



Financial Statements

For the Year Ended June 30, 2021

# PIONEER LIBRARY SYSTEM

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June 30, 2021

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## INDEPENDENT AUDITORS' REPORT

September 28, 2021

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the fiduciary fund type of Pioneer Library System, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, as well as the fiduciary fund type of the Library, as of June 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees of  
Pioneer Library System  
September 28, 2021

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–14, the budgetary comparison information on page 36, and the net pension liability and contribution information on pages 37–38 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 28, 2021, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pioneer Library System's internal control over financial reporting and compliance.

GRAY, BLODGETT & COMPANY, PLLC

*Gray, Blodgett & Company, PLLC*



## **Management's Discussion & Analysis for the Fiscal Year Ended June 30, 2021**

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, 2021. Readers should read this information in conjunction with the system's financial statements.

Governmental Accounting Standards Board (GASB) statements 84, 90, and 93 became effective as of June 30, 2021 however these 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 are made to the library per year. Print and digital collections are checked out over two million times per year by people of all ages. 66% 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, PLS 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, PLS inspires innovation, engagement, and learning in our communities.

This fiscal year presented immeasurable challenges as well as incredible opportunity for PLS to connect to the community in new ways throughout the various stages of the COVID-19 pandemic. Customers' patterns of behavior changed both in-person or for those who transitioned to using the library virtually, and PLS adjusted to create a seamless experience for all. Curbside service implemented in FY19-20 continued to gain in popularity even with the libraries open for essential services. During that time, library staff connected virtual learners, job seekers and those impacted by the pandemic to Wi-Fi, printing/copying services, library materials, homework help, and more. Online Summer Learning Challenge participation increased 18% from the year before and social media engagement was the highest PLS has ever seen.

In May, the PLS Board of Trustees approved a three-year Strategic Plan that had been worked on by multiple stakeholders since 2018. The priorities defined in the Plan move the PLS mission, philosophy, and values forward, and focuses on: Curating an inclusive customer experience; Reimagining the library; Collaborating for a broader impact; Fostering an engaged and inclusive culture; and Ensuring a vibrant

and sustainable future. Decisions made this year and outlined in this document were measured and aligned with each section of the Strategic Plan.

## **Financial Highlights**

For fiscal year 2020-2021, PLS's general fund reported an ending balance of \$16,159,914 versus \$12,217,633 for the fiscal year 2019-2020. Of the 2020-2021 year-end total, \$757,979 is committed for outstanding encumbrances, and \$568,555 is assigned for service upgrades and improvements of library services at current and future libraries within the system. A majority of the outstanding encumbrances are for vehicles, materials, and technology equipment. Although the remaining balance of \$14,833,380 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.

PLS's operating revenue increased by 4.0% this year. This increase enabled PLS to further the library's mission through a variety of opportunities:

- PLS terminated the Pioneer Library System Pension Plan and Trust. This plan was frozen on December 31, 2008, with the goal to terminate when the system could fully fund the plan.
- Author Wes Moore was contracted as a part of the PLS Reads Spark a Change community conversation series for \$35,000.
- Hourly staff were granted paid time off to receive their COVID-19 vaccinations.
- PLS spent \$9,287 on scholarships and fees for Online High School. Six students graduated from the program with their high school diploma this fiscal year.
- A new server for the telephone system was purchased for the Administration building at a cost of \$9,287.
- Other items purchased from the technology equipment budget included a Movie Box, a book locker, and self-checks for select branches. 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 throughout the pandemic. Digital activity increased throughout the year as the pandemic changed daily life in our communities.
- A new laser printer and embroidery machine were purchased at a total cost of \$26,786 for the Maker Mobile to ensure the library is providing the latest, most innovative STEAM technology to our customers.

The general fund balance increased by \$3,942,281 from fiscal year 2020 due to the increase in collection of revenue and the decrease in spending in expense categories including salaries, retirement, contract labor, workers compensation, attorney fees, professional services, continuing education, equipment, membership, postage, telephone, travel, marketing and communication, data processing, fine collection, technology, development, and system facilities.

The Pioneer Library System Foundation completed its eleventh year of operation as of June 30, 2021. The Foundation was organized for the purpose of Supporting Literacy and a Love of Learning throughout Pioneer Library System Communities. The Foundation awarded \$600 grants to eleven of its twelve branches and awarded two \$1,000 competitive grants to the winning branch applicants to support local

programs. More than \$45,199 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 PLS's programs including the 2021 PLS Reads and the system-wide Summer Learning Challenge. The Foundation sponsored and hosted Literally Yours featuring author and sports reporter Kate Fagan. People across the PLS service area joined virtually to learn more about mental health and Fagan's book *What Made Maddy Run*. The Foundation also funded \$11,900 books that were donated to children enrolled in area health department programs as reward for exceeding the Summer Learning Challenge community goal of spending 6.8 million minutes learning. The Foundation has been included as a component unit of the Library System and the Foundation has issued its own financial statements, available from the Library Foundation administrative office.

## **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 system's finances, in a manner similar to a private-sector business.

The statement of net position represents information on all of the system'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 system is improving or deteriorating.

The statement of activities presents information showing how the system'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 System has two kinds of funds – Governmental Funds and Fiduciary Funds:

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

General Fund represents unrestricted resources that are available for on-going general library operations. This is PLS'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.

#### 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.

#### 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 2020-2021 governmental fund balances changed as follows:

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

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

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

## General Fund

PLS is primarily (or 98%) funded by Ad Valorem (property) tax. For the 2020-21 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 2020-21, the Counties' assessed property value had an increase of 4.98% versus 5.26% for 2019-20. Actual tax collections increased by 4.5% versus 4.2% for the prior year. The increase of 4.5% was due to the collection of more tax revenue. Fine and other charges for services revenue for 2020-21 increased by \$46,923 from 2019-20. This increase was precipitated by the increase of fax and lost book revenue over the previous year and the insurance proceeds received from our insurance company for the damage received to several of our vehicles as the result of a large hailstorm. State Aid decreased by \$5,633 over the prior year. Interest income decreased by \$103,656 over the prior year. This decrease is attributed to a decrease in interest rates.

The Expense category Personnel Services decreased from 2020 to 2021 due to the decrease in salaries paid as a result of a decrease in hours worked by staff during the pandemic; a decrease in retirement expenses due to no contribution made to the Pioneer Library System Pension Plan and Trust since it was in the process of being terminated; a decrease in workers compensation insurance as our rate decreased; and a decrease in contract labor 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 decreased because most of the technology equipment purchased for the new Norman Public Library Central were purchased in the prior fiscal year.

