
- Health Insurance line item was increased \$29,347 to reflect a potential increase in rates in April of 2021.
- Group Term Life Insurance line item was decreased \$5,000 to reflect actual costs.

See Accompanying Notes to Financial Statements

- Disability Insurance line item was increased \$1,000 to reflect actual costs.
- Workers Compensation line item was decreased \$5,000 to reflect a decrease in insurance rates.
- Scholarship line item increased \$2,000 to reflect increased awards from \$500 to \$750.
- Materials line item was increased \$372,887 to reflect additional funds to purchase digital materials and to cover the costs of outstanding purchase orders as of year-end.
- Materials Norman Central line item was eliminated to reflect the fact that all opening day collections materials were purchased in prior fiscal years.
- Professional Services line item decreased \$14,500 to reflect that no pay compensation study and no moving of a collection will occur during the fiscal year 2020/2021.
- Insurance line item was increased \$15,000 to reflect the addition of materials and technology at the new Norman Public Library Central and the addition of a cyber insurance policy.
- Telephone line item was decreased \$15,000 to reflect the fact that some services were eliminated that were no longer needed and some of the cities are paying for services that PLS had been paying for in prior years.
- Travel line item was decreased \$3,000 to reflect the actual reduction in travel due to the pandemic.
- Vehicles line item was decreased \$10,737 to reflect the reduction in travel due to the pandemic.
- Audit line item was decreased \$2,000 to reflect the cost of the new audit bid.
- Data Processing line item was increased \$7,000 to reflect the actual costs of processing payroll.
- Technology line item was increased \$490,458 to cover the costs of outstanding purchase orders at year-end and to cover the purchase of additional technology equipment and services.
- Technology Norman Central line item was eliminated to reflect the fact that all of the technology items purchased for the new Norman Public Library Central were purchased out of prior fiscal years.
- Continuing Education line item was increased \$15,000 to reflect the costs associated with attending the PLA and OLA conferences.
- Marketing and Communication line item decreased \$65,000 to reflect a reduction in outstanding purchase orders compared with the prior fiscal year and the removal of grand opening costs for the new Norman Public Library Central which opened last fiscal year.
- Programming line item increased \$15,000 to reflect the fact that the costs from the Literacy budget were relocated to this budget and the cost of author's and summer learning challenge (SLC) give-a-ways were added to the budget..
- Literacy line item was eliminated, and the costs relocated to another budget line item.
- System Facilities was increased \$100,000 to reflect proposed replacement of HVAC units at 300 Norman Center Court location, the replacement of the roof at the 300 Norman Center Court location, and the costs associated with repurposing some space at the 300 Norman Center Court location.
- System Outreach line item was increased \$70,000 to cover the costs associated with the literacy backpack program and to cover the cost of a keynote speaker for the PLS Foundation annual event.
- Fund Balance Carryover Current Year decreased \$285,851 to reflect less revenue not allocated to expense categories this year when compared to the prior year.
- Assigned Fund Balance reflects several items: Cleveland County, \$124,560; McClain County, \$173,996; and Pottawatomie County, \$50,000; Library Projects, \$220,000.
- Unassigned Fund Balance increased \$2,454,509.
- Total Fund Balance for 2020/2021 is anticipated to be \$11,924,648.

### **Contacting the Library System's Financial Management**

This financial report is designed to provide a general overview of the Pioneer Library System, comply with finance-related laws and regulations, and demonstrate the Library System's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Library System's Business Office at 300 Norman Center Court, Norman, OK 73072.

PIONEER LIBRARY SYSTEM  
Statement of Net Position  
June 30, 2020

	Primary Government Governmental Activities	Component Unit Library Foundation
<b>Assets</b>		
Cash and Cash Equivalents	\$ 12,379,321	\$ 246,584
Beneficial Interest in asset held by others	396,910	55,824
Ad Valorem Tax Receivable	241,862	-
Accrued Interest Receivable	-	45
Other Current Assets	874,993	6,464
Other Receivable	2,645	-
Net Pension Asset	282,274	-
Non-Depreciable Capital Assets	360,691	-
Depreciable Capital Assets, Net	<u>9,637,886</u>	<u>-</u>
Total Assets	<u>\$ 24,176,582</u>	<u>\$ 308,917</u>
<b>Deferred Outflows of Resources</b>		
Outflows related to net pension liability	<u>\$ 790,015</u>	<u>\$ -</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 545,275	\$ 8,361
Compensated Absences Payable	<u>483,308</u>	<u>-</u>
Total Liabilities	<u>\$ 1,028,583</u>	<u>\$ 8,361</u>
<b>Deferred Inflows of Resources</b>		
Inflows related to net pension liability	<u>\$ 704,641</u>	<u>\$ -</u>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 9,998,577	\$ -
Restricted - Non Spendable Net Assets	-	43,897
Restricted - Literacy and Other Programs	649,515	85,160
Restricted - Net Pension Asset	282,274	-
Unrestricted - Board Designated Endowment	-	9,608
Unrestricted - Undesignated	<u>12,303,007</u>	<u>161,891</u>
Total Net Position	<u>\$ 23,233,373</u>	<u>\$ 300,556</u>

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM  
Statement of Activities  
For the Year Ended June 30, 2020

