



Financial Statements

For the Year Ended June 30, 2022

PIONEER LIBRARY SYSTEM

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June 30, 2022

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INDEPENDENT AUDITORS' REPORT

September 26, 2022

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

Report on the Audit of the Financial Statements

Opinions

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 (the System), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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 System, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pioneer Library System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees of
Pioneer Library System
September 26, 2022

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–14, the budgetary comparison information on page 37, and the net pension liability and contribution information on pages 38–39 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 26, 2022, 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.

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Gray, Blodgett & Company, PLLC



Management's Discussion & Analysis for the Fiscal Year Ended June 30, 2022

This discussion and analysis of the financial performance of Pioneer Library System provides an overall review of PLS's financial condition and results of operations for the fiscal year ended June 30, 2022. Readers should read this information in conjunction with the system's financial statements.

Governmental Accounting Standards Board (GASB) statements 87, 89, 92, and 93 became effective as of June 30, 2022. Statement 87 was on the accounting and financial reporting of leases and the statement's objective was to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract. The other three pronouncements do not affect the library's financial statements.

PLS Overview

The Pioneer Library System is comprised of twelve library branches in ten communities within three counties serving more than 400,000 residents. More than one million visits were made to the library in FY 2021-2022. Print and digital collections are checked out over 2.5 million times per year by people of all ages. Approximately 69% of people in this service area have a library card and 9 out of 10 library users surveyed would recommend the library to others.

- Mission: Inspiring innovation, engagement, and learning in our communities.
- Customer Service Philosophy: Creating positive experiences for you.
- Values: Welcome, Empower, Respect.

Working with local partners, the library helps connect people with jobs and supports career development, partners with schools to offer resources and assistance to students with their schoolwork, and delivers programming focused on early literacy. The library provides services to those unable to come to the library through homebound services, digital materials, virtual programs, and more. The library provides Internet access and assistance to connect customers with vital services, including housing, utilities, food, health care, and public assistance. Whether in-person or virtually, the library inspires innovation, engagement, and learning in our communities.

As our communities adapt to the COVID-19 pandemic, the library too, implemented new tactics to reach and engage customers as customer behavior continues to shift. The library is drawing in more Digitarians, or customers who primarily check out digital materials, than ever before, and customers returned to the library's facilities with door counts nearly back to pre-pandemic numbers. Services implemented in the pandemic, curbside pick-up, boosted WI-FI to parking lots, and virtual programs, continue to be popular channels for customers to connect to library resources. Through these services and targeted marketing campaigns, the library increased the total market penetration 6% between Q1 and Q2 of 2022, just under 1/3 of households in the library's service area becoming active cardholders. The 2022 Summer Learning Challenge saw record-breaking numbers with more than 17 million minutes of learning, 25% more

registrants than 2019 and a 4% increase in completion rates from 2021 and more than 3 times the amount of learning activities completed than ever before.

All of this work and more has been led by the 2021 Strategic Plan, the priorities of which move the Library's mission, philosophy and values forward. Decisions made this year and outlined in this document were measured and aligned with each section of the Strategic Plan.

Financial Highlights

For FY 2021-2022, the library's general fund reported an ending balance of \$17,891,907 versus \$16,159,914 for the FY 2020-2021. Of the 2021-2022 year-end total, \$651,471 is committed for outstanding encumbrances, and \$722,361 is assigned for service upgrades and improvements of library services at current and future libraries within the system. A majority of the outstanding encumbrances are for vehicles, materials, and technology equipment. Although the remaining balance of \$16,518,075 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 9.0% this year. This increase enabled the library to further the library's mission through a variety of opportunities:

- The termination of the Library's Pension Plan & Trust was completed this year. The final assets were transferred out of the plan in early October of this year. This plan was frozen on December 31, 2008.
- Author's Wes Moore and Philippe Cousteau were paid as part of the PLS Reads/Spark a Change community conversation series a total of \$26,250 this fiscal year.
- The library spent \$4,185 on Sunday Stars programs in Tecumseh. Sunday Stars is an enrichment program for students in first through third grade who are below grade reading level in reading and math. Students engage in hands-on STEAM activities, quality reading instruction by Lead Instructors based on Orton Gillingham curriculum, and one-on-one reading time with a Teen Reading Ambassador. The library partnered with Purcell, Noble, and Tecumseh Public Schools to identify and recruit eligible students and measure academic success. The library has received grant funding from the State Department of Education for the Noble and Purcell locations.
- The library spent \$11,000 on scholarships and fees for Gale Presents: Excel Adult Online High School (formerly named Career Online High School). Fifteen scholarships were awarded, and two students graduated from the program with their high school diploma.
- Items purchased from the Technology/Equipment budget included a laser printer for the Maker Lab at the Norman Public Library Central, the installation of a canopy in Newcastle to cover a Movie Box and book lockers, and the purchase of thirteen solar benches which will be placed in each of the library's 10 communities. These items will improve the customer experience by providing faster and, in some cases, 24/7 access to materials and technology.
- Additional digital materials were purchased to meet demand and provide customers with a wider selection of titles. As mentioned previously, digital activity increased throughout the year as the pandemic changed daily life in the library's communities.
- In April 2021, the Library's Administration Building, located at 300 Norman Center Court, was impacted by severe hailstorms. As a result, a new roof (\$379,915) and HVAC units were installed, and four vehicles were replaced.

The general fund balance increased by \$1,731,993 from fiscal year 2021 due to the increase in collection of revenue and the decrease in spending in expense categories including retirement contributions and system outreach.

The Pioneer Library System Foundation completed its twelfth year of operation as of June 30, 2022. The Foundation was organized for the purpose of Supporting Literacy and a Love of Learning throughout Pioneer Library System Communities. The PLS Foundation awarded a total of \$9,187 to ten of the library's twelve branches to support local programs supporting literacy. More than \$66,661 in grant funds were awarded to the PLS Foundation by the Oklahoma Department of Libraries and the Institute of Museum and Library Services for health literacy initiatives at all twelve branches. In addition, the Foundation provided financial support for many of the library's programs including the 2022 PLS Reads/Spark a Change series and the system-wide Summer Learning Challenge. The PLS Foundation sponsored and hosted Literally Yours featuring best-selling author Wes Moore. People across the library's service area joined virtually to learn more about the topic of poverty and Moore's book *The Other Wes Moore: One Name, Two Fates*. The PLS Foundation also funded \$10,000 for books that were donated to children enrolled in area health department programs as reward for exceeding the Summer Learning Challenge community goal of spending 8.1 million minutes learning. The PLS Foundation has been included as a component unit of the Pioneer Library System and the Foundation has issued its own financial statements, available from the Library Foundation administrative office.

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 of 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 15 and 16 of this report.