The System Services and General and Administrative expense categories were different in 2021 than in 2020 because of the following:

- Professional Services expenses decreased as a result of no pay compensation study and no move of a materials collection. Excessive moisture remediation will occur in 2021-2022 as part of the new roof project and will be covered by insurance.
- The Continuing Education expenses decreased as the majority of scheduled conferences and learning opportunities moved to a virtual format due to the pandemic.
- Equipment expenses decreased compared to last year as less equipment was purchased.
- Insurance increased to reflect the cost of insuring the additional materials and technology at the new Norman Public Library Central and the addition of a cyber-insurance policy.
- Telephone costs decreased due to certain services being eliminated.
- Travel expenses decreased throughout the pandemic as travel opportunities were limited.
- The purchase of a new delivery van instead of a Ford Escape resulted in an increase in Vehicle expenses.
- Marketing and Communications costs decreased as there were no grand opening costs for a new library.
- The number of employees and wages paid decreased due to the pandemic, resulting in a decrease in Data Processing expenses.
- 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 increased in order to provide updated devices to PLS Board of Trustees used for board governance software.

- Funds from the Literacy budget were moved to the Programming budget, and the Programming budget increased to allot for the cost of authors visits and Summer Learning Challenge giveaways.
- Development expenses decreased as a result of the pandemic.

### **Other Governmental Funds**

Gifts/Grants Funds: In fiscal year 2020-2021, Pioneer Library System received \$46,994 in gifts and grants.

Outright gifts to PLS totaled \$19,956, over 33% (\$6,616) of which was provided by Friends groups throughout PLS. This past year, Pioneer Library System received \$16,689 in grants. The City of Purcell donated \$11,000 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 investments of the PLS Pension Plan increased due to the increase in the stock market. The Pioneer Library System Board of Trustees froze the Pioneer Library System Pension Plan and Trust as of December 31, 2008 and instituted a defined contribution retirement plan. The provider of all system retirement plans is Empower. The PLS Board voted at the April 27, 2021 meeting to terminate the plan. All the assets were transferred to a money market account on June 24<sup>th</sup> in anticipation of the plan termination. Fully funding this plan offered employees a resolution to a decision approved more than a decade ago.

## The Library System as a Whole

|  | <b>2020-2021</b>     | <b>2019-2020</b>     |
|--|----------------------|----------------------|
| <b>Assets</b>                                  |                      |                      |
| Current and Other Assets                       | \$ 18,622,667        | \$ 14,178,005        |
| Capital Assets                                 | \$ 9,065,700         | \$ 9,998,577         |
| <b>Total Assets</b>                            | <b>\$ 27,688,367</b> | <b>\$ 24,176,582</b> |
| <b>Deferred Outflows of Resources</b>          |                      |                      |
| Outflows Related to Net Pension Liability      | \$ 349,118           | \$ 790,015           |
| <b>Total Deferred Outflows of Resources</b>    | <b>\$ 349,118</b>    | <b>\$ 790,015</b>    |
| <b>Liabilities</b>                             |                      |                      |
| Accounts Payable and Accrued Expenses          | \$ 444,693           | \$ 545,275           |
| Other Liabilities                              | \$ 433,429           | \$ 483,308           |
| Net Pension Liability                          | \$ -                 | \$ -                 |
| <b>Total Liabilities</b>                       | <b>\$ 878,122</b>    | <b>\$ 1,028,583</b>  |
| <b>Deferred Inflows of Resources</b>           |                      |                      |
| Inflows Related to Net Pension Liability       | \$ 1,045,235         | \$ 704,641           |
| <b>Total Deferred Inflows of Resources</b>     | <b>\$ 1,045,235</b>  | <b>\$ 704,641</b>    |
| <b>Net Position</b>                            |                      |                      |
| Net Investment in Capital Assets               | \$ 9,065,700         | \$ 9,998,577         |
| Restricted Net Assets                          | \$ 1,584,631         | \$ 931,789           |
| Unrestricted Net Assets                        | \$ 15,463,797        | \$ 12,303,007        |
| <b>Total Net Position</b>                      | <b>\$ 26,114,128</b> | <b>\$ 23,233,373</b> |
| <b>Change in Net Position</b>                  |                      |                      |
| Beginning Net Position                         | \$ 23,233,373        | \$ 20,806,532        |
| Restatement                                    | \$ -                 | \$ 174,013           |
| Beginning Net Position as Restated             | \$ 23,233,373        | \$ 20,980,545        |
| <b>Revenues</b>                                |                      |                      |
| Property Taxes                                 | \$ 19,551,112        | \$ 18,716,453        |
| Charges for Services                           | \$ 340,806           | \$ 296,763           |
| Operating Grants                               | \$ 46,994            | \$ 94,177            |
| Capital Grants                                 | \$ 4,738             | \$ 28,705            |
| State Aid                                      | \$ 111,079           | \$ 116,712           |
| Investment Earnings                            | \$ 29,982            | \$ 133,638           |
| Net Change In Beneficial Assets Held by Others | \$ 111,418           | \$ 4,947             |
| Loss on Disposal                               | \$ (20,216)          | \$ (1,395)           |
| <b>Total Revenues</b>                          | <b>\$ 20,175,913</b> | <b>\$ 19,390,000</b> |
| <b>Expenses</b>                                |                      |                      |
| Public Library Services                        | \$ 12,639,851        | \$ 13,007,340        |
| Administrative Services                        | \$ 2,329,707         | \$ 1,900,169         |
| Depreciation-Unallocated                       | \$ 2,325,600         | \$ 2,229,663         |
| <b>Total Expenses</b>                          | <b>\$ 17,295,158</b> | <b>\$ 17,137,172</b> |
| Increase in Net Position                       | \$ 2,880,755         | \$ 2,252,828         |
| Ending Net Position                            | \$ 26,114,128        | \$ 23,233,373        |

## General Fund Budgetary Highlights

The General Fund budget for fiscal year 2020-2021 was \$19,994,332. This was a 1.13% increase over the previous year. The highlights of the budget include:

- A 2.0% 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 \$29,347 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.
- Group Term Life Insurance decreased \$5,000 to reflect actual costs.
- Disability Insurance increased \$1,000 to reflect actual costs.
- A \$5,000 decrease in Workers Compensation expenses was a result of a reduction in insurance rates.
- Scholarships increased \$2,000 to further support staff continuing education.
- Materials increased \$372,887 to purchase additional digital materials and cover the cost of outstanding purchase orders at year-end.
- Materials Norman Central was eliminated as opening day materials were purchased in previous years and this project is complete.
- Professional Services decreased by \$14,500 as there was no pay compensation study and no moving of a materials collection.
- Insurance increased \$15,000 due to the addition of the materials and technology at the new Norman Public Library Central and the addition of the cyber insurance policy.
- Telephone costs decreased \$15,000 to reflect certain services that were eliminated.
- Travel decreased \$3,000 as there were limited travel opportunities due to the pandemic.
- Vehicle decreased \$10,737 to reflect a reduction in travel due to the pandemic.
- Audit decreased \$2,000 to reflect actual cost following a new audit RFP award.
- Data Processing increased \$7,000 for the cost of processing payroll.
- Technology increased \$490,458 to cover the cost of outstanding purchase orders at year-end and to cover the purchase of additional technology equipment and services.
- Technology items for Norman Public Library Central were purchased in prior years, allowing the Technology Norman Central category to be eliminated.
- Continuing Education increased \$15,000 to cover the costs of attending the Public Library Association conference and Oklahoma Library Association conference.
- Marketing and Communications decreased \$65,000 to reflect a reduction in outstanding purchase orders compared with the prior year and the removal of grand opening costs for the new Norman Public Library Central.
- Literacy budget was eliminated and the costs were relocated to programming.
- Programming increased \$15,000 to reflect the movement of funds from the Literacy budget and for the cost of authors visits and Summer Learning Challenge giveaways.
- System Facilities increased \$100,000 to reflect the proposed replacement of HVAC units, the roof, and the cost associated with the repurposing of some space at the 300 Norman Center Court location.