					Net (Expense) Revenue and Changes in Net Assets	(Expense) Revenue Changes in Net Assets
Program Revenues					Primary Government Activities	Component Unit Library Foundation
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Public Library Services	\$ 13,007,340	\$ 296,763	\$ 94,177	\$ 28,705	\$ (12,587,695)	
Administrative Services	1,900,169	-	-	-	(1,900,169)	
Depreciation - unallocated	2,229,663	-	-	-	(2,229,663)	
Total Primary Government	<u>\$ 17,137,172</u>	<u>\$ 296,763</u>	<u>\$ 94,177</u>	<u>\$ 28,705</u>	<u>\$ (16,717,527)</u>	
Component Unit						
Library Foundation	<u>\$ 146,053</u>	<u>\$ -</u>	<u>\$ 177,186</u>	<u>\$ -</u>		<u>\$ 31,133</u>
General Revenues:						
Property taxes, levied for general purposes					\$ 18,716,453	\$ -
State Aid					116,712	-
Net Change in Beneficial Assets held by others					4,947	4,719
Investment earnings					133,638	(495)
Loss on Disposals					(1,395)	-
Total General Revenues					<u>\$ 18,970,355</u>	<u>\$ 4,224</u>
Change in net assets					\$ 2,252,828	\$ 35,357
Net position - beginning					20,806,532	265,199
Restatement					174,013	
Net position - beginning as restated					20,980,545	
Net position - ending					<u>\$ 23,233,373</u>	<u>\$ 300,556</u>

See Accompanying Notes to Financial Statements

# PIONEER LIBRARY SYSTEM

## Balance Sheet Governmental Funds June 30, 2020

ASSETS	General Fund	Gifts and Grants Fund	Total Governmental Funds
Cash	\$ 12,243,225	\$ 136,096	\$ 12,379,321
Investments	-	396,910	396,910
Receivable from General Fund	-	115,392	115,392
Ad Valorem Tax Receivable	241,862	-	241,862
Other Receivable	-	2,646	2,646
Deposit	9,460	-	9,460
Prepaid Expenses	865,532	-	865,532
<b>Total Assets</b>	<b>\$ 13,360,079</b>	<b>\$ 651,044</b>	<b>\$ 14,011,123</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	\$ 348,181	\$ 1,529	\$ 349,710
Accrued Salaries and Employee Benefits	195,565	-	195,565
Compensated Absences Payable	483,308	-	483,308
Payable to Special Revenue	115,392	-	115,392
<b>Total Liabilities</b>	<b>\$ 1,142,446</b>	<b>\$ 1,529</b>	<b>\$ 1,143,975</b>
Fund Balances			
Assigned for Service Upgrades and Improvements	\$ 568,555	\$ 648,067	\$ 1,216,622
Committed for Outstanding Encumbrances	292,986	1,448	294,434
Unassigned	11,356,092	-	11,356,092
<b>Fund Balances, End of Year</b>	<b>\$ 12,217,633</b>	<b>\$ 649,515</b>	<b>\$ 12,867,148</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,360,079</b>	<b>\$ 651,044</b>	

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 as assets in governmental funds. The cost of the assets is \$30,335,090, including \$360,691 of non-depreciable assets, and the accumulated depreciation is \$20,336,513.	\$ 9,998,577
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 Asset	282,274
Deferred outflows of resources related to net pension liability	790,015
Deferred inflows of resources related to net pension liability	(704,641)

Total Net Position - Governmental Activities	<u>\$ 23,233,373</u>
----------------------------------------------	----------------------

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Year Ended June 30, 2020

	General Fund	Gifts and Grants Fund	Total Governmental Funds
Revenues:			
Property Taxes	\$ 18,716,453	\$ -	\$ 18,716,453
Collections on Book Fines and Copy Services	145,810	-	145,810
Gifts and Grants	-	94,177	94,177
State Revenue	116,712	-	116,712
Other Contracts	150,953	-	150,953
In-Kind Donations	-	28,705	28,705
Interest	133,638	4,947	138,585
Total Revenues	<u>\$ 19,263,566</u>	<u>\$ 127,829</u>	<u>\$ 19,391,395</u>
Expenditures			
Personal Services	\$ 11,595,583	\$ -	\$ 11,595,583
Materials	2,600,024	124,358	2,724,382
General and Administrative	1,076,913	-	1,076,913
Technology and Automation	1,438,629	-	1,438,629
System Services	491,652	-	491,652
Total Expenditures	<u>\$ 17,202,801</u>	<u>\$ 124,358</u>	<u>\$ 17,327,159</u>
Net Change in Fund Balance	\$ 2,060,765	\$ 3,471	\$ 2,064,236
Beginning Fund Balance	<u>10,156,868</u>	<u>646,044</u>	<u>10,802,912</u>
Ending Fund Balances	<u><u>\$ 12,217,633</u></u>	<u><u>\$ 649,515</u></u>	<u><u>\$ 12,867,148</u></u>
Total net changes in fund balances - governmental funds			\$ 2,064,236

The change in nets 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 in the statement of activities. This is the amount by which depreciation exceeds capital outlay during the period.

Depreciation Expense	\$ (2,229,663)	
Capital Outlay	<u>2,063,891</u>	(165,772)

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. (1,395)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in pension expense per actuary calculation 355,759

Change in net position of governmental activities \$ 2,252,828

See Accompanying Notes to Financial Statements



PIONEER LIBRARY SYSTEM  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2020

	Pension Fund
	<hr/>
<b>ASSETS</b>	
Current Assets	
Investments	\$ 3,970,582
	<hr/>
<b>Total Assets</b>	<b>\$ 3,970,582</b>
	<hr/>
<b>NET POSITION</b>	
Restricted Net Assets	
Held in Trust for Pension	
Benefits and Other Purposes	\$ 3,970,582
	<hr/>

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2020

	<u>Pension Fund</u>
Additions	
Contributions	
Employer	\$ 407,257
Net Increase/(Decrease) in the Fair Value of Investments	<u>109,010</u>
Total Additions	<u>\$ 516,267</u>
Deductions	
Benefits Paid	241,876
Trustee and Management Fees	<u>33,363</u>
Total Deductions	<u>\$ 275,239</u>
Net Increase	\$ 241,028
Net Position, Beginning of Year	<u>3,729,554</u>
Net Position, End of Year	<u><u>\$ 3,970,582</u></u>

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 1 – Summary of Significant Accounting Policies

The Reporting Entity –

Pioneer Library System (the System) is a corporate body for public purposes created under Title 65 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The System is governed by trustees composed of 13 voting members. The System operations are conducted by a librarian appointed by the trustees. Trustees include voting members who are appointees of the various cities and counties in which the System has locations.