Fund Financial Statements

The Library 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'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 and Trust. Fiduciary fund financial statements report resources that are not available to fund Library System general operations. The Pension Plan and Trust was terminated and the funds transferred out in October of 2021.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of PLS's 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 Pioneer Library System Pension Plan and Trust. This plan was terminated and closed out in October of 2021.

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 2021-2022 governmental fund balances changed as follows:

	General Fund	Other	Total
	Funds	Governmental	Governmental
		Funds	Funds
Revenues	\$ 21,835,151	\$ 111,401	\$ 21,946,552
Expenditures	\$ 20,103,158	\$ 175,799	\$ 20,278,957
Net Increase	\$ 1,731,993	\$ (64,398)	\$ 1,667,595

For fiscal year 2020-2021 governmental fund balances changed as follows:

	General Fund Funds	Other Governmental Funds	Total Governmental Funds
Revenues	\$ 20,032,979	\$ 163,150	\$ 20,196,129
Expenditures	\$ 16,090,698	\$ 59,243	\$ 16,149,941
Net Decrease	\$ 3,942,281	\$ 103,907	\$ 4,046,188

General Fund

The library is primarily (or 94%) funded by Ad Valorem (property) tax. For the 2021-22 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 2021-22, the Counties' assessed property value had an increase of 3.87% versus 5.26% for 2020-21. Actual tax collections increased by 5.73% versus 4.5% for the prior year. The increase of 5.73% was due to the collection of more tax revenue. Fine and other charges for services revenue for 2021-22 increased by \$443,881 from 2020-21. This increase was precipitated by the increase of fine revenue over the previous year and the insurance proceeds received from the insurance company for the damaged received to the roof of the Administration building in April of 2021. State Aid increased by \$178 over the prior year. Interest income increased by \$29,392 over the prior year excluding interest recognized on the lease receivable. This increase is attributed to an increase in interest rates and the increase in the amount of funds in the fund balance.

The Expense category Personnel Services increased from 2021 to 2022 due to the increase in salaries paid as a result of an increase in hours worked by staff during a return to pre-pandemic hours worked; an increase in health insurance expenses due to a rate increase from the service provider; an increase in employee assistance programs caused by a change in providers and the offering of additional services; an increase in workers compensation insurance due to a rate increase; and an increase in unemployment expenses due to the pandemic. The Expense category of Materials increased to purchase more digital materials for the collection to meet demand. The Technology and Automation category increased because of the purchase of thirteen solar benches, the purchase of a laser printer, and the cost of replacing computers throughout the system.

The System Services and General and Administrative expense categories were different in 2022 than in 2021 because of the following:

- Professional Services increased for additional work to be done with Phase Two for mobile application development and for targeted marketing campaign with OrangeBoy, Inc.
- The Continuing Education expenses increased as the result of more conferences returned to in person attendance and as webinars that were free during the pandemic returned to charging registration.
- Equipment expenses increased compared to last year due to the purchase of new security camera systems and the installation costs at four branches.
- Insurance increased to reflect actual insurance costs.

- Supplies increased to reflect a return to pre-pandemic programming levels and the addition of the Sunday Stars expenses for the Tecumseh branch.
- Travel expenses increased reflecting a return to pre-pandemic levels of travel.
- Vehicles increased as more vehicles were purchased this year to replace damaged vehicles from the prior year.
- Marketing and Communications costs increased to cover the cost of Canva, a graphic design tool.
- Printing expenses increased as six new copiers were leased and timing was synced so that all copier leases would be on the same cycle.
- The number of employees and wages paid increased due to the return to pre-pandemic staffing levels.
- Revaluation expenses increased when compared to last year.
- Fine Collection expenses decreased as a result of discontinued service with a third-party collector.
- Board Development expenses decreased when compared to last year.
- Programming expenses increased to cover the costs of author visits for PLS Reads/Spark a Change programs.
- System Outreach expenses decreased to reflect the transfer of expenditures to the programming budget.
- System Facilities increased to cover the cost of a new roof and new HVAC units at the System's Administration building located at 300 Norman Center Court.

Other Governmental Funds

Gifts/Grants Funds: In fiscal year 2021-2022, the library received \$155,783 in gifts and grants.

The library received \$127,482 in grants this year. \$109,626 of the grants was provided by the Oklahoma Department of Libraries through the ARPA funds received from the federal government by the State of Oklahoma. These funds were spent on digital materials and equipment for the digital collection, databases, and security camera equipment for two branches. The system received a \$7,937 grant from the Oklahoma State Department of Education to fund Sunday Starts programs for Noble and Purcell Public Schools. Outright gifts to the library totaled \$28,301 over 63% (\$17,805) of which was provided by Friends group throughout the library system. The City of Purcell donated \$7,500 to fund programs at the Purcell Library. All grantors and donors provided financial support and were also active partners providing excellent library services to the community.

Fiduciary Funds

The library's Defined Benefit Pension Plan was terminated and all of the funds were transferred out in October 2021. The Pioneer Library System Board of Trustees froze the Pension Plan and Trust as of December 31, 2008 and instituted a defined contribution retirement plan. The provider of the retirement plans is Empower. The board voted at their April 27, 2021 meeting to terminate the plan.

The Library System as a Whole

	<u>2021-2022</u>	<u>2020-2021</u>
Assets		
Current and Other Assets	\$ 20,129,795	\$ 18,622,667
Lease Receivable	\$ 779,556	\$ -
Right to Use Leased Assets	\$ 133,357	\$ -
Capital Assets	<u>\$ 9,538,119</u>	<u>\$ 9,065,700</u>
Total Assets	<u>\$ 30,580,827</u>	<u>\$ 27,688,367</u>
Deferred Outflows of Resources		
Outflows Related to Net Pension Liability	<u>\$ -</u>	<u>\$ 349,118</u>
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 349,118</u>
Liabilities		
Accounts Payable and Accrued Expenses	\$ 1,117,786	\$ 444,693
Other Liabilities	\$ 409,329	\$ 433,429
Right to Use Liability	<u>\$ 135,557</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 1,662,672</u>	<u>\$ 878,122</u>
Deferred Inflows of Resources		
Inflows Related to Leases	\$ 801,403	\$ -
Inflows Related to Net Pension Liability	<u>\$ -</u>	<u>\$ 1,045,235</u>
Total Deferred Inflows of Resources	<u>\$ 801,403</u>	<u>\$ 1,045,235</u>
Net Position		
Net Investment in Capital Assets	\$ 9,538,119	\$ 9,065,700
Restricted Net Assets	\$ 689,024	\$ 1,584,631
Unrestricted Net Assets	<u>\$ 17,889,609</u>	<u>\$ 15,463,797</u>
Total Net Position	<u>\$ 28,116,752</u>	<u>\$ 26,114,128</u>
Change in Net Position		
Beginning Net Position	\$ 26,114,128	\$ 23,233,373
Revenues		
Property Taxes	\$ 20,671,488	\$ 19,551,112
Charges for Services	\$ 311,979	\$ 340,806
Operating Grants	\$ 155,783	\$ 46,994
Capital Grants	\$ 11,034	\$ 4,738
State Aid	\$ 111,257	\$ 111,079
Investment Earnings	\$ 83,918	\$ 29,982
Net Change In Beneficial Assets Held by Others	\$ (55,416)	\$ 111,418
Loss on Disposal	<u>\$ 352,109</u>	<u>\$ (20,216)</u>
Total Revenues	<u>\$ 21,642,152</u>	<u>\$ 20,175,913</u>
Expenses		
Public Library Services	\$ 14,368,178	\$ 12,639,851
Administrative Services	\$ 2,876,709	\$ 2,329,707
Depreciation-Unallocated	<u>\$ 2,394,641</u>	<u>\$ 2,325,600</u>
Total Expenses	<u>\$ 19,639,528</u>	<u>\$ 17,295,158</u>
Increase in Net Position	<u>\$ 2,002,624</u>	<u>\$ 2,880,755</u>
Ending Net Position	<u>\$ 28,116,752</u>	<u>\$ 26,114,128</u>