- System Outreach increased \$70,000 to cover the literacy backpack program and to cover the cost of a keynote speaker for the PLS Foundation's annual event.
- Fund Balance Carryover Current Year decreased \$285,851.
- 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 \$2,454,509.
- Total Fund Balance for 2020-2021 was \$11,924,648.

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

PLS's investment in capital assets, net of accumulated depreciation, as of June 30, 2021 was \$9,065,700 and on June 30, 2020 was \$9,998,557. 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. Of the total depreciable capital assets, net of accumulated depreciation, on June 30, 2020 19% are furniture, equipment, and vehicles; 41% are building and property; and the remaining 40% are books and materials.

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 2020-2021, PLS borrowed no money and incurred no interest expense.

### **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 4.96% growth in property value for 2021; the Pottawatomie County Assessor has certified a 4.14% growth and the McClain County Assessor has certified a 5.58% growth.

For fiscal year 2021-2022, the Library Board plans to approve a general fund budget of \$21,358,100 versus \$19,994,432 for 2020-2021. A highlight of the budget follows:

- A 4.0% salary adjustment for staff who receive a successful or outstanding rating on their annual performance evaluation and are not in their training period.
- Retirement decreased \$350,000 to reflect termination of the Pioneer Library System Pension Plan and Trust.
- Health Insurance increased \$63,000 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.
- Disability Insurance increased \$2,500 to reflect actual costs.
- Scholarship increased \$3,000 to award scholarships to eligible staff pursuing an undergraduate degree.
- Materials increased \$170,381 to reflect additional funds to purchase digital materials and to cover the costs of outstanding purchase orders as of year-end.

- Professional Services increased \$623,272 for additional mobile app development with Phase Two, a marketing campaign with OrangeBoy, and drug screening sensitive positions.
- Equipment increased \$171,740 for purchase of new security systems at four branches and to purchase AEDs for all the branches.
- Insurance increased \$14,000 to reflect actual insurance costs.
- Telephone decreased \$20,000 to reflect certain services that were eliminated.
- Travel decreased \$7,000 to reflect a reduction in travel due to the pandemic.
- Vehicles increased \$94,266 to reflect the cost of outstanding purchase orders at year-end.
- Fine Collection decreased \$20,000 as a result of discontinued service with a third-party collector.
- Revaluation increased \$10,000 to reflect actual costs.
- Audit decreased \$2,000 to reflect the cost of the new audit bid.
- Technology increased \$504,392 to cover the costs of outstanding purchase orders at year-end.
- Employee Development increased \$10,000 for price increases for LinkedIn Learning and Niche Academy, and for the costs of the Oklahoma Library Association and Public Library Association conferences.
- Marketing and Communications increased \$31,858 to cover the cost of outstanding purchase orders at year-end and for the purchase of adding Canva, a graphic design software platform.
- The Literacy budget was eliminated and funds were relocated to the Programming budget.
- Programming increased \$45,000 as a result of Literacy and for the cost of author visits for PLS Reads and the Spark a Change community conversation series.
- System Outreach decreased \$25,000 as expenses were relocated to a different budget category.
- Fund Balance Carryover Current Year, decreased to zero, was budgeted as an expense.
- Fund Balance Assigned Current Year increased \$153,806 and is assigned to help fund expenses for the future new Moore Public Library.
- Assigned Fund Balance reflects several items: Cleveland County, \$124,560; McClain County, \$173,996; and Pottawatomie County, \$50,000; Library Projects, \$220,000.
- Unassigned Fund Balance increased \$3,553,092.
- Total Fund Balance for 2021-2022 is anticipated to be \$15,477,739.

### **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, 2021

|   | Primary<br>Government<br>Governmental<br>Activities | Component<br>Unit<br>Library<br>Foundation |
|---|---|--|
| <b>Assets</b>                               |   |  |
| Cash and Cash Equivalents                   | \$ 16,222,482                                       | \$ 280,195                                 |
| Beneficial Interest in asset held by others | 507,370   | 72,732                                     |
| Ad Valorem Tax Receivable                   | 166,057   | -  |
| Accrued Interest Receivable                 | -   | 28   |
| Other Current Assets                        | 874,794   | 36,741                                     |
| Other Receivable                            | 20,755  | -  |
| Net Pension Asset                           | 831,209   | -  |
| Non-Depreciable Capital Assets              | 264,654   | -  |
| Depreciable Capital Assets, Net             | <u>8,801,046</u>                                    | <u>-</u>                                   |
| Total Assets                                | <u>\$ 27,688,367</u>                                | <u>\$ 389,696</u>                          |
| <b>Deferred Outflows of Resources</b>       |   |  |
| Outflows related to net pension liability   | <u>\$ 349,118</u>                                   | <u>\$ -</u>                                |
| <b>Liabilities</b>                          |   |  |
| Accounts Payable and Accrued Expenses       | \$ 444,693  | \$ 6,906                                   |
| Compensated Absences Payable                | <u>433,429</u>                                      | <u>-</u>                                   |
| Total Liabilities                           | <u>\$ 878,122</u>                                   | <u>\$ 6,906</u>                            |
| <b>Deferred Inflows of Resources</b>        |   |  |
| Inflows related to net pension liability    | <u>\$ 1,045,235</u>                                 | <u>\$ -</u>                                |
| <b>Net Position</b>                         |   |  |
| Net Investment in Capital Assets            | \$ 9,065,700  | \$ -                                       |
| Restricted - Non Spendable Net Assets       | -   | 44,908                                     |
| Restricted - Literacy and Other Programs    | 753,422   | 125,145                                    |
| Restricted - Net Pension Asset              | 831,209   | -  |
| Unrestricted - Board Designated Endowment   | -   | 12,569                                     |
| Unrestricted - Undesignated                 | <u>15,463,797</u>                                   | <u>200,168</u>                             |
| Total Net Position                          | <u>\$ 26,114,128</u>                                | <u>\$ 382,790</u>                          |