The System's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The System's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The System's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Financial Statement Presentation –

In evaluating how to define the System, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the System and/or its citizens, or whether the activity is conducted within the geographic boundaries of the System and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the System is able to exercise oversight responsibilities. Based upon the application of these criteria, the Pioneer Library System Foundation meets the criteria, which requires a component unit to be presented discretely and including in the System's reporting entity.

Complete financial statements for the Foundation are available from the Foundation administrative office.

Basic Financial Statements – Government-Wide Statements –

The System's basic financial statements include both government-wide (reporting the Library System as a whole) and fund financial statements (reporting the System's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The System does not have any activities classified as business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are excluded.

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 1 – Summary of Significant Account Policies (continued)

In the government-wide Statement of Net Position, the System's governmental activities are reported using the economic resources measurement focus and the accrual basis of accounting. The System's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Revenues are recognized when earned and expenses are recognized when incurred.

The government-wide Statement of Activities reports both the gross and net cost of each of the System's programs and functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The pension trust fund recognizes employer and participant contributions in the period in which contributions are due and the System has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. See Note 9.

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

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

Basic Financial Statements – Fund Financial Statements

Fund financial statements report detailed information about the System. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Non-major funds are aggregated and presented in a single column.

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

The System reports the following major governmental funds:

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

Gifts and Grants Fund – is used to account for all gifts and grants made to the System, which are to be used for specific purposes.

The System reports the following fiduciary funds:

Pension Trust Funds – The Pension Trust Funds are used to account for the receipt, investment and distribution of retirement contributions to the Pioneer Library System Pension Plan and Trust (the Plan). See also Note 9.

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance:

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

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.
2. Restricted net assets – 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 net assets – All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net assets are available for use, generally it is the System's policy to use restricted resources first.

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

- a) Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- b) Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by contributors, grantors, or amounts constrained due to constitutional provisions or enabling legislation.
- c) Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the System through formal action of the highest level of decision making authority. The Board of Trustees is the highest level of decision making authority that can commit fund balance. Once committed, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.
- d) Assigned – Includes fund balance amounts that are constrained by the System's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated by the Board of Trustees. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.
- e) Unassigned – Includes the residual balance of the General Fund that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes with the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the System considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

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

Capital Assets – Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and Fixtures	7 years
Computer Equipment	4 years
Vehicles	5 years
Books and Materials	5 years
Buildings	40 years

Compensated Absences – The System accrues accumulated unpaid annual leave when earned by the employee. Generally, annual leave must be taken during the calendar year earned. Eligible employees who end their employment with the System are reimbursed for each day of accumulated annual leave.

Budgets and Budgetary Accounting – The System is required by state law to prepare an annual budget. The budget is filed with the various County Excise Boards.

Budgets generally assume the expenditure of all available resources. Therefore, when the legal budget is prepared, it is assumed these funds will not have a carryover balance to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. Amounts reported as program revenue includes (1) charges to customers, (2) operating grants and contributions, and (3) capital grants and contributions.

Cash and Cash Equivalents – The System considers all cash on hand, demand deposits, money market checking and certificates of deposit with an initial maturity of three months or less, held at an individual bank which are subject to early withdrawal penalties no matter what the maturity period, to be cash. All short-term cash surpluses are maintained in a cash pool, the earnings from which are allocated to each fund based on month-end deposit balances.

Fair Market Value Measurement – Fair value is defined as “the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at a measurement date.” Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2 – Inputs other than quoted prices for identical assets or liabilities that are observable in the market place. For example, Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices are observable for the asset or

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

liability (such as interest rates and yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates), and market-corroborated inputs.

Level 3 – Inputs that are unobservable (supported by little or no market value activity) and are significant to the fair value measurement. Unobservable inputs reflect the System's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Financial assets and liabilities carried at fair value on a recurring basis include beneficial interests in assets held by others.

Receivables – All taxes receivable are expected to be collected in one year.

Property Tax Revenues – Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The County Assessor's office bills and collects the property taxes and remits to the System its portion. Property taxes not paid prior to April are considered delinquent. Such delinquent tax payments have not historically been material. Delinquent tax payments are received throughout the year and are recognized as revenue in the year received, except for those received within 60 days of year end, which are recognized as revenues as of June 30, 2020 in both the government-wide and fund financial statements.

State Revenues – The System receives revenue from the state to administer certain categorical library programs. The board of trustees has designated these funds to be used in technology.

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

Contributed Facilities and Services - The System operates several branches located in government-owned buildings and receives certain services without charge. The estimated fair rental value of the premises and service is not reported in the accompanying statement of revenues, expenditures, and changes in fund balance.

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

Income Taxes - The System was established under the provisions of the Oklahoma Constitution and as such is exempt from income taxes under the Internal Revenue Code as a unit of government. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions. No provision for federal or state income taxes has been recorded. There was no interest or penalties to the Internal Revenue Service included in these financial statements.

Tax years before 2016 are no longer subject to examination by the Internal Revenue Service and the State of Oklahoma.

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Expenses - The System records prepaid insurance, subscriptions and maintenance agreements for that portion of payments which have not been used at year-end for government-wide financial statement purposes. Prepaid expense is included in other current assets in the statement of net assets.

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

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, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) 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, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

See Note 9 for discussion of the System's deferred outflows of resources and deferred inflows of resources.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount 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.

New Accounting Pronouncements – During the year, GASB Statement No. 93, *Replacement of Interbank Offered Rates* and GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, became effective but do not affect the Libraries financial statements.

Note 2 – Cash and Investments

The System's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. A certificate of deposit in the amount of \$9,460 is pledged on a letter of credit for a security deposit.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. At June 30, 2020, none of the System's bank balance of \$12,076,939 was exposed to custodial credit risk because it was not insured or collateralized. The balance is partially collateralized with securities held by First Fidelity Bank in the System's name. The market value of these securities as of June 30, 2020 was \$16,948,027 plus \$250,000 of FDIC insurance gives coverage of \$17,198,027.



PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 2 – Cash and Investments (continued)

Beneficial interest in assets held by others – In previous years the System transferred funds to the Communities Foundation of Oklahoma (CFO) and the Norman Communities Foundation (managed by the Communities Foundation of Oklahoma) for investment. The recorded portion of all of these funds consists of transfers to CFO from the System and the earnings thereon.

The following methods and assumptions were used to estimate the fair value of the beneficial interest in assets held by others reported at fair market value in the accompanying financial statements.

The organization believes that fair value of the future cash flows to be received from its beneficial interest in assets held by other the CFO which primarily include a diversified portfolio of marketable securities. The organization classifies its beneficial interest in the assets held by the CFO as level 3.

As of June 30 2020, assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by CFO	\$ 396,910	\$ -	\$ -	\$ 396,910
Total Recurring Fair Value Measurements	<u>\$ 396,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 396,910</u>

Grant awards shall be available for distribution on a yearly basis, subject to final approval by the Board of Directors of CFO, and based on a specified percentage of the fair market value of assets on a rolling average of the previous eight quarters. The Community Foundation maintains variance power over these assets. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. The System's board may, by an affirmative vote of two thirds of the board, for an unusual circumstance, recommend and request distribution of all or part of the assets held by CFO. However, the CFO has the ultimate authority over and control of all property held by CFO. Distributions in the amount of \$20,175 for the year ended June 30, 2020, was received by the System from these combined funds.

The Community Foundation maintains legal ownership of the funds. However, accounting principles generally accepted in the United States of America require the Organization to reflect its beneficial interest in these assets in its financial statements. At June 30, 2020, assets transferred to the Community Foundation by the Organization had a fair value of \$396,910 based on the approximate present value of future cash flows from CFO.

Direct donations to existing funds at the Community Foundation from individuals are restricted for endowment purposes and are not recorded as assets of the System. Only the earnings on these funds can be distributed to the System.

Distributions in the amount of \$1,583 for the year ended June 30, 2020, were received by the System. The fair value of the funds originally donated by third parties at June 30, 2020 was \$31,146. The Organization has no remainder interest in the corpus of these funds.

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 2 – Cash and Investments (continued)

Investment Interest Rate Risk - The investments of the Pension Plan (see also Note 9) are invested in various mutual funds with the MassMutual, and may be used only for the payment of benefits to the members of the Plan. The composition of the pension trust fund at fair value is shown in the following table:

	Market Value	Credit Exposure as a Percentage of Total Investments
Pension Fund		
Pooled Equity Funds	\$ 2,459,894	61.95%
Pooled Fixed Income Funds	1,312,446	33.05%
Alternative Investments	198,242	5.00%
Total Pension Fund Investments	<u>\$ 3,970,582</u>	<u>100.00%</u>

The following investments represent 5% or more of the net assets of the Plan at June 30, 2020:

Barings Premium High Yield Bond Fund	\$ 306,472
Northern Trust MM MSCI EAFE Intl Index Equity Fund	399,461
Northern Trust MM RSI 2000 SmCp Index Equity Fund	218,524
Northern Trust MM S&P 500 Index II Equity Fund	1,415,939
Northern Trust MM S&P Mid Cap Index Equity Fund	425,970
Barings Premium Core Bond Fund	502,222
Western Sel Stratbond Bond Fund	503,752
Global Real Estate Securities Fd	198,242

The fair values of the Company's pension investments by asset category as of June 30, 2020 were as follows:

	Total	Level 1	Level 2	Level 3
Common Stock:				
Pooled Equity Funds	\$ 2,459,894	\$ -	\$ 2,459,894	\$ -
Corporate Debt Instruments				
Pooled Fixed Income Funds	1,312,446	-	1,312,446	-
Other, Net	198,242	-	198,242	-
Total Recurring Fair Value Measurements	<u>\$ 3,970,582</u>	<u>\$ -</u>	<u>\$ 3,970,582</u>	<u>\$ -</u>

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 2 – Cash and Investments (continued)

Pension Fund Policy

The Pioneer Library System Pension Plan and Trust provides for investment managers who have full discretion of assets allocated to them subject to the overall investment guidelines set out in the policy.

Manager performance is reviewed by a consultant who provides reports to the retirement plans investment and administrative committee and to the board. Any changes in the investment management firm must be reported as they occur. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, cash equivalents, index funds, collective trust funds and mutual funds. The Plan addresses custodial credit risk with policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the board. The pension trust fund holds \$3,970,582 in investments. This amount is held by the investment counterparty, not in the name of the pension fund or the System.

Pension Trust investing is restricted by Oklahoma Statutes to the Prudent Investor Rule.

Note 3 – Collections

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

Note 4 – Short-Term Borrowing

On an annual basis, the System utilizes short-term unsecured promissory notes in anticipation of the collection of ad valorem taxes. In accordance with Title 65 Section 4-105 of the Oklahoma Statutes, the term of the loan may not exceed one year. As of June 30, 2020, no balance was owed. No interest expense was paid or incurred during the year ended June 30, 2020.

Note 5 – Other Current Liabilities

The liability balance and activity for the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 422,150	602,256	541,098	\$ 483,308	\$ 483,308

The general fund will be used to settle the compensated absences liability.

Note 6 – Commitments

Lease Commitments – The System leases a building, two postage machine and copiers for its branch facilities and for administration under operating leases. The leases are renewed on an annual basis. Lease expense under these leases for 2020 was \$65,251.