General Fund Budgetary Highlights

The General Fund budget for fiscal year 2021-2022 was \$21,358,100. This was a 6.82% increase over the previous year. The highlights of the budget include:

- A 4.0% salary adjustment was approved for staff who received a successful or outstanding rating on their annual performance evaluation and were not in their training period.
- Health Insurance expenses increased \$63,000 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.
- Disability Insurance increased \$2,500 to reflect actual costs.
- A \$5,000 decrease in Workers Compensation expenses was a result of a reduction in insurance rates.
- Scholarships increased \$3,000 to expand scholarship opportunities to staff who are seeking undergraduate degrees.
- Materials increased \$170,381 to purchase additional digital materials and cover the cost of outstanding purchase orders at year-end.
- Professional Services was increased by \$623,272 for additional work to be done by Phase Two for mobile application development, targeted marketing campaigns using OrangeBoy's Savannah, and to initiate drug screening for sensitive positions.
- Equipment was increased \$171,740 to purchase new security camera systems at four branches and to purchase Automated External Defibrillators (AEDs) for all locations.
- Insurance was increased \$14,000 to reflect actual insurance costs.
- Telephone costs decreased \$20,000 to reflect the elimination of fax lines no longer needed.
- Travel decreased \$7,000 as there were limited travel opportunities and an increase in virtual meeting and learning opportunities due to the pandemic.
- Vehicle increased \$94,266 to reflect the cost of outstanding purchase orders at year-end.
- Fine collection was decreased \$20,000 because the collection service was discontinued.
- Revaluation was increased \$10,000 to reflect actual costs.
- Technology increased \$504,392 to cover the cost of outstanding purchase orders at year-end and.
- Continuing Education increased \$10,000 to cover the price increases for LinkedIn Learning and Niche Academy, and costs of OLA and PLA conference attendance accommodations based on single occupancy.
- Marketing and Communications increased \$31,858 to cover the costs of outstanding purchase orders at year-end and the addition of Canva, a graphic design tool.
- Programming increased \$45,000 to cover the costs of author visits for PLS Reads/Spark a Change Programs.
- System Outreach decreased \$25,000 to reflect a transfer of expenditures to the programming budget.
- Fund Balance Carryover Current Year decreased to zero because all budgeted revenue was budgeted for in the expense line items.
- Assigned Fund Balance current year increased \$153,806 as this is the amount being assigned out of the current year budget to help fund the new Moore Library Project.
- Assigned Fund Balance reflects several items: Cleveland County, \$124,560; McClain County, \$173,996; Pottawatomie County, \$50,000; Library Projects, \$220,000.
- Unassigned Fund Balance Increased \$3,553,092.
- Total Fund Balance for 2021-2022 was \$15,477,339.

Capital Asset and Long-Term Debt

PLS's investment in capital assets, net of accumulated depreciation, as of June 30, 2022 was \$9,538,119 and on June 30, 2021 was \$9,065,700. Of the total depreciable capital assets, net of accumulated depreciation, on June 30, 2022, 17% are furniture, equipment and vehicles; 46% are building and property; and the remaining 37% are books and materials. Of the total depreciable capital assets, net of accumulated depreciation, on June 30, 2021 16% are furniture, equipment, and vehicles; 44% are building and property; and the remaining 40% are books and materials.

PLS 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 2021-2022, PLS borrowed no money and incurred no interest expense related to long-term debt.

Economic Environment and Next Year's Budget

PLS'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 PLS's revenue outlook. For the most recent fiscal year PLS 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, PLS still expects a continued growth in the tax revenue for the next year. The Cleveland County Assessor has certified 7.22% growth in property value for 2022; the Pottawatomie County Assessor has certified a 10.13% growth and the McClain County Assessor has certified a 11.28% growth.

For fiscal year 2022-2023, the Library Board plans to approve a general fund budget of \$23,020,148 versus \$21,358,100 for 2021-2022. A highlight of the budget follows:

- A 6.0% salary adjustment for staff who received a successful or outstanding rating on their annual performance evaluation and are not in their training period and market adjustments for those staff who were recommended for them based on a pay compensation market study.
- Retirement decreased \$100,000 to reflect no costs needed to terminate the PLS Defined Benefit Pension Plan.
- Health Insurance increased \$16,920 to cover an expected increase in costs for the last three months of the fiscal year when we receive the new rates for Medical and Dental Insurance in April.
- Employee Assistance Programs increased \$11,000 which reflects a change in vendor who provides unlimited online access.
- Contract Labor increased \$960 which reflects the cost of outstanding purchase orders at year-end.
- Unemployment increased \$7,000 which reflects the payment of prior years amounts in the current year.
- Materials increased \$313,384 to reflect additional funds to purchase digital materials and to cover the costs of outstanding purchase orders as of year-end.
- Professional Services increased \$110,278 to cover additional costs related to Phase Two and OrangeBoy and to cover the costs of a website redesign.
- Equipment decreased \$71,740 to reflect actual needs.
- Postage increased \$5,000 to reflect the increase in postage rates.