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM  
Statement of Activities  
For the Year Ended June 30, 2021

|  |                      |                         |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets | (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|--|----------------------|-------------------------|--|--|--|--|
| Program Revenues                               |                      |                         |  |  | Primary<br>Government<br>Activities                      | Component<br>Unit<br>Library<br>Foundation           |
| Functions/Programs                             | Expenses             | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |  |
| Governmental Activities:                       |                      |                         |  |  |  |  |
| Public Library Services                        | \$ 12,639,851        | \$ 340,806              | \$ 46,994                                | \$ 4,738                               | \$ (12,247,313)  |  |
| Administrative Services                        | 2,329,707            | -                       | -  | -                                      | (2,329,707)  |  |
| Depreciation - unallocated                     | 2,325,600            | -                       | -  | -                                      | (2,325,600)  |  |
| Total Primary Government                       | <u>\$ 17,295,158</u> | <u>\$ 340,806</u>       | <u>\$ 46,994</u>                         | <u>\$ 4,738</u>                        | <u>\$ (16,902,620)</u>                                   |  |
| Component Unit                                 |                      |                         |  |  |  |  |
| Library Foundation                             | <u>\$ 87,050</u>     | <u>\$ -</u>             | <u>\$ 152,839</u>                        | <u>\$ -</u>                            |  | <u>\$ 65,789</u>                                     |
| General Revenues:                              |                      |                         |  |  |  |  |
| Property taxes, levied for general purposes    |                      |                         |  |  | \$ 19,551,112  | \$ -   |
| State Aid                                      |                      |                         |  |  | 111,079  | -  |
| Net Change in Beneficial Assets held by others |                      |                         |  |  | 111,418  | 16,908   |
| Investment earnings                            |                      |                         |  |  | 29,982   | (463)  |
| Loss on Disposals                              |                      |                         |  |  | (20,216)   | -  |
| Total General Revenues                         |                      |                         |  |  | <u>\$ 19,783,375</u>                                     | <u>\$ 16,445</u>                                     |
| Change in net assets                           |                      |                         |  |  | \$ 2,880,755   | \$ 82,234  |
| Net position - beginning                       |                      |                         |  |  | <u>23,233,373</u>  | <u>300,556</u>                                       |
| Net position - ending                          |                      |                         |  |  | <u>\$ 26,114,128</u>                                     | <u>\$ 382,790</u>                                    |

See Accompanying Notes to Financial Statements

# PIONEER LIBRARY SYSTEM

## Balance Sheet

### Governmental Funds

June 30, 2021

| ASSETS                       | General Fund         | Gifts and<br>Grants Fund | Total<br>Governmental<br>Funds |
|------------------------------|----------------------|--------------------------|--------------------------------|
| Cash                         | \$ 16,094,858        | \$ 127,623               | \$ 16,222,481                  |
| Investments                  | -                    | 507,370                  | 507,370                        |
| Receivable from General Fund | -                    | 112,355                  | 112,355                        |
| Ad Valorem Tax Receivable    | 166,057              | -                        | 166,057                        |
| Other Receivable             | -                    | 20,755                   | 20,755                         |
| Deposit                      | 9,764                | -                        | 9,764                          |
| Prepaid Expenses             | 865,030              | -                        | 865,030                        |
| <b>Total Assets</b>          | <b>\$ 17,135,709</b> | <b>\$ 768,103</b>        | <b>\$ 17,903,812</b>           |

#### LIABILITIES AND FUND BALANCES

##### Liabilities

|  |            |           |            |
|--|------------|-----------|------------|
| Accounts Payable                       | \$ 249,962 | \$ 14,681 | \$ 264,643 |
| Accrued Salaries and Employee Benefits | 180,050    | -         | 180,050    |
| Compensated Absences Payable           | 433,429    | -         | 433,429    |
| Payable to Special Revenue             | 112,355    | -         | 112,355    |

|                          |                   |                  |                   |
|--------------------------|-------------------|------------------|-------------------|
| <b>Total Liabilities</b> | <b>\$ 975,796</b> | <b>\$ 14,681</b> | <b>\$ 990,477</b> |
|--------------------------|-------------------|------------------|-------------------|

##### Fund Balances

|  |            |            |              |
|--|------------|------------|--------------|
| Assigned for Service Upgrades and Improvements | \$ 568,555 | \$ 752,601 | \$ 1,321,156 |
| Committed for Outstanding Encumbrances         | 757,979    | 821        | 758,800      |
| Unassigned                                     | 14,833,380 | -          | 14,833,380   |

|                                   |                      |                   |                      |
|-----------------------------------|----------------------|-------------------|----------------------|
| <b>Fund Balances, End of Year</b> | <b>\$ 16,159,914</b> | <b>\$ 753,422</b> | <b>\$ 16,913,336</b> |
|-----------------------------------|----------------------|-------------------|----------------------|

|  |                      |                   |  |
|--|----------------------|-------------------|--|
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 17,135,710</b> | <b>\$ 768,103</b> |  |
|--|----------------------|-------------------|--|

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

|   |              |
|---|--------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$28,839,293, including \$264,654 of non-depreciable assets, and the accumulated depreciation is \$19,773,593. | \$ 9,065,700 |
|---|--------------|

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

|   |             |
|---|-------------|
| Net Pension Asset   | 831,209     |
| Deferred outflows of resources related to net pension liability | 349,118     |
| Deferred inflows of resources related to net pension liability  | (1,045,235) |

|   |                      |
|---|----------------------|
| <b>Total Net Position - Governmental Activities</b> | <b>\$ 26,114,128</b> |
|---|----------------------|

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, 2021

|   | General Fund         | Gifts and Grants<br>Fund | Total Governmental<br>Funds |
|---|----------------------|--------------------------|-----------------------------|
| Revenues:   |                      |                          |                             |
| Property Taxes  | \$ 19,551,112        | \$ -                     | \$ 19,551,112               |
| Collections on Book Fines and Copy Services             | 192,733              | -                        | 192,733                     |
| Gifts and Grants  | -                    | 46,994                   | 46,994                      |
| State Revenue   | 111,079              | -                        | 111,079                     |
| Other Contracts   | 148,073              | -                        | 148,073                     |
| In-Kind Donations                                       | -                    | 4,738                    | 4,738                       |
| Interest  | 29,982               | 111,418                  | 141,400                     |
|   | <u>\$ 20,032,979</u> | <u>\$ 163,150</u>        | <u>\$ 20,196,129</u>        |
| Total Revenues  |                      |                          |                             |
| Expenditures  |                      |                          |                             |
| Personal Services                                       | \$ 10,902,689        | \$ -                     | \$ 10,902,689               |
| Materials   | 2,777,517            | 59,243                   | 2,836,760                   |
| General and Administrative                              | 940,055              | -                        | 940,055                     |
| Technology and Automation                               | 1,038,751            | -                        | 1,038,751                   |
| System Services   | 431,686              | -                        | 431,686                     |
|   | <u>\$ 16,090,698</u> | <u>\$ 59,243</u>         | <u>\$ 16,149,941</u>        |
| Total Expenditures                                      |                      |                          |                             |
| Net Change in Fund Balance                              | \$ 3,942,281         | \$ 103,907               | \$ 4,046,188                |
| Beginning Fund Balance                                  | 12,217,633           | 649,515                  | 12,867,148                  |
| Ending Fund Balances                                    | <u>\$ 16,159,914</u> | <u>\$ 753,422</u>        | <u>\$ 16,913,336</u>        |
| Total net changes in fund balances - governmental funds |                      |                          | \$ 4,046,188                |

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 | \$ (2,325,600)   |           |
| Capital Outlay       | <u>1,412,939</u> | (912,661) |

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.