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 6 – Commitments (continued)

Encumbrances – As discussed in Note 1 above, budgetary information, budgetary basis of accounting, and encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2020 the amount of encumbrances expected to be honored upon performance by the vendor in the next year were:

General Fund	\$ 292,986
Gifts and Grants Fund	<u>1,448</u>
Total	<u><u>\$ 294,434</u></u>

Note 7 – Capital Assets

Capital assets of the System at June 30, 2020 are as follows:

	Beginning <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balances</u>
Non-depreciable Capital Assets:				
Land	\$ 161,179	\$ -	\$ -	\$ 161,179
Books	855,807	-	855,807	-
Computer Equipment	<u>714,267</u>	<u>199,512</u>	<u>714,267</u>	<u>199,512</u>
Total Non-Depreciable Capital Assets	<u><u>\$ 1,731,253</u></u>	<u><u>\$ 199,512</u></u>	<u><u>\$ 1,570,074</u></u>	<u><u>\$ 360,691</u></u>
Depreciable Capital Assets:				
Library Books	\$ 17,706,156	\$ 2,111,083	\$ 1,303,133	\$ 18,514,106
Building	4,714,836	7,811	-	4,722,647
Furniture and Fixtures	1,373,621	16,593	160,778	1,229,436
Computer Equipment	3,994,616	1,279,966	240,840	5,033,742
Vehicles	<u>489,732</u>	<u>19,000</u>	<u>34,264</u>	<u>474,468</u>
Total Depreciable Capital Assets	<u><u>28,278,961</u></u>	<u><u>3,434,453</u></u>	<u><u>1,739,015</u></u>	<u><u>29,974,399</u></u>
Less Accumulated Depreciation for:				
Library Books	14,544,906	1,369,736	1,303,133	14,611,509
Building	676,695	117,921	-	794,616
Furniture and Fixtures	1,287,683	46,837	160,490	1,174,030
Computer Equipment	2,997,247	624,862	239,733	3,382,376
Vehicles	<u>337,939</u>	<u>70,307</u>	<u>34,264</u>	<u>373,982</u>
Total Accumulated Depreciation	<u><u>19,844,470</u></u>	<u><u>2,229,663</u></u>	<u><u>1,737,620</u></u>	<u><u>20,336,513</u></u>
Total Depreciable Capital Assets, Net	<u><u>\$ 8,434,491</u></u>	<u><u>\$ 1,204,790</u></u>	<u><u>\$ 1,395</u></u>	<u><u>\$ 9,637,886</u></u>

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 8 – Fund Balance

The following table shows the fund balance classifications as shown on the governmental funds balance sheet as of June 30, 2020:

	General Fund	Gifts and Grants Fund	Total Governmental Funds
Fund Balance			
Assigned:			
Cleveland County Libraries	\$ 124,560	\$ -	\$ 124,560
McClain County Libraries	173,995	-	173,995
Pottawatomie County Libraries	50,000	-	50,000
Library Projects	220,000	-	220,000
Special Revenue Funds	-	648,067	648,067
Committed:			
Reserved for Encumbrances	292,986	1,448	294,434
Unassigned	11,356,092	-	11,356,092
Total Fund Balance	<u>\$ 12,217,633</u>	<u>\$ 649,515</u>	<u>\$ 12,867,148</u>

Note 9 – Defined Benefit Retirement Plan

Plan Description - The Pioneer Library System Pension Plan and Trust (The Plan) is a single-employer public employees' retirement system (PERS) plan that covers all full-time employees of the System. This plan was frozen as of December 31, 2008 and closed to new entrants. Retirement benefits are based on length of service and salary. Normal retirement for the plan is 65 years of age. Death and deferred vested benefits are also available under the plan. All benefits vest after 10 years of credited service. Pioneer employees who retire after age sixty-five with more than four years of credited service are entitled to an annual retirement benefit, payable monthly, in an amount equal to one percent of their average salary based on their highest five consecutive years within 10 years of retirement. If an employee has less than 10 years of vesting service, the amount of the benefit is reduced by 1/10<sup>th</sup> for each vesting year of service fewer than ten. Actuarial valuations are performed annually on January 1.

Plan membership as at June 30, 2020 consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	29
Inactive plan members entitled to but not yet receiving benefits	33
Active plan members	<u>54</u>
Total plan members	<u>116</u>

Funding Policy - Employees of the System are not required to contribute to the plan. The System is required to make annual contributions based on an actuarially computed percentage of covered wages in amounts sufficient to cover normal cost of benefits and amortize the prior service liabilities. The Pioneer Library System Board of Trustees has the authority to establish and or amend the funding policy of the plan. Contributions for the year ending June 30, 2020 to the defined benefit plan were \$407,257.

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 9 – Defined Benefit Retirement Plan (continued)

Net Pension Liability – The System’s net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2019 actuarial valuation was determined using an interest rate and investment rate of return of 6%. This long-term expected rate of return was obtained from the trustee of the plan assets.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2019 through December 31, 2019. In addition, the mortality rates were based on the RP-2014 Mortality Table using Scale MP-2019 instead of the RP-2014 Mortality Table using scale MP-2018 which was the table used for the previous year’s calculation.

The discount rate used to measure the total pension liability was 6%. The projection of cash flows used to determine the discount rate assumed that contributions from the System will be made at contractually required rates, as actuarially determined. Based on this assumption, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability – Changes in the System’s net pension liability for the year ended June 30, 2020 were as follows:

	Increase (Decrease)		
	Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2019	\$3,935,290	\$3,335,256	\$ 600,034
Changes for the year:			
Interest	224,544	-	224,544
Difference between expected and actual experience	(73,424)	-	(73,424)
Net investment income	-	731,845	(731,845)
Administrative Expense	-	(32,728)	32,728
Change of assumptions	(13,805)	-	(13,805)
Contributions - employer	-	320,506	(320,506)
Benefit payments including refunds of employee contributions	(385,772)	(385,772)	-
Net Changes	(248,457)	633,851	(882,308)
Balance, June 30, 2020	<u>\$3,686,833</u>	<u>\$3,969,107</u>	<u>\$ (282,274)</u>