- Supplies was increased \$15,000 to reflect an increase in program activity and to cover the cost of Sunday Stars programs.
- Telephone decreased \$8,000 to reflect certain services that were eliminated.
- Vehicles decreased \$2,529 to reflect actual costs.
- Miscellaneous increase \$1,400 to reflect actual costs and to cover the costs of outstanding purchase orders at year-end.
- Printing increased \$35,000 which reflects the cost increases of the copier leases.
- Sales tax decreased \$2,000 to reflect actual activity.
- Data Processing increased \$2,000 which reflects the cost increase of processing payroll.
- Revaluation increased \$54,417 to reflect the increase in costs and the payments of two of last year's invoices out of this year.
- Technology increased \$98,315 to cover the costs of outstanding purchase orders at year-end and to cover the Envisionware price increase.
- Employee Development increased \$12,008 to cover the costs of outstanding purchase orders at year-end and the cost of the OLA conference.
- Marketing and Communications increased \$16,537 to cover the cost of outstanding purchase orders at year-end.
- Programming increased \$65,265 to cover the costs of outstanding purchase orders at year-end and to cover the cost of speaker fees.
- System Outreach increased \$25,000 to cover the cost of the Imagination Library Program.
- Assigned Fund Balance reflects several items: Cleveland County, \$124,560; Moore Library \$153,806; McClain County, \$173,995; and Pottawatomie County, \$50,000; Library Projects, \$220,000.
- Unassigned Fund Balance increased \$1,608,891.
- Total Fund Balance for 2022-2023 is anticipated to be \$17,240,436.

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 Pioneer Library System's Business Office at 300 Norman Center Court, Norman, OK 73072.

PIONEER LIBRARY SYSTEM
Statement of Net Position
June 30, 2022

	<u>Primary Governmental Activities</u>	<u>Component Unit Library Foundation</u>
Assets		
Current assets:		
Cash and Cash Equivalents	\$ 18,535,520	\$ 346,802
Beneficial Interest in asset held by others	450,955	62,640
Ad Valorem Tax Receivable	192,414	-
Accrued Interest Receivable	-	117
Lease Receivable	779,556	-
Other Current Assets	923,489	22,807
Other Receivable	27,417	-
Non Current assets:		
Right to Use Assets, Net	133,357	-
Non-Depreciable Capital Assets	409,026	-
Depreciable Capital Assets, Net	<u>9,129,093</u>	<u>-</u>
 Total Assets	 <u>\$ 30,580,827</u>	 <u>\$ 432,366</u>
Liabilities		
Accounts Payable and Accrued Expenses	\$ 1,117,688	\$ 26,501
Accrued Interest Payable	98	-
Compensated Absences Payable	409,329	-
Right to Use Liability	<u>135,557</u>	<u>-</u>
Total Liabilities	<u>\$ 1,662,672</u>	<u>\$ 26,501</u>
Deferred Inflows of Resources		
Inflows related to leases	<u>\$ 801,403</u>	<u>\$ -</u>
Net Position		
Net Investment in Capital Assets	\$ 9,538,119	\$ -
Restricted - Non Spendable Net Assets	-	45,358
Restricted - Literacy and Other Programs	689,024	157,502
Unrestricted - Board Designated Endowment	-	10,776
Unrestricted - Undesignated	<u>17,889,609</u>	<u>192,229</u>
Total Net Position	<u>\$ 28,116,752</u>	<u>\$ 405,865</u>

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM
Statement of Activities
For the Year Ended June 30, 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	(Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Library Foundation
Governmental Activities:						
Public Library Services	\$ 14,368,178	\$ 311,979	\$ 155,783	\$ 11,034	\$ (13,889,382)	
Administrative Services	2,876,709	-	-	-	(2,876,709)	
Depreciation - unallocated	2,394,641	-	-	-	(2,394,641)	
Total Primary Government	\$ 19,639,528	\$ 311,979	\$ 155,783	\$ 11,034	\$ (19,160,732)	
Component Unit						
Library Foundation	\$ 231,466	\$ -	\$ 261,346	\$ -		\$ 29,880
General Revenues:						
Property taxes, levied for general purposes					\$ 20,671,488	\$ -
State aid					111,257	-
Net change in beneficial assets held by others					(55,416)	(7,838)
Investment earnings					83,918	1,033
Gain on disposals					352,109	-
Total General Revenues					\$ 21,163,356	\$ (6,805)
Change in Net Assets					\$ 2,002,624	\$ 23,075
Net position - beginning					26,114,128	382,790
Net position - ending					\$ 28,116,752	\$ 405,865

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM
Balance Sheet
Governmental Funds
June 30, 2022

ASSETS	<u>General Fund</u>	<u>Gifts and Grants Fund</u>	<u>Total Governmental Funds</u>
Cash	\$ 18,454,756	\$ 80,764	\$ 18,535,520
Investments	-	450,955	450,955
Receivable from General Fund	-	170,336	170,336
Ad Valorem Tax Receivable	192,414	-	192,414
Lease Receivable	779,556	-	779,556
Other Receivable	22,538	4,879	27,417
Deposit	9,578	-	9,578
Prepaid Expenses	<u>913,911</u>	<u>-</u>	<u>913,911</u>
Total Assets	<u>\$ 20,372,753</u>	<u>\$ 706,934</u>	<u>\$ 21,079,687</u>

LIABILITIES AND FUND BALANCES

Liabilities			
Accounts Payable	\$ 500,398	\$ 17,910	\$ 518,308
Accrued Salaries and Employee Benefits	599,380	-	599,380
Compensated Absences Payable	409,329	-	409,329
Payable to Special Revenue	<u>170,336</u>	<u>-</u>	<u>170,336</u>
Total Liabilities	<u>\$ 1,679,443</u>	<u>\$ 17,910</u>	<u>\$ 1,697,353</u>
Deferred Inflow of Resources			
Leases	<u>\$ 801,403</u>	<u>\$ -</u>	<u>\$ 801,403</u>
Fund Balances			
Assigned for Service Upgrades and Improvements	\$ 722,361	\$ 657,438	\$ 1,379,799
Committed for Outstanding Encumbrances	651,471	31,586	683,057
Unassigned	<u>16,518,075</u>	<u>-</u>	<u>16,518,075</u>
Fund Balances, End of Year	<u>\$ 17,891,907</u>	<u>\$ 689,024</u>	<u>\$ 18,580,931</u>
Total Liabilities and Fund Balances	<u>\$ 20,372,753</u>	<u>\$ 706,934</u>	

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 \$30,111,652 including \$409,026 of non-depreciable assets, and the accumulated depreciation is \$20,573,533.	\$ 9,538,119
Right to use leased 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 \$237,462 and the accumulated amortization is \$104,105.	133,357
Long-term debt issued for lease liabilities	(237,462)
Principal payments on long-term debt for lease liabilities	101,905
Increase in accrued interest payable for long-term lease liabilities	<u>(98)</u>

Total Net Position - Governmental Activities	<u><u>\$ 28,116,752</u></u>
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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, 2022