(20,216)

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

Change in pension expense per actuary calculation (232,556)

Change in net position of governmental activities \$ 2,880,755

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2021

|                             | <u>Pension<br/>Fund</u>    |
|-----------------------------|----------------------------|
| <b>ASSETS</b>               |                            |
| Current Assets              |                            |
| Cash and Cash Equivalents   | \$ 4,773,550               |
| <b>Total Assets</b>         | <u><u>\$ 4,773,550</u></u> |
| <b>NET POSITION</b>         |                            |
| Restricted Net Assets       |                            |
| Held in Trust for Pension   |                            |
| Benefits and Other Purposes | <u><u>\$ 4,773,550</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, 2021

|  | <u>Pension<br/>Fund</u>    |
|--|----------------------------|
| Additions  |                            |
| Contributions  |                            |
| Employer   | \$ -                       |
| Net Increase/(Decrease) in the Fair Value of Investments | <u>1,116,869</u>           |
| Total Additions  | <u>\$ 1,116,869</u>        |
| Deductions   |                            |
| Benefits Paid  | 276,820                    |
| Trustee and Management Fees                              | <u>37,081</u>              |
| Total Deductions   | <u>\$ 313,901</u>          |
| Net Increase   | \$ 802,968                 |
| Net Position, Beginning of Year                          | <u>3,970,582</u>           |
| Net Position, End of Year                                | <u><u>\$ 4,773,550</u></u> |

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 1 – Summary of Significant Accounting Policies

The Reporting Entity –

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

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

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

Financial Statement Presentation –

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

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

Basic Financial Statements – Government-Wide Statements –

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

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 1 – Summary of Significant Account Policies (continued)

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

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

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

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

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

Basic Financial Statements – Fund Financial Statements

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

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

The System reports the following major governmental funds:

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

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

The System reports the following fiduciary funds:

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

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance:

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

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

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

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

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

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

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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 System's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

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

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

Property Tax Revenues – Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The County Assessor's office bills and collects the property taxes and remits to the System its portion. Property taxes not paid prior to April are considered delinquent. Such delinquent tax payments have not historically been material. Delinquent tax payments are received throughout the year and are recognized as revenue in the year received, except for those received within 60 days of year end, which are recognized as revenues as of June 30, 2021 in both the government-wide and fund financial statements.

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

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

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

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

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

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

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Tax years before 2017 are no longer subject to examination by the Internal Revenue Service and the State of Oklahoma.

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

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

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

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

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

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements – During the year, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 90, *Major Equity Interests*, and GASB Statement 93, except paragraphs 11b and 13-14, *Replacement of Interbank Offered rates* became effective but do not affect the Libraries financial statements.

Note 2 – Cash and Investments

The System's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. A certificate of deposit in the amount of \$9,764 is pledged on a letter of credit for a security deposit.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. At June 30, 2021, none of the System's bank balance of \$16,528,532 was exposed to custodial credit risk because it was not insured or collateralized. The balance is partially collateralized with securities held by First Fidelity Bank in the System's name. The market value

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 2 – Cash and Investments (continued)

of these securities as of June 30, 2021 was \$19,924,668 plus \$250,000 of FDIC insurance gives coverage of \$20,174,668.

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

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

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

As of June 30 2021, assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

|  | Total             | Level 1     | Level 2     | Level 3           |
|--|-------------------|-------------|-------------|-------------------|
| Beneficial interest in assets held<br>by CFO | \$ 507,370        | \$ -        | \$ -        | \$ 507,370        |
| Total Recurring Fair Value<br>Measurements   | <u>\$ 507,370</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 507,370</u> |

Grant awards shall be available for distribution on a yearly basis, subject to final approval by the Board of Directors of CFO, and based on a specified percentage of the fair market value of assets on a rolling average of the previous eight quarters. The Community Foundation maintains variance power over these assets. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. The System's board may, by an affirmative vote of two thirds of the board, for an unusual circumstance, recommend and request distribution of all or part of the assets held by CFO. However, the CFO has the ultimate authority over and control of all property held by CFO. Distributions in the amount of \$958 for the year ended June 30, 2021, 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, 2021, assets transferred to the Community Foundation by the Organization had a fair value of \$507,370 based on the approximate present value of future cash flows from CFO.

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

Distributions in the amount of \$1,542 for the year ended June 30, 2021, were received by the System. The fair value of the funds originally donated by third parties at June 30, 2021 was \$39,116. The Organization has no remainder interest in the corpus of these funds.

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 2 – Cash and Investments (continued)

Investment Interest Rate Risk - The investments of the Pension Plan (see also Note 9) were all transferred to the Money Market Fund with Empower on June 24, 2021 as part of the process of terminating the Pension Plan. These assets may be used only for the payment of benefits to the members of the Plan. The composition of the pension trust fund at fair value is shown in the following table:

|                                | Market<br>Value     | Credit Exposure<br>as a Percentage of<br>Total Investments |
|--------------------------------|---------------------|--|
| Pension Fund                   |                     |  |
| Cash and Cash Equivalents      | \$ 4,773,550        | 100.00%  |
| Total Pension Fund Investments | <u>\$ 4,773,550</u> | <u>100.00%</u>   |

The following investments represent 5% or more of the net assets of the Plan at June 30, 2021:

|                                       |              |
|---------------------------------------|--------------|
| Barings Premium US Govt. Money Market | \$ 4,773,550 |
|---------------------------------------|--------------|

The fair values of the Company's pension investments by asset category as of June 30, 2021 were as follows:

|  | Total               | Level 1             | Level 2     | Level 3     |
|--|---------------------|---------------------|-------------|-------------|
| Cash and Cash Investments                  | \$ 4,773,550        | \$ 4,773,550        | \$ -        | \$ -        |
| Total Recurring Fair Value<br>Measurements | <u>\$ 4,773,550</u> | <u>\$ 4,773,550</u> | <u>\$ -</u> | <u>\$ -</u> |

Pension Fund Policy

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

Manager performance is reviewed by a consultant who provides reports to the retirement plans investment and administrative committee and to the board. Any changes in the investment management firm must be reported as they occur. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, cash equivalents, index funds, collective trust funds and mutual funds. The Plan addresses custodial credit risk with policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the board. The pension trust fund holds \$4,773,550 in money market funds. This amount is held by the investment counterparty, not in the name of the pension fund or the System.