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note – 9 Defined Benefit Retirement Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability calculated using the discount rate of 6%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5%) or 1 percentage point higher (7%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Pension Liability	\$ 4,073,195	\$3,686,833	\$3,361,544
Fiduciary Net Position	3,969,107	3,969,107	3,969,107
Net Pension Liability	<u>\$ 104,088</u>	<u>\$ (282,274)</u>	<u>\$ (607,563)</u>

The Plan's annual financial report is available from the Business Office of the Pioneer Library System, 300 Norman Center Court, Norman, Oklahoma 73072.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended June 30, 2020; the System recognized a pension benefit of \$355,759. At June 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Balances at June 30, 2020</b>	
<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 153,656	\$ (64,485)
Changes of assumptions	98,430	(94,094)
Net difference between projected and actual earnings on investments	-	(315,390)
Contribution to pension plan after measurement date	307,257	-
Total	<u>\$ 559,343</u>	<u>\$ (473,969)</u>

Deferred outflows of resources related to pensions resulting from System contributions of \$307,257 subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year</u>	
2020	\$ (68,344)
2021	(12,023)
2022	(23,699)
2023	(114,463)
2024	(3,354)
Thereafter	-

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 10 – Defined Contribution Retirement Plan

Plan Description - On January 1, 2009 the System implemented this plan. Normal retirement age for this plan is 65 years of age. Death and deferred vested benefits are also available under this plan. All benefits vest after 5 years of credited service. Employees who retire after age sixty-five will receive their vested benefits in one of the following manners out of the amount accumulated in their accounts: (i) by lump sum payments, or (ii) in equal monthly, quarterly, semi-annual or annual installment payments; provided an installment election must be for a period less than their life expectancy or the life expectancy of their beneficiaries.

Funding Policy - Employees of the System are not required to contribute to the plan. The System makes an annual contribution based on a percentage of an employee's salary. For employees that are members of the Defined Benefit retirement plan that was frozen in 2008, the percentage of salary was based on an actuarial calculation that was done in 2008. These percentages were reviewed and recalculated during the current year which resulted in several of the percentages being changed. These new percentages were used when calculating the contributions to participants' accounts for 2020. The Pioneer Library System Board of Trustees has the authority to establish and or amend the funding policy of the plan. Contributions paid to the plan for the year ended June 30, 2020 totaled \$462,180.

Note 11 – Risk Management

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

Note 12 – Related Party Leases

The System leases space to the City of Norman (City) under an operating lease with annual mutual renewal, for a term of twenty years. Rent revenue under this lease equaled \$117,836, included in Other Contracts on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. Under this lease agreement the City agreed to pay \$50,000 a year for ten years as reimbursement for costs incurred to remodel the space for a total of \$500,000. If the lease is not mutually renewed the remainder of \$500,000 is to be remitted to the System.

The cost of the leased space is included in the Building category in Note 7 – Capital Assets, and the amount of accumulated depreciation thereon. The amount of cost attributable to only the leased space is not determinable and therefore not disclosed here.

Note 13 – Prior Period Restatement

The net position at the beginning of the year was restated due to an error discovered during the year in the actuary's calculation of a component of deferred outflow of resources. The effect of this correction was to increase the unrestricted net position as follows:

June 30, 2019 net position, prior to correction	\$20,806,532
Adjustment to net position	<u>174,013</u>
Net position at the beginning of the year, as corrected	<u>\$20,980,545</u>



PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

Note 14 – Subsequent Events

Subsequent events have been evaluated through the issuance date of this report.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

Because the Pioneer Library System is substantially funded by ad valorem taxes, there was no significant loss of revenues. However, the System's operations had to change significantly due to the pandemic.

On March 15, 2020 the Pioneer Library System and its discretely presented component unit, the Pioneer Library System Foundation, closed all of their facilities to the public. Staff continued to report to work to support the public via telephone and other digital resources. Any staff who could work from home were provided the tools to accomplish their tasks. A decision was made by management to pay all employees through the end of March with hourly employees being paid for their hours that had been previously scheduled.

On March 26, 2020, Oklahoma Governor Kevin Stitt ordered the closure of the physical location of every "non-essential" business for what was an extended period of time. The Executive Team developed a plan to provide uninterrupted pay to hourly employees through April based on the average hours worked during January and February 2020. During this time, supervisors were encouraged to find tasks that hourly and salaried employees could perform while working remotely.

By the end of April 2020, a plan to reopen in four phases had been developed and communicated to all staff.

In the first phase, staff began to return to branches beginning May 4, 2020 to prepare the branches for public re-opening and to work through the backlog of materials that accumulated during the closure. Branch managers assessed their locations to ensure proper social distancing measures could be attained and that adequate cleaning supplies, masks, gloves, and other equipment are available to ensure the health and safety of all staff and customers. Staff were scheduled to work in teams that worked together exclusively to avoid cross-contamination and assist with contact tracing, if necessary. During each shift change, the branches were closed in order to clean any shared workspaces.

The second phase included re-opening to the public on May 18, 2020 to provide essential services with the first hour of each day reserved for customers in vulnerable populations. Essential services included computer use of up to two 30-minute sessions per day, copying, printing, faxing, and curbside pick-up. Capacity limitations were put into place and to discourage customers from lingering for long periods, staff provided reader's advisory services and pulled materials for customers. Fines and fees were waived during the re-opening phase and signage encouraging masks, hand washing and social distancing were posted. Meeting rooms were closed to the public in PLS controlled locations through August 31, 2020 and regular cleaning of staff and customer spaces was required. During this phase of re-opening, staff continued to work in teams and were required to take leave for any days scheduled out of the office if they were unable to work remotely. Hourly staff was scheduled only as needed and, as of May 1, 2020, were only paid for actual hours worked.

The third phase began on June 28, 2020. This phase ended the team approach and returned the System to a typical staffing model. Regular hours of operation resumed and fines and fees were reinstated. In-person

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2020

staff meetings were resumed as long as there were fewer than 10 people in attendance and social distancing measures could be ensured.