	General Fund	Gifts and Grants Fund	Total Governmental Funds
Revenues:			
Property Taxes	\$ 20,671,488	\$ -	\$ 20,671,488
Collections on Book Fines and Copy Services	626,614	-	626,614
Gifts and Grants	-	155,783	155,783
State Revenue	111,257	-	111,257
Other Contracts	104,412	-	104,412
Other Financing Sources	237,462	-	237,462
In-Kind Donations	-	11,034	11,034
Interest	83,918	(55,416)	28,502
	<u>\$ 21,835,151</u>	<u>\$ 111,401</u>	<u>\$ 21,946,552</u>
Total Revenues			
Expenditures			
Personal Services	\$ 11,827,254	\$ -	\$ 11,827,254
Materials	3,055,517	175,799	3,231,316
General and Administrative	2,264,643	-	2,264,643
Technology and Automation	1,823,872	-	1,823,872
System Services	1,131,872	-	1,131,872
	<u>\$ 20,103,158</u>	<u>\$ 175,799</u>	<u>\$ 20,278,957</u>
Total Expenditures			
Net Change in Fund Balance	\$ 1,731,993	\$ (64,398)	\$ 1,667,595
Beginning Fund Balance	<u>16,159,914</u>	<u>753,422</u>	<u>16,913,336</u>
Ending Fund Balances	<u>\$ 17,891,907</u>	<u>\$ 689,024</u>	<u>\$ 18,580,931</u>
Total net changes in fund balances - governmental funds			\$ 1,667,595
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	\$ (2,290,536)		
Capital Outlay	2,829,893		539,357
Right to use leased asset capital outlay expenditures which were capitalized	\$ 237,462		
Amortization expense for intangible assets.	(104,105)		133,357
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. the amount is the net effect of these differences in the treatment of long-term debt.			
New Long Term Debt	\$ (237,462)		
Principal Payments on Long Term Debt	101,905		
Increase in Accrued Interest	(98)		(135,655)
Disposals of capital assets are not considered to be expenditures in the governmental funds. They are however, recorded as a loss in the statement of activities.			
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: (66,938)			
Change in pension expense due to termination of the defined benefit plan (135,092)			
Change in net position of governmental activities <u>\$ 2,002,624</u>			

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2022

	<u>Pension Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ <u> -</u>
Total Assets	\$ <u> -</u>
NET POSITION	
Restricted Net Assets	
Held in Trust for Pension	
Benefits and Other Purposes	\$ <u> -</u>

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2022

	<u>Pension Fund</u>
Deductions	
Benefits Paid	\$ 4,697,276
Refund of Excess Contributions	57,346
Trustee and Management Fees	<u>18,928</u>
Total Deductions	<u>\$ 4,773,550</u>
Net Increase	\$ (4,773,550)
Net Position, Beginning of Year	<u>4,773,550</u>
Net Position, End of Year	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies

The Reporting Entity –

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

The Library is governed by trustees composed of 13 voting members. The Library's 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 Library has locations.

The Library's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The Library'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 Library'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 Library, 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 Library and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Library 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 Library 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 Library's basic financial statements include both government-wide (reporting the Library System as a whole) and fund financial statements (reporting the Library's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Library does not have any activities classified as business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are excluded.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Account Policies (continued)

In the government-wide Statement of Net Position, the Library’s governmental activities are reported using the economic resources measurement focus and the accrual basis of accounting. The Library’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 Library’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 Library 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 13. The pension trust fund was closed out in October of 2021.

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

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

Basic Financial Statements – Fund Financial Statements

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

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

Gifts and Grants Fund – is used to account for all gifts and grants made to the Library, 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

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

(the Plan). See also Note 13. The Pension Plan was terminated and all funds paid out in October of 2021.

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 Library'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 Library'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 been restricted, committed, or assigned to specific purposes with the General Fund.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library 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.

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 Library 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 Library are reimbursed for each day of accumulated annual leave.

Budgets and Budgetary Accounting – The Library is required by state law to prepare an annual budget. The budget is filed with the Oklahoma Department of Libraries, various City or Town Clerks if the City or Town has a PLS Board of Directors member, the County Commissioners and County Excise Boards of each County that is a Library member, the Oklahoma State Auditor, the Oklahoma State Inspector, and the State of Oklahoma Equalization Board.

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 Library 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.”

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

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 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 Library’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 Library 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, 2022 in both the government-wide and fund financial statements.

State Revenues – The Library receives revenue from the state to administer certain categorical library programs.

Interfund Balances - During the course of normal operations, the Library 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 Library 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 Library records income from grants in the period received or to the extent of expenses paid prior to reimbursement by a grant.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

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

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 2018 are no longer subject to examination by the Internal Revenue Service and the State of Oklahoma.

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

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 6 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, the System implemented GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

92, *Omnibus 2020*, and GASB Statement No. 93, *Replacement of Interbank Offered Rates*, also became effective this year but don't affect the Library's financial statements.

Note 2 – Cash and Investments

The Library'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 \$9,578 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 Library's deposits may not be returned to it. At June 30, 2022, none of the Library's bank balance of 18,999,984 was exposed to custodial credit risk because it was not insured or collateralized. The balance is fully collateralized with securities held by First Fidelity Bank in the Library's name. The market value of these securities as of June 30, 2022 was \$21,777,945 plus \$250,000 of FDIC insurance gives coverage of \$22,027,945.

Beneficial interest in assets held by others – In previous years the Library 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 Library 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 2022, assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	Total	Level 3
Beneficial interest in assets held		
by CFO	\$ 450,955	\$ 450,955
Total Recurring Fair Value		
Measurements	\$ 450,955	\$ 450,955

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 2 – Cash and Investments (continued)

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 Library'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 \$1,000 for the year ended June 30, 2022, 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, 2022, assets transferred to the Community Foundation by the Organization had a fair value of \$450,955 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 Library. Only the earnings on these funds can be distributed to the Library.

Distributions in the amount of \$1,160 for the year ended June 30, 2022, were received by the System. The fair value of the funds originally donated by third parties at June 30, 2022 was \$34,689. The Organization has no remainder interest in the corpus of these funds.

Investment Interest Rate Risk - The investments of the Pension Plan (see also Note 13) were all transferred to the Money Market Fund with Empower on June 24, 2021 as part of the process of terminating the Pension Plan. The plan was terminated and the assets were paid out of the plan in October of 2021.

Pension Fund Policy

The Pioneer Library System Pension Plan and Trust provided 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 was reviewed by a consultant who provided 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 addressed custodial credit risk with policy providing for the engagement of a custodian who accepted possession of securities for safekeeping; collected and disbursed income; collected principal of sold, matured, or called items; and provided periodic accounting to the board. The pension trust fund was closed out and the plan was terminated in October of 2021.

Note 3 – Collections

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

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 4 – Lease Receivable

The Library’s lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease. On November 1, 2013, the Library entered into a 20 year lease with the City of Norman, a related party, to lease building space to the city. The fixed payment increases \$.90 per square foot every five years of the lease term. The Library purchased \$500,000 and put into service \$500,000 of F&E that the City is repaying at a rate of \$50,000 per year for 10 years at 3.75% interest. The lease receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.75% which is stated in the agreement.