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

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 3 – Collections

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

Note 4 – Short-Term Borrowing

On an annual basis, the System utilizes short-term unsecured promissory notes in anticipation of the collection of ad valorem taxes. In accordance with Title 65 Section 4-105 of the Oklahoma Statutes, the term of the loan may not exceed one year. As of June 30, 2021, no balance was owed. No interest expense was paid or incurred during the year ended June 30, 2021.

Note 5 – Other Current Liabilities

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

|                      | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance | Amounts Due<br>Within One Year |
|----------------------|----------------------|-----------|------------|-------------------|--------------------------------|
| Compensated Absences | \$ 483,308           | 612,493   | 662,373    | \$ 433,428        | \$ 433,428                     |

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

Note 6 – Commitments

Lease Commitments – The System leases a building, two postage machine and copiers for its branch facilities and for administration under operating leases. The leases are renewed on an annual basis. Lease expense under these leases for 2021 was \$65,153.

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, 2021 the amount of encumbrances expected to be honored upon performance by the vendor in the next year were:

|                       |                   |
|-----------------------|-------------------|
| General Fund          | \$ 757,979        |
| Gifts and Grants Fund | 821               |
| Total                 | <u>\$ 758,800</u> |

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 7 – Capital Assets

Capital assets of the System at June 30, 2021 are as follows:

|                                 | Beginning<br><u>Balances</u> | <u>Increases</u>    | <u>Decreases</u> | Ending<br><u>Balances</u> |
|---------------------------------|------------------------------|---------------------|------------------|---------------------------|
| Non-depreciable Capital Assets: |                              |                     |                  |                           |
| Land                            | \$ 161,179                   | \$ -                | \$ -             | \$ 161,179                |
| Computer Equipment              | <u>199,512</u>               | <u>-</u>            | <u>96,037</u>    | <u>103,475</u>            |
| Total Non-Depreciable           |                              |                     |                  |                           |
| Capital Assets                  | <u>\$ 360,691</u>            | <u>\$ -</u>         | <u>\$ 96,037</u> | <u>\$ 264,654</u>         |
| Depreciable Capital Assets:     |                              |                     |                  |                           |
| Library Books                   | \$ 18,514,106                | \$ 1,122,811        | \$ 2,591,705     | \$ 17,045,212             |
| Building                        | 4,722,647                    | 20,535              | -                | 4,743,182                 |
| Furniture and Fixtures          | 1,229,436                    | 8,981               | 22,519           | 1,215,898                 |
| Computer Equipment              | 5,033,742                    | 327,386             | 213,397          | 5,147,731                 |
| Vehicles                        | <u>474,468</u>               | <u>29,263</u>       | <u>81,115</u>    | <u>422,616</u>            |
| Total Depreciable               |                              |                     |                  |                           |
| Capital Assets                  | <u>29,974,399</u>            | <u>1,508,976</u>    | <u>2,908,736</u> | <u>28,574,639</u>         |
| Less Accumulated                |                              |                     |                  |                           |
| Depreciation for:               |                              |                     |                  |                           |
| Library Books                   | 14,611,509                   | 1,429,375           | 2,591,705        | 13,449,179                |
| Building                        | 794,616                      | 118,181             | -                | 912,797                   |
| Furniture and Fixtures          | 1,174,030                    | 18,098              | 22,519           | 1,169,609                 |
| Computer Equipment              | 3,382,376                    | 696,437             | 206,477          | 3,872,336                 |
| Vehicles                        | <u>373,982</u>               | <u>63,509</u>       | <u>67,819</u>    | <u>369,672</u>            |
| Total Accumulated               |                              |                     |                  |                           |
| Depreciation                    | <u>20,336,513</u>            | <u>2,325,600</u>    | <u>2,888,520</u> | <u>19,773,593</u>         |
| Total Depreciable Capital       |                              |                     |                  |                           |
| Assets, Net                     | <u>\$ 9,637,886</u>          | <u>\$ (816,624)</u> | <u>\$ 20,216</u> | <u>\$ 8,801,046</u>       |

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 8 – Fund Balance

The following table shows the fund balance classifications as shown on the governmental funds balance sheet as of June 30, 2021:

|                               | General<br>Fund      | Gifts and<br>Grants<br>Fund | Total<br>Governmental<br>Funds |
|-------------------------------|----------------------|-----------------------------|--------------------------------|
| Fund Balance                  |                      |                             |                                |
| Assigned:                     |                      |                             |                                |
| Cleveland County Libraries    | \$ 124,560           | \$ -                        | \$ 124,560                     |
| McClain County Libraries      | 173,995              | -                           | 173,995                        |
| Pottawatomie County Libraries | 50,000               | -                           | 50,000                         |
| Library Projects              | 220,000              | -                           | 220,000                        |
| Special Revenue Funds         |                      | 752,601                     | 752,601                        |
| Committed:                    |                      |                             |                                |
| Reserved for Encumbrances     | 757,979              | 821                         | 758,800                        |
| Unassigned                    | 14,833,380           | -                           | 14,833,380                     |
| Total Fund Balance            | <u>\$ 16,159,914</u> | <u>\$ 753,422</u>           | <u>\$ 16,913,336</u>           |

Note 9 – Defined Benefit Retirement Plan

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

Plan membership as at June 30, 2021 consisted of the following:

|   |            |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 32         |
| Inactive plan members entitled to but not yet receiving benefits    | 32         |
| Active plan members   | <u>51</u>  |
| Total plan members  | <u>115</u> |

Funding Policy - Employees of the System are not required to contribute to the plan. The System is required to make annual contributions based on an actuarially computed percentage of covered wages in amounts sufficient to cover normal cost of benefits and amortize the prior service liabilities. The Pioneer Library System Board of Trustees has the authority to establish and or amend the funding policy of the plan. No contribution was made to the plan for the year ended June 30, 2021 because the System is terminating the plan.

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 9 – Defined Benefit Retirement Plan (continued)

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 will be provided an election window in July 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 amounts will be issued in September of 2021. In September of 2021 the System will issue 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 will be awarded in September and the plan should be closed out in early October of 2021.

Net Pension Liability – The System’s net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2020 actuarial valuation was determined using a revised interest rate and investment rate of return of 0.5%, down from 6% in prior year. This long-term expected rate of return was obtained from the trustee of the plan assets.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2020 through December 31, 2020. In addition, the mortality rates were based on the RP-2014 Mortality Table using Scale MP-2020 instead of the RP-2014 Mortality Table using scale MP-2019 which was the table used for the previous year’s calculation.