The System is currently in phase four of re-opening. This phase was entered into using a soft opening approach without wide notice to the public in order to discourage large crowds. Meeting rooms remain unavailable for public reservation and in-person programs are suspended until further notice. Essential services that began in phase two continue with the addition of the ability for customers to browse and utilize Wi-Fi services. Public restrooms have been re-opened dependent on adequate cleaning. While water fountains remain unavailable, water bottle filling stations have been re-opened. Branches have been encouraged to welcome customers at the door and explain what services were available at that time. Existing volunteers are allowed to return to the branches but must adhere to social distancing measures. New volunteers are not being accepted at this time. Community organization meetings that staff attend will be allowed to resume in settings of less than 10 attendees as long as social distancing can be ensured. Virtual meetings continue to be an available option.

As of the date of the report on these financial statements, the virus continues to spread and Oklahoma has recently experienced an increase in daily case counts. The future effects of the continuing pandemic are unknown at this time.

PIONEER LIBRARY SYSTEM  
Budgetary Comparison Schedule – General Fund (Unaudited)  
For the Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts GAAP Basis	Budget to GAAP Differences Over(Under)	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Resources (inflows)						
Property Taxes	\$ 17,757,678	\$ 18,463,547	\$ 18,716,453	\$ 138,561	\$ 18,577,892	\$ 114,345
State Revenue	118,000	117,500	116,712	-	116,712	(788)
Interest	90,000	120,000	133,638	261	133,377	13,377
Other	349,953	346,653	296,763	(418)	297,181	(49,472)
Use of Designated Fund Balance	-	686,729	-	-	-	(686,729)
Amounts Available for Appropriation	18,315,631	19,734,429	19,263,566	138,404	19,125,162	(609,267)
Charges to Appropriations (outflows)						
Personnel Services	12,007,046	12,443,025	11,595,583	(49,553)	11,546,030	896,995
Materials	2,380,000	2,654,500	2,600,023	23,725	2,623,748	30,752
General and Administrative	1,120,750	1,277,000	1,076,913	21,646	1,098,559	178,441
Technology	1,450,000	1,822,129	1,438,629	47,899	1,486,528	335,601
System Services	606,000	766,000	491,652	(25,579)	466,073	299,927
Total Charges to Appropriations	17,563,796	18,962,654	17,202,800	18,138	17,220,938	1,741,716
Change in Net Assets	751,835	771,775	2,060,766	120,266	1,904,224	1,493,112
Beginning Fund Balance	7,670,835	9,470,139	9,470,139	-	9,470,139	-
Ending Fund Balance	\$ 8,422,670	\$ 10,241,914	\$ 11,530,905	\$ 120,266	\$ 11,374,363	\$ 1,493,112

Budget to Actual Reconciliation:

Revenues on a budgetary basis are based on cash received rather than the modified accrual basis used for financial reporting	\$ 138,404
Encumbrances for the prior fiscal year which were included in the year ordered for budgetary purposes but were cancelled during the current budgetary year	(18,138)
	<u>\$ 120,266</u>

**Notes to required Budgetary Information**

**Note Budgeting and Budgetary Control**

Oklahoma Statute requires the System to prepare an annual budget. The budget is filed with the various County Excise Boards. The System adopts its budget at the fund level.

**Budgetary Basis of Accounting**

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

See Accompanying Notes to Financial Statements

**PIONEER LIBRARY SYSTEM**  
**Schedule of Changes in Net Pension Liability (Unaudited)**  
**Last Ten Years**

**Pioneer Library System Pension Plan and Trust**  
Schedule of Changes in Net Pension Liability

For the Year Ended December 31	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Total Pension Liability</b>										
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	224,544	227,221	235,645	252,873	239,135	240,458	252,881	238,612	248,546	237,066
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(73,424)	45,793	124,628	10,006	107,515	(29,079)	49,618	247,559	(116,955)	75,052
Changes of assumptions	(13,805)	(8,364)	(26,958)	-	357,460	-	(618,094)	-	244,140	-
Benefit payments, including refunds of member contributions	(385,772)	(393,085)	(394,007)	(706,017)	(244,284)	(259,643)	(252,483)	(201,018)	(158,505)	(83,058)
<b>Net change in total pension liability</b>	<b>\$ (248,457)</b>	<b>\$ (128,435)</b>	<b>\$ (60,692)</b>	<b>\$ (443,138)</b>	<b>\$ 459,826</b>	<b>\$ (48,264)</b>	<b>\$ (568,078)</b>	<b>\$ 285,153</b>	<b>\$ 217,226</b>	<b>\$ 229,060</b>
<b>Total Pension Liability--Beginning</b>	<b>3,935,290</b>	<b>4,063,725</b>	<b>4,124,417</b>	<b>4,567,555</b>	<b>4,107,729</b>	<b>4,155,993</b>	<b>4,724,071</b>	<b>4,438,918</b>	<b>4,221,692</b>	<b>3,992,632</b>
<b>Total Pension Liability--Ending (a)</b>	<b>\$ 3,686,833</b>	<b>\$ 3,935,290</b>	<b>\$ 4,063,725</b>	<b>\$ 4,124,417</b>	<b>\$ 4,567,555</b>	<b>\$ 4,107,729</b>	<b>\$ 4,155,993</b>	<b>\$ 4,724,071</b>	<b>\$ 4,438,918</b>	<b>\$ 4,221,692</b>
<b>Plan fiduciary net position</b>										
Contributions--employer	\$ 320,506	\$ 179,749	\$ 269,607	\$ 490,156	\$ 83,368	\$ 56,500	\$ 208,000	\$ 208,000	\$ 146,000	\$ 159,000
Contributions--member	-	-	-	-	-	-	-	-	-	-
Net investment income	731,845	(166,936)	458,600	305,447	(63,755)	135,323	481,674	310,945	(27,967)	310,533
Benefit payments, including refunds of member contributions	(385,772)	(393,085)	(394,007)	(706,017)	(244,284)	(259,643)	(252,483)	(201,018)	(158,505)	(83,058)
Administrative expense	(32,728)	(32,844)	(32,981)	(33,731)	(31,409)	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>\$ 633,851</b>	<b>\$ (413,116)</b>	<b>\$ 301,219</b>	<b>\$ 55,855</b>	<b>\$ (256,080)</b>	<b>\$ (67,820)</b>	<b>\$ 437,191</b>	<b>\$ 317,927</b>	<b>\$ (40,472)</b>	<b>\$ 386,475</b>
<b>Plan fiduciary net position--beginning</b>	<b>3,335,256</b>	<b>3,748,372</b>	<b>3,447,153</b>	<b>3,391,298</b>	<b>3,647,378</b>	<b>3,715,198</b>	<b>3,278,007</b>	<b>2,960,080</b>	<b>3,000,552</b>	<b>2,614,077</b>
<b>Plan fiduciary net position--ending (b)</b>	<b>\$ 3,969,107</b>	<b>\$ 3,335,256</b>	<b>\$ 3,748,372</b>	<b>\$ 3,447,153</b>	<b>\$ 3,391,298</b>	<b>\$ 3,647,378</b>	<b>\$ 3,715,198</b>	<b>\$ 3,278,007</b>	<b>\$ 2,960,080</b>	<b>\$ 3,000,552</b>
<b>PLS net pension liability (asset)--ending (a) - (b)</b>	<b>\$ (282,274)</b>	<b>\$ 600,034</b>	<b>\$ 315,353</b>	<b>\$ 677,264</b>	<b>\$ 1,176,257</b>	<b>\$ 460,351</b>	<b>\$ 440,795</b>	<b>\$ 1,446,064</b>	<b>\$ 1,478,838</b>	<b>\$ 1,221,140</b>
Plan fiduciary net position as a percentage of the total pension liability	107.66%	84.75%	92.24%	83.58%	74.25%	88.79%	89.39%	69.39%	66.68%	71.07%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule:**