In fiscal year 2022, the Library recognized \$70,712 of lease revenue and \$24,544 of interest revenue under the lease which is included in Other Contracts on the Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds.

The cost of the leased space is included in the Building category in Note 11 – 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.

The future minimum lease payments are due as follows:

Year Ending June 30	Principal Payments	Interest Payments	Ending Balance
2023	\$ 94,182	\$ 27,618	\$ 121,800
2024	66,414	24,378	90,792
2025	53,299	22,301	75,600
2026	55,332	20,268	75,600
2027	57,443	18,157	75,600
2028-2032	346,533	54,567	401,100
2033-2034	106,353	2,847	109,200
	\$ 779,556	\$ 170,136	\$ 949,692

Note 5 – Right to Use Assets

The Library has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payment made prior to the lease term, less lease incentives, and plus any ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease. The Library has recorded two types of right to use leased assets. The assets are right to use assets for 32 leased copiers and 1 leased postage machine. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 5 – Right to Use Assets (continued)

Right to use asset activity for the Primary Government for the year ended June 30, 2022 was as follows:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Right to use assets				
Leased copiers	\$ -	\$219,812	\$ -	\$ 219,812
Leased postage meter	-	17,650	-	17,650
Total right to use assets	-	\$237,462	-	\$ 237,462
Less accumulated amortization for:				
Leased copiers	-	100,183	-	100,183
Leased postage meter	-	3,922	-	3,922
Total accumulated amortization	-	104,105	-	104,105
Right to use assets, net	\$ -	\$133,357	\$ -	\$ 133,357

Note 6 – Deferred Outflows/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 that applies to a future period and so will not be recognized as an expense or expenditure until then. The system has no current items that meet this criterion. 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 that applies to a future period and so will not be recognized as revenue until then. The system has one item that meets the criterion for this category – leases.

Note 7 – Long-Term Obligations

Leases

The Library has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first lease agreement was executed on 1/1/2021 to lease a postage machine and requires twenty quarterly payments of \$1,071. There are no variable components of this lease. The lease liability is measured at a discount rate of 4.3% which was the rate provided to the Library by its bank. As a result of this lease the Library has recorded a right to use asset with a net book value of \$13,865.

The second lease agreement was executed on 6/1/2018 to lease one copier and requires sixty monthly lease payments of \$165. There are no variable components of this lease. The lease liability is measured at a discount rate of 4.3% which was the rate provided to the Library by its bank. As a result of this lease the Library has recorded a right to use asset with a net book value of \$1,777.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 7 – Long-Term Obligations (continued)

The third lease agreement was executed on 6/1/2018 to lease twenty-four copiers and requires sixty monthly lease payments of \$2,745. There are no variable components of this lease. The lease liability is measured at a discount rate of 4.3% which was the rate provided to the Library by its bank. As a result of this lease the Library has recorded a right to use asset with a net book value of \$29,563.

The fourth lease agreement was executed on 10/1/2021 to lease six copiers and requires twenty-two monthly lease payments of \$2,750. There are no variable components to this lease. The lease liability is measured at a discount rate of 4.3% which was the rate provided to the Library by its bank. As a result of this lease the Library has recorded a right to use asset with a net book value of \$32,253.

The fifth lease agreement was executed on 10/1/2021 to lease one copier and requires twenty-two monthly lease payments of \$4,954. There are no variable components to this lease. The lease liability is measured at a discount rate of 4.3% which was the rate provided to the Library by its bank. As a result of this lease the Library has recorded a right to use asset with a net book value of \$58,099.

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending <u>June 30</u>	Principal <u>Payments</u>	Interest <u>Payments</u>	Ending <u>Balance</u>
2023	\$ 125,448	\$ 3,293	\$ 128,741
2024	3,916	368	4,284
2025	4,085	199	4,284
2026	2,108	34	2,142
	<u>\$ 135,557</u>	<u>\$ 3,894</u>	<u>\$ 139,451</u>

Note 8 – Short-Term Borrowing

On an annual basis, the Library 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, 2022, no balance was owed. No interest expense was paid or incurred during the year ended June 30, 2022 related to short-term borrowing.

Note 9 – Other Current Liabilities

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due <u>Within One Year</u>
Compensated Absences	<u>\$ 433,428</u>	<u>592,849</u>	<u>616,948</u>	<u>\$ 409,329</u>	<u>\$ 409,329</u>

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

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 10– Commitments

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, 2022 the amount of encumbrances expected to be honored upon performance by the vendor in the next year were:

General Fund	\$ 651,471
Gifts and Grants Fund	<u>31,586</u>
Total	<u>\$ 683,057</u>

Note 11 – Capital Assets

Capital assets of the System at June 30, 2022 are as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Non-depreciable Capital Assets:				
Land	\$ 161,179	\$ -	\$ -	\$ 161,179
Computer Equipment	<u>103,475</u>	<u>144,372</u>	<u>-</u>	<u>247,847</u>
Total Non-Depreciable Capital Assets	<u>\$ 264,654</u>	<u>\$ 144,372</u>	<u>\$ -</u>	<u>\$ 409,026</u>
Depreciable Capital Assets:				
Library Books	\$ 17,045,212	\$ 1,138,589	\$ 1,100,603	\$ 17,083,198
Building	4,743,182	557,265	152,545	5,147,902
Furniture and Fixtures	1,215,898	2,400	4,450	1,213,848
Computer Equipment	5,147,731	893,001	274,850	5,765,882
Vehicles	<u>422,616</u>	<u>94,266</u>	<u>25,086</u>	<u>491,796</u>
Total Depreciable Capital Assets	<u>28,574,639</u>	<u>2,685,521</u>	<u>1,557,534</u>	<u>29,702,626</u>
Less Accumulated Depreciation for:				
Library Books	13,449,179	1,395,772	1,100,603	13,744,348
Building	912,797	123,068	93,849	942,016
Furniture and Fixtures	1,169,609	14,514	4,450	1,179,673
Computer Equipment	3,872,336	725,420	266,608	4,331,148
Vehicles	<u>369,672</u>	<u>31,762</u>	<u>25,086</u>	<u>376,348</u>
Total Accumulated Depreciation	<u>19,773,593</u>	<u>2,290,536</u>	<u>1,490,596</u>	<u>20,573,533</u>
Total Depreciable Capital Assets, Net	<u>\$ 8,801,046</u>	<u>\$ 394,985</u>	<u>\$ 66,938</u>	<u>\$ 9,129,093</u>

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 12 – Fund Balance

The following table shows the fund balance classifications as shown on the governmental funds balance sheet as of June 30, 2022:

	General Fund	Gifts and Grants Fund	Total Governmental Funds
Fund Balance			
Assigned:			
Cleveland County Libraries	\$ 124,560	\$ -	\$ 124,560
Moore Library Project	153,806	-	153,806
McClain County Libraries	173,995	-	173,995
Pottawatomie County Libraries	50,000	-	50,000
Library Projects	220,000	-	220,000
Special Revenue Funds		657,438	657,438
Committed:			
Reserved for Encumbrances	651,471	31,586	683,057
Unassigned	<u>16,518,075</u>	<u>-</u>	<u>16,518,075</u>
Total Fund Balance	<u>\$ 17,891,907</u>	<u>\$ 689,024</u>	<u>\$ 18,580,931</u>

Note 13 – Defined Benefit Retirement Plan

Plan Description - The Pioneer Library System Pension Plan and Trust (The Plan) was a single-employer public employees' retirement system (PERS) plan that covered all full-time employees of the Library. This plan was frozen as of December 31, 2008 and closed to new entrants. Retirement benefits were based on length of service and salary. Normal retirement for the plan was 65 years of age. Death and deferred vested benefits were also available under the plan. All benefits vested after 10 years of credited service. Pioneer employees who retired after age sixty-five with more than four years of credited service were 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 had less than 10 years of vesting service, the amount of the benefit was reduced by 1/10th for each vesting year of service fewer than ten. This plan was terminated and all of the assets paid out of the plan in October of 2021.

Funding Policy - Employees of the Library were not required to contribute to the plan. The Library was 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 had the authority to establish and or amend the funding policy of the plan. The plan was terminated and all of the assets paid out of the plan in October of 2021.

Termination of the Defined Benefit Retirement Plan – The System's Board of Trustees voted at their meeting on April 27, 2021 to terminate the plan. All of the plan assets were transferred to a money market account with Empower on June 24, 2021 in anticipation of the plan termination. Members of the plan were provided an election window in August 2021 to elect whether to receive a lump sum cash payment directly to the member, to receive a lump sum amount that can be rolled over into one of the other existing plans with the system or rolled over into an IRA, or elect to receive annuity payments. The lump sum payment

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 13 – Defined Benefit Retirement Plan (continued)

amounts were issued in September of 2021. In September of 2021 the Library issued an invitation to bid to insurance companies to provide the annuity payments to those members who elect to receive a monthly annuity payment. The bid was awarded in September and the plan was closed out in early October of 2021.

Changes in Net Pension Liability or (Assets) – Changes in the System’s net pension liability for the year ended June 30, 2022 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance, June 30, 2021	\$ 3,665,332	\$ 4,496,541	\$ (831,209)
Changes for the year:			
Interest	-	-	-
Difference between expected and actual experience	-	-	-
Net investment income	-	-	-
Administrative Expense	-	(18,928)	18,928
Change of assumptions	-	-	-
Contributions - employer	-	-	-
Benefit payments including refunds of employee contributions	(3,665,332)	(4,477,613)	812,281
Net Changes	(3,665,332)	(4,496,541)	831,209
Balance, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2022; the Library recognized a pension expense of \$135,092.

Note 14– Defined Contribution Retirement Plan

Plan Description - On January 1, 2009 the Library 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.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 14– Defined Contribution Retirement Plan (Continued)

Funding Policy - Employees of the Library are not required to contribute to the plan. The Library makes an annual contribution based on a percentage of an employee’s salary. For employees that were 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 2022. 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, 2022 totaled \$451,291.

Note 15 – Risk Management

The Library 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 16 – Termination Benefits

The Library offered a one-time voluntary retirement incentive to up to 8 employees. To be eligible the employee was required to be a salaried employee and to have 15 years of service with the Library. The first 8 employees who completed and returned a signed offer agreement were selected to receive the benefit. By accepting the offer the employees agreed to retirement date of July 1, 2022. The offer was for the employee to receive a one- time payment in the amount equal to their annual salary. The total amount of payments issued to employees was \$394,794. Payments were issued on July 1, 2022.

Note 17 – Risks and Uncertainties

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

Because the Pioneer Library System is substantially funded by ad valorem taxes, there was no significant loss of revenues due to the COVID-19 pandemic. However, the Library’s operations have continued to change due to the pandemic.

From April 1, 2021 to June 1, 2021 the Library operated in phase five of the reopening plan. This phase ended the quarantining of materials, mail, and deliver. All kits, board books, magazines and newspapers now are allowed to circulate. No in-person programs in the branch or in the communities will be allowed until further notice. The Library recommends that meeting rooms remain unavailable and that the essential services provided in the previous phase continue with the addition of browsing and Wi-Fi access in grab-and-go environment.

On May 12, 2021 the Library entered phase six of the reopening plan. Branches cleared their meeting rooms and returned furniture to the floor. The Library’s facial covering mandate expired on May 19, 2021 in communities without a municipal mandate. The Library continues to support staff and community members who chose to wear facial coverings. Computer time limits returned to normal and toys returned to the public floor. Beginning June 1, 2021 meeting rooms opened and became available to the public as the Library returned to full capacity. In person programs may be held outside or in open-air settings. Branches may host outdoor activities and participate in outdoor events. Outreach may resume.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2022

Note 17 – Risks and Uncertainties (Continued)

On August 5, 2021 the Library announced that outdoor programming will continue for children 11 and under in alignment with the Library's Safety for Children Policy. Indoor programming for customers 12 and up will be available in settings where physical distancing can be accommodated and control of the size of the group is possible. The Library continues to follow CDC guidelines and recommends facial coverings for all staff and customers while they are indoors.

On March 13, 2022 the Library entered into phase seven of the reopening plan. This phase reinstated indoor programming for all ages and resumed volunteer recruitment and acceptance of volunteer resumes. This phase return the system to pre-pandemic service levels.

As of the date of this report on these financial statements, the virus continues to spread and 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, 2022