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

Changes in Net Pension Liability or (Assets) – Changes in the System’s net pension liability for the year ended June 30, 2021 were as follows:

|  | Increase (Decrease)               |                                       |                                       |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
|  | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
| Balance, June 30, 2020                                       | \$ 3,686,833                      | \$ 3,969,107                          | \$ (282,274)                          |
| Changes for the year:  |                                   |                                       |                                       |
| Interest   | 211,889                           | -                                     | 211,889                               |
| Difference between expected and actual experience            | 82,513                            | -                                     | 82,513                                |
| Net investment income  | -                                 | 522,026                               | (522,026)                             |
| Administrative Expense                                       | -                                 | (34,149)                              | 34,149                                |
| Change of assumptions  | (48,203)                          | -                                     | (48,203)                              |
| Contributions - employer                                     | -                                 | 307,257                               | (307,257)                             |
| Benefit payments including refunds of employee contributions | (267,700)                         | (267,700)                             | -                                     |
| Net Changes  | (21,501)                          | 527,434                               | (548,935)                             |
| Balance, June 30, 2021                                       | \$ 3,665,332                      | \$ 4,496,541                          | \$ (831,209)                          |

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 9 – Defined Benefit Retirement Plan (Continued)

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

|                        | 1% Decrease<br>(5.00%) | Current<br>Discount Rate<br>(6.00%) | 1% Increase<br>(7.00%) |
|------------------------|------------------------|-------------------------------------|------------------------|
| Pension Liability      | \$ 4,032,734           | \$ 3,665,332                        | \$ 3,353,726           |
| Fiduciary Net Position | 4,496,541              | 4,496,541                           | 4,496,541              |
| Net Pension Liability  | <u>\$ (463,807)</u>    | <u>\$ (831,209)</u>                 | <u>\$ (1,142,815)</u>  |

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

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended June 30, 2021; the System recognized a pension expense of \$232,556. At June 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Balances at<br/>June 30, 2021</u>      |  |
|---|---|--|
| <u>Source</u>   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
| Differences between expected and actual experience                  | \$ 148,712                                | \$ (46,382)                              |
| Changes of assumptions  | 46,624                                    | (60,247)                                 |
| Net difference between projected and actual earnings on investments | -   | (784,824)                                |
| Contribution to pension plan after measurement date                 | -   | -  |
| Total   | <u>\$ 195,336</u>                         | <u>\$ (891,453)</u>                      |

Deferred outflows of resources related to pensions resulting from System contributions of \$0 subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| <u>Year</u> |              |
|-------------|--------------|
| 2021        | \$ (147,120) |
| 2022        | (158,796)    |
| 2023        | (252,384)    |
| 2024        | (135,627)    |
| 2025        | (2,190)      |
| Thereafter  | -            |

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 10 – Defined Contribution Retirement Plan

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

Funding Policy - Employees of the System are not required to contribute to the plan. The System makes an annual contribution based on a percentage of an employee's salary. For employees that are members of the Defined Benefit retirement plan that was frozen in 2008, the percentage of salary was based on an actuarial calculation that was done in 2008. These percentages were reviewed and recalculated during the current year which resulted in several of the percentages being changed. These new percentages were used when calculating the contributions to participants' accounts for 2021. 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, 2021 totaled \$455,376.

Note 11 – Risk Management

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

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 System's operations have continued to change due to the pandemic.

From April 1, 2021 to June 1, 2021 the System 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 System 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 System entered phase six of the reopening plan. Branches cleared their meeting rooms and returned furniture to the floor. The System's facial covering mandate expired on May 19, 2021 in communities without a municipal mandate. The System 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 System 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.

On August 5, 2021 the System announced that outdoor programming will continue for children 11 and under in alignment with the System'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

PIONEER LIBRARY SYSTEM  
Notes to Financial Statements  
June 30, 2021

Note 11 – Risk Management (continued)

of the group is possible. The System continues to follow CDC guidelines and recommends facial coverings for all staff and customers while they are indoors.

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.

Note 12 – Related Party Leases

The System leases space to the City of Norman (City) under an operating lease with annual mutual renewal, for a term of twenty years. Rent revenue under this lease equaled \$115,961, included in Other Contracts on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. Under this lease agreement the City agreed to pay \$50,000 a year for ten years as reimbursement for costs incurred to remodel the space for a total of \$500,000. If the lease is not mutually renewed the remainder of \$500,000 is to be remitted to the System.

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

Note 13 – Subsequent Events

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

On April 28, 2021 a significant hail storm came through Norman and the System's building located at 300 Norman Center Court was in the path of the storm. Several of the System's vehicles and the System's building received damage from the storm. The claims filed on the vehicles were completed immediately. The claim filed on the building for roof damage was finally settled on August 30, 2021 for a total cost of \$444,047. These repairs will happen in the fall of 2021.

**PIONEER LIBRARY SYSTEM**  
**Budgetary Comparison Schedule – General Fund (Unaudited)**  
**For the Year Ended June 30, 2021**

|   | Budgeted<br>Amounts Original | Budgeted<br>Amounts Final | Actual Amounts<br>GAAP Basis | Budget to GAAP<br>Differences<br>Over(Under) | Actual Amounts<br>Budgetary Basis | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------------------|---------------------------|------------------------------|--|-----------------------------------|---|
| <b>Resources (inflows)</b>                  |                              |                           |                              |  |                                   |   |
| Property Taxes                              | \$ 18,463,547                | \$ 19,227,473             | \$ 19,551,112                | \$ (75,804)                                  | \$ 19,626,916                     | \$ 399,443  |
| State Revenue                               | 117,500                      | 117,500                   | 111,079                      | -  | 111,079                           | (6,421)   |
| Interest                                    | 50,000                       | 40,000                    | 29,982                       | 564  | 29,418                            | (10,582)  |
| Other                                       | 316,373                      | 316,373                   | 340,806                      | 15,309                                       | 325,497                           | 9,124   |
| Use of Designated Fund Balance              | -                            | 292,986                   | -                            | -  | -                                 | (292,986)   |
| <b>Amounts Available for Appropriation</b>  | <b>18,947,420</b>            | <b>19,994,332</b>         | <b>20,032,979</b>            | <b>(59,931)</b>                              | <b>20,092,910</b>                 | <b>98,578</b>   |
| <b>Charges to Appropriations (outflows)</b> |                              |                           |                              |  |                                   |   |
| Personnel Services                          | 12,464,372                   | 12,620,922                | 10,902,689                   | 47,789                                       | 10,950,478                        | 1,670,444   |
| Materials                                   | 2,500,000                    | 2,872,887                 | 2,777,517                    | 36,087                                       | 2,813,604                         | 59,283  |
| General and Administrative                  | 1,174,500                    | 1,254,051                 | 940,055                      | (1,360)                                      | 938,695                           | 315,356   |
| Technology                                  | 1,400,000                    | 1,890,548                 | 1,038,751                    | 13,289                                       | 1,052,040                         | 838,508   |
| System Services                             | 745,000                      | 870,000                   | 431,686                      | (4,667)                                      | 427,019                           | 442,981   |
| <b>Total Charges to Appropriations</b>      | <b>18,283,872</b>            | <b>19,508,408</b>         | <b>16,090,698</b>            | <b>91,138</b>                                | <b>16,181,836</b>                 | <b>3,326,572</b>  |
| Change in Net Assets                        | 663,548                      | 485,924                   | 3,942,281                    | (151,069)                                    | 3,911,074                         | (3,227,994)   |
| Beginning Fund Balance                      | 9,470,139                    | 11,924,648                | 11,924,648                   | -  | 11,924,648                        | -   |
| <b>Ending Fund Balance</b>                  | <b>\$ 10,133,687</b>         | <b>\$ 12,410,572</b>      | <b>\$ 15,866,929</b>         | <b>\$ (151,069)</b>                          | <b>\$ 15,835,722</b>              | <b>\$ (3,227,994)</b>                                   |