Information is not provided for years prior to 2009 due to it not being available.

Covered-employee payroll is not provided after 2008 since the plan was frozen December 31, 2008 and participants no longer accrue additional benefits.

Changes of assumptions - In 2011, amounts reported as changes of assumptions resulted primarily from the actuary correcting an error based on him using the wrong assumptions for his lump sum calculations.

In 2013, amounts reported as changes of assumptions resulted primarily from changing the interest rate, changing the cost method, and changing the mortality tables.

In 2015, amounts reported as changes of assumptions resulted from the changing of the mortality tables.

In 2017, amounts reported as changes of assumptions resulted from the update to the mortality projection scale contained in the mortality tables.

In 2018, amounts reported as changes of assumptions resulted from the change to the mortality tables.

In 2019, amounts reported as changes of assumptions resulted from the change to the mortality tables.

**PIONEER LIBRARY SYSTEM**  
**Schedule of Pension Contributions (Unaudited)**  
**Last Ten Years**

**Pioneer Library System Pension Plan and Trust**  
Schedule of Pension Contributions

For the Year Ended December 31	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 241,012	\$ 157,203	\$ 169,607	\$ 240,155	\$ 68,369	\$ 56,500	\$ 176,976	\$ 197,670	\$ 149,985	\$ 163,645
Contributions in relation to the actuarially determined contribution	320,506	179,749	269,607	490,156	83,368	56,500	208,000	208,000	146,000	159,000
Contribution deficiency (excess)	<u>\$ (79,494)</u>	<u>\$ (22,546)</u>	<u>\$ (100,000)</u>	<u>\$ (250,001)</u>	<u>\$ (14,999)</u>	<u>\$ -</u>	<u>\$ (31,024)</u>	<u>\$ (10,330)</u>	<u>\$ 3,985</u>	<u>\$ 4,645</u>
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, six months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Active and terminated vested participants are assumed to elect a 10 year Certain and Life Annuity upon retirement Level dollar

Amortization method

Unfunded past service liability, 10 year closed period beginning January 1, 2014. Subsequent plan year gains and losses are amortized over five years.

Remaining amortization period

Market value of assets

Asset valuation method

N/A

Inflation

N/A - plan is frozen

Salary increases

6.00%

Investment rate of return

100% at age 65

Retirement age

RP - 2014 Mortality Table projected using scale MP-2019

Mortality

Other information:

Covered-employee payroll is not provided since the plan was frozen December 31, 2008 and participants no longer accrue additional benefits.

See Accompanying Notes to Financial Statements



# Gray, Blodgett & Company, PLLC

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS ADVISORS

629 24TH AVE SW  
NORMAN, OKLAHOMA 73069  
(405) 360-5533 FAX (405) 364-3771  
1-800-360-5535

TED BLODGETT, CPA, CVA, ABV, JD  
C. JANESE SHEPARD, CPA  
ROSS H. ROYE, CPA  
ANN A. ALBERTSON, CPA, CVA  
CYNTHIA K. BYARS, CPA  
JANICE L. GRAY, CPA  
RODNEY GRAY, CPA, CVA  
JONATHAN M. KERN, CPA  
BREE MONTOYA, CPA, CVA, ABV  
TRICIA P. PAMINTUAN, CPA  
RHONDA E. RAY, CPA  
CHRISTINE J. STEPHENS, CPA  
BRIAN C. WILKINS, CPA  
TIM WILSON, CPA  
JASON D. WINTERS, CPA

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

September 29, 2020

To the Board of Trustees of  
Pioneer Library System  
Norman, Oklahoma

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the fiduciary fund type of Pioneer Library System (the System), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated September 29, 2020. We conducted our audit 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 aggregate discretely presented component unit, the Pioneer Library System Foundation, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Pioneer Library System Foundation.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System'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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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.

To the Board of Trustees of  
Pioneer Library System  
September 29, 2020

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System'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.

GRAY, BLODGETT & COMPANY, PLLC

A handwritten signature in black ink that reads "Gray, Blodgett & Company, PLLC". The signature is written in a cursive, flowing style.