		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	\$	19,227,473	\$ 20,174,506	\$ 20,671,488	\$ 26,357	\$ 20,645,131	\$ 470,625
State Revenue		117,500	111,079	111,257	-	111,257	178
Interest		40,000	30,000	83,918	24,923	58,995	28,995
Other Financing Sources		-	-	237,462	237,462	-	-
Other		316,086	284,536	731,026	(45,467)	776,493	491,957
Use of Designated Fund Balance		<u>-</u>	<u>757,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(757,979)</u>
Amounts Available for Appropriation		<u>19,701,059</u>	<u>21,358,100</u>	<u>21,835,151</u>	<u>243,275</u>	<u>21,591,876</u>	<u>233,776</u>
Charges to Appropriations (outflows)							
Personnel Services		12,683,922	12,708,837	11,827,254	(389,276)	11,437,978	1,270,859
Materials		3,000,000	3,043,268	3,055,517	(48,256)	3,007,261	36,007
General and Administrative		1,287,750	2,120,791	2,264,643	(292,785)	1,971,858	148,933
Technology		1,859,387	2,394,940	1,823,872	(15,978)	1,807,894	587,046
System Services		<u>870,000</u>	<u>936,458</u>	<u>1,131,872</u>	<u>20,074</u>	<u>1,151,946</u>	<u>(215,488)</u>
Total Charges to Appropriations		19,701,059	21,204,294	20,103,158	(726,221)	19,376,937	1,827,357
Change in Net Assets		-	153,806	1,731,993	969,496	2,214,939	(1,593,581)
Beginning Fund Balance		<u>11,924,648</u>	<u>15,477,739</u>	<u>15,477,739</u>	<u>-</u>	<u>15,477,739</u>	<u>-</u>
Ending Fund Balance	\$	<u><u>11,924,648</u></u>	\$ <u><u>15,631,545</u></u>	\$ <u><u>17,209,732</u></u>	\$ <u><u>969,496</u></u>	\$ <u><u>17,692,678</u></u>	\$ <u><u>(1,593,581)</u></u>

Budget to Actual Reconciliation:

Revenues on a budgetary basis are based on cash received rather than the modified accrual basis used for financial reporting	\$ 243,275
Encumbrances for the prior fiscal year which were included in the year ordered for budgetary purposes but were cancelled during the current budgetary year	<u>726,221</u>
	<u>\$ 969,496</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).

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

Pioneer Library System Pension Plan and Trust
Liability

For the Year Ended December 31	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability													
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	211,889	224,544	227,221	235,645	252,873	239,135	240,458	252,881	238,612	248,546	237,066	228,147
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	82,513	(73,424)	45,793	124,628	10,006	107,515	(29,079)	49,618	247,559	(116,955)	75,052	4,988
Changes of assumptions	-	(48,203)	(13,805)	(8,364)	(26,958)	-	357,460	-	(618,094)	-	244,140	-	-
Benefit payments, including refunds of member contributions	3,665,332	(267,700)	(385,772)	(393,085)	(394,007)	(706,017)	(244,284)	(259,643)	(252,483)	(201,018)	(158,505)	(83,058)	(85,914)
liability	\$ (3,665,332)	\$ (21,501)	\$ (248,457)	\$ (128,435)	\$ (60,692)	\$ (443,138)	\$ 459,826	\$ (48,264)	\$ (568,078)	\$ 285,153	\$ 217,226	\$ 229,060	\$ 147,221
Beginning	3,665,332	3,686,833	3,935,290	4,063,725	4,124,417	4,567,555	4,107,729	4,155,993	4,724,071	4,438,918	4,221,692	3,992,632	3,845,411
(a)	\$ -	\$ 3,665,332	\$ 3,686,833	\$ 3,935,290	\$ 4,063,725	\$ 4,124,417	\$ 4,567,555	\$ 4,107,729	\$ 4,155,993	\$ 4,724,071	\$ 4,438,918	\$ 4,221,692	\$ 3,992,632

Plan fiduciary net position

Contributions--employer	\$ -	\$ 307,257	\$ 320,506	\$ 179,749	\$ 269,607	\$ 490,156	\$ 83,368	\$ 56,500	\$ 208,000	\$ 208,000	\$ 146,000	\$ 159,000	\$ 199,260
Contributions--member	-	-	-	-	-	-	-	-	-	-	-	-	-
Net investment income	-	522,026	731,845	(166,936)	458,600	305,447	(63,755)	135,323	481,674	310,945	(27,967)	310,533	407,581
Benefit payments, including refunds of member contributions	(4,697,276)	(267,700)	(385,772)	(393,085)	(394,007)	(706,017)	(244,284)	(259,643)	(252,483)	(201,018)	(158,505)	(83,058)	(85,914)
Administrative expense	(18,928)	(34,149)	(32,728)	(32,844)	(32,981)	(33,731)	(31,409)	-	-	-	-	-	-
Other	219,663	-	-	-	-	-	-	-	-	-	-	-	-
position	\$ (4,496,541)	\$ 527,434	\$ 633,851	\$ (413,116)	\$ 301,219	\$ 55,855	\$ (256,080)	\$ (67,820)	\$ 437,191	\$ 317,927	\$ (40,472)	\$ 386,475	\$ 520,927
beginning	4,496,541	3,969,107	3,335,256	3,748,372	3,447,153	3,391,298	3,647,378	3,715,198	3,278,007	2,960,080	3,000,552	2,614,077	2,093,150
ending (b)	\$ -	\$ 4,496,541	\$ 3,969,107	\$ 3,335,256	\$ 3,748,372	\$ 3,447,153	\$ 3,391,298	\$ 3,647,378	\$ 3,715,198	\$ 3,278,007	\$ 2,960,080	\$ 3,000,552	\$ 2,614,077

PLS net pension liability (asset)--ending (a) - (b)

PLS net pension liability (asset)--ending (a) - (b)	\$ -	\$ (831,209)	\$ (282,274)	\$ 600,034	\$ 315,353	\$ 677,264	\$ 1,176,257	\$ 460,351	\$ 440,795	\$ 1,446,064	\$ 1,478,838	\$ 1,221,140	\$ 1,378,555
Plan fiduciary net position as a percentage of the total pension Covered-employee Payroll	#DIV/0!	122.68%	107.66%	84.75%	92.24%	83.58%	74.25%	88.79%	89.39%	69.39%	66.68%	71.07%	65.47%
Net pension liability (asset) as a percentage of covered-employee	N/A	N/A	N/A	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.

The plan was terminated and the assets paid out on October 7, 2021.

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

In 2020, amounts reported as changes of assumptions resulted from the update of the mortality improvement scale from MP-2019 to MP-2020.

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>2021</u>	<u>2020</u>	<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>
Actuarially determined contribution	\$ -	\$ 39,691	\$ 241,012	\$ 157,203	\$ 169,607	\$ 240,155	\$ 68,369	\$ 56,500	\$ 176,976	\$ 197,670	\$ 149,985
Contributions in relation to the actuarially determined contribution	-	307,257	320,506	179,749	269,607	490,156	83,368	56,500	208,000	208,000	146,000
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (267,566)</u>	<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>
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.

Amortization method

Level dollar

Remaining amortization period

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

Asset valuation method

Market value of assets

Inflation

N/A

Salary increases

N/A - plan is frozen

Investment rate of return

0.50%

Retirement age

100% at age 65

Mortality

RP - 2014 Mortality Table projected using scale MP-2020

Other information:

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

The plan was terminated and assets were paid out on October 7, 2021



Gray, Blodgett & Company, PLLC

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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 26, 2022

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2022, 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 26, 2022. 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.

Report on 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) as a basis for designing 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 26, 2022

Report on 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 financial statements. 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
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