**Budget to Actual Reconciliation:**

|  |                     |
|--|---------------------|
| Revenues on a budgetary basis are based on cash received rather than the modified accrual basis used for financial reporting                               | \$ (59,931)         |
| Encumbrances for the prior fiscal year which were included in the year ordered for budgetary purposes but were cancelled during the current budgetary year | (91,138)            |
|  | <u>\$ (151,069)</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 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 System member, the Oklahoma State Auditor, the Oklahoma State Inspector, and the State of Oklahoma Equalization Board. 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**

Schedule of Changes in Net Pension Liability

| For the Year Ended December 31   | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                | 2014                | 2013                | 2012                | 2011                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total Pension Liability</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Service Cost   | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| Interest   | 211,889             | 224,544             | 227,221             | 235,645             | 252,873             | 239,135             | 240,458             | 252,881             | 238,612             | 248,546             |
| 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)           |
| Changes of assumptions   | (48,203)            | (13,805)            | (8,364)             | (26,958)            | -                   | 357,460             | -                   | (618,094)           | -                   | 244,140             |
| Benefit payments, including refunds of member contributions                | (267,700)           | (385,772)           | (393,085)           | (394,007)           | (706,017)           | (244,284)           | (259,643)           | (252,483)           | (201,018)           | (158,505)           |
| <b>Net change in total pension liability</b>                               | <b>\$ (21,501)</b>  | <b>\$ (248,457)</b> | <b>\$ (128,435)</b> | <b>\$ (60,692)</b>  | <b>\$ (443,138)</b> | <b>\$ 459,826</b>   | <b>\$ (48,264)</b>  | <b>\$ (568,078)</b> | <b>\$ 285,153</b>   | <b>\$ 217,226</b>   |
| <b>Total Pension Liability--Beginning</b>                                  | <b>3,686,833</b>    | <b>3,935,290</b>    | <b>4,063,725</b>    | <b>4,124,417</b>    | <b>4,567,555</b>    | <b>4,107,729</b>    | <b>4,155,993</b>    | <b>4,724,071</b>    | <b>4,438,918</b>    | <b>4,221,692</b>    |
| <b>Total Pension Liability--Ending (a)</b>                                 | <b>\$ 3,665,332</b> | <b>\$ 3,686,833</b> | <b>\$ 3,935,290</b> | <b>\$ 4,063,725</b> | <b>\$ 4,124,417</b> | <b>\$ 4,567,555</b> | <b>\$ 4,107,729</b> | <b>\$ 4,155,993</b> | <b>\$ 4,724,071</b> | <b>\$ 4,438,918</b> |
| <b>Plan fiduciary net position</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Contributions--employer  | \$ 307,257          | \$ 320,506          | \$ 179,749          | \$ 269,607          | \$ 490,156          | \$ 83,368           | \$ 56,500           | \$ 208,000          | \$ 208,000          | \$ 146,000          |
| 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)            |
| Benefit payments, including refunds of member contributions                | (267,700)           | (385,772)           | (393,085)           | (394,007)           | (706,017)           | (244,284)           | (259,643)           | (252,483)           | (201,018)           | (158,505)           |
| Administrative expense   | (34,149)            | (32,728)            | (32,844)            | (32,981)            | (33,731)            | (31,409)            | -                   | -                   | -                   | -                   |
| Other  | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| <b>Net change in plan fiduciary net position</b>                           | <b>\$ 527,434</b>   | <b>\$ 633,851</b>   | <b>\$ (413,116)</b> | <b>\$ 301,219</b>   | <b>\$ 55,855</b>    | <b>\$ (256,080)</b> | <b>\$ (67,820)</b>  | <b>\$ 437,191</b>   | <b>\$ 317,927</b>   | <b>\$ (40,472)</b>  |
| <b>Plan fiduciary net position--beginning</b>                              | <b>3,969,107</b>    | <b>3,335,256</b>    | <b>3,748,372</b>    | <b>3,447,153</b>    | <b>3,391,298</b>    | <b>3,647,378</b>    | <b>3,715,198</b>    | <b>3,278,007</b>    | <b>2,960,080</b>    | <b>3,000,552</b>    |
| <b>Plan fiduciary net position--ending (b)</b>                             | <b>\$ 4,496,541</b> | <b>\$ 3,969,107</b> | <b>\$ 3,335,256</b> | <b>\$ 3,748,372</b> | <b>\$ 3,447,153</b> | <b>\$ 3,391,298</b> | <b>\$ 3,647,378</b> | <b>\$ 3,715,198</b> | <b>\$ 3,278,007</b> | <b>\$ 2,960,080</b> |
| <b>PLS net pension liability (asset)--ending (a) - (b)</b>                 | <b>\$ (831,209)</b> | <b>\$ (282,274)</b> | <b>\$ 600,034</b>   | <b>\$ 315,353</b>   | <b>\$ 677,264</b>   | <b>\$ 1,176,257</b> | <b>\$ 460,351</b>   | <b>\$ 440,795</b>   | <b>\$ 1,446,064</b> | <b>\$ 1,478,838</b> |
| Plan fiduciary net position as a percentage of the total pension liability | 122.68%             | 107.66%             | 84.75%              | 92.24%              | 83.58%              | 74.25%              | 88.79%              | 89.39%              | 69.39%              | 66.68%              |
| Covered-employee Payroll   | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 |
| Net pension liability (asset) as a percentage of covered-employee payroll  | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 |

**Notes to Schedule:**

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

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

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

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

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

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

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

In 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>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>\$(267,566)</u></u> | <u><u>\$ (79,494)</u></u> | <u><u>\$ (22,546)</u></u> | <u><u>\$(100,000)</u></u> | <u><u>\$(250,001)</u></u> | <u><u>\$ (14,999)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (31,024)</u></u> | <u><u>\$ (10,330)</u></u> | <u><u>\$ 3,985</u></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.



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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 28, 2021

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the fiduciary fund type of Pioneer Library System (the System), as of and for the year ended June 30, 2021, 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 28, 2021. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the aggregate discretely presented component unit, the Pioneer Library System Foundation, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Pioneer Library System Foundation.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) 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 28, 2021

### **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  
*Gray, Blodgett & Company, PLLC*