



Financial Statements

For the Year Ended June 30, 2023

Pioneer Library System

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June 30, 2023

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INDEPENDENT AUDITORS' REPORT

September 21, 2023

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit of Pioneer Library System (the System), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit of the System, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pioneer Library System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

To the Board of Trustees of
Pioneer Library System
September 21, 2023

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6–14 and the budgetary comparison information on page 35, be presented to supplement the basic financial statements. Such information the responsibility of management and, 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

To the Board of Trustees of
Pioneer Library System
September 21, 2023

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 21, 2023, 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 (Unaudited) for the Fiscal Year Ended June 30, 2023

This discussion and analysis of the financial performance of Pioneer Library System (PLS) provides an overall review of PLS's financial condition and results of operations for the fiscal year ended June 30, 2023. Readers should read this information in conjunction with the System's financial statements.

Governmental Accounting Standards Board (GASB) statements 94 and 96 became effective as of June 30, 2023. Statement 96 was on subscription-based information technology arrangements (SBITAs) and the statement's objective was to increase the usefulness of governments' financial statements by requiring recognition of certain SBITAs as a right-to-use subscription assets and a corresponding subscription liability that were previously classified as expenses and recognized as inflows of resources or outflows of resources based on the provisions of the contract. The other pronouncement does not affect the System'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. 1,092,823 visits were made to PLS libraries in FY22-23. Print and digital collections are checked out nearly 2.9 million times per year by people of all ages. Approximately 71% of people in this service area have a library card and 91% of 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.

As our communities adapt to life after the COVID-19 pandemic, PLS, too, implemented new tactics to reach and engage customers as customer behavior continues to shift. PLS continues to draw in more Digitarians, or customers who primarily check out digital materials, than ever before, and customers returned to our facilities with door counts nearly back to pre-pandemic numbers. Services implemented in the pandemic, curbside pick-up, boosted Wi-Fi to parking lots, and digital, on-demand content, continue to be popular channels for customers to connect to library resources. Through these services and targeted marketing campaigns, PLS increased total market penetration from 29% in Q2 of 2022 to 32% in Q1 of 2023. By the end of Q1 of 2023, 32% of households in our service area had an active library card, nearly back to pre-pandemic numbers. The 2023 Summer Learning Challenge set yet another record-breaking summer with more than 22 million minutes of learning. Nearly 10,000 learners enrolled in the Challenge this year and 48% of customers reached their personal goal of 1,000 points. This was a 4.4% increase from 2022 (43.9%). As a result, the PLS Foundation donated books to children ages 0-5 enrolled in WIC programs across our three counties.

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

Financial Highlights

For FY22-23, PLS's general fund reported an ending balance of \$19,890,158 versus \$17,891,907 for the FY21-22. Of the 2022-2023 year-end total, \$486,266 is committed for outstanding encumbrances, and \$722,361 is assigned for service upgrades and improvements of library services at current and future libraries within the System. A majority of the outstanding encumbrances are for materials, and technology equipment. Although the remaining balance of \$18,681,531 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 6.34% this year. This increase enabled PLS to further the library's mission through a variety of opportunities:

- PLS began as the first Oklahoma library system to participate in Dolly Parton's Imagination Library program and spent \$57,084 on this program.
- Authors Douglas Tallamy and Philippe Cousteau were paid a total of \$20,629 this fiscal year as a part of the PLS Reads/Spark a Change community conversation series.
- PLS spent \$12,383 on the Sunday Stars program in Tecumseh. Sunday Stars is an enrichment program for students in first through third grade who are below grade level in reading and math. Students engage in hands-on STEAM activities, quality reading instruction by Lead Instructors based on Orton Gillingham curriculum, and one-on-one reading time with a Teen Reading Ambassador. PLS partnered with Purcell, Noble and Tecumseh Public Schools to identify and recruit eligible students and measure academic success. The System has received grant funding from the State Department of Education for the Noble and Purcell locations.
- PLS spent \$8,800 on scholarships and fees for Gale Presents: Excel Adult High School. Eight scholarships were awarded, and four students graduated from the program with their high school diploma.
- Items purchased from the Technology/Equipment budget included equipment for the maker labs at the Noble, Shawnee, & SOKC branches at a total cost of \$118,645. The maker lab equipment consists of one laser printer, two 3D printers, one embroidery machine, one sewing machine, and one vinyl cutter. Three media boxes were purchase for a total cost of \$188,997 and will be installed at the Shawnee branch, the Shawnee Mall, and the Newcastle branch. These items will improve the customer experience by providing faster and, in some cases, 24/7 access to materials and technology.
- Additional digital materials were purchased to meet demand and provide customers with a wider selection of titles. As mentioned previously, digital activity increased throughout the year as the pandemic changed daily life in our communities.

The general fund balance increased by \$1,998,251 from the previous fiscal year due to the increase in collection of revenue and the decrease in spending in expense categories because the roof at the 300 Norman Center Court location was replaced during the previous fiscal year.

The Pioneer Library System Foundation completed its thirteenth year of operation as of June 30, 2023. The PLS Foundation was organized for the purpose of "Supporting Literacy and a Love of Learning throughout Pioneer Library System Communities." The PLS Foundation awarded a total of \$11,685 to all of PLS's twelve branches to support local programs supporting literacy. More than \$46,879 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 eleven of the twelve branches. In addition, the PLS Foundation provided financial support for many of PLS's programs including the 2023 PLS Reads/Spark a Change series and the systemwide Summer Learning Challenge. The PLS Foundation sponsored and hosted Literally Yours featuring best-selling author Philippe Cousteau. The PLS Foundation also funded \$10,000 that was raised in 2022 for books that were donated this year to children enrolled in area health department programs as

reward for exceeding the Summer Learning Challenge community goal of spending more than 22 million minutes learning. The PLS Foundation has been included as a component unit of the Pioneer Library System and the PLS Foundation has issued its own financial statements, available from the Pioneer 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 14 and 15 of this report.

Fund Financial Statements

The Library System has one kind of funds – Governmental 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.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential for a full understanding of PLS's financial statements.

Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information – the Budget Comparison Schedule – General Fund (Unaudited).

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 2022-2023 governmental fund balances changed as follows:

	General Fund Funds	Other Governmental Funds	Total Governmental Funds
Revenues	\$ 23,221,439	\$ 159,765	\$ 23,381,204
Expenditures	\$ 21,223,188	\$ 116,653	\$ 21,339,841
Net Increase	\$ 1,998,251	\$ 43,112	\$ 2,041,363

For fiscal year 2021-2022 governmental fund balances changed as follows:

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

General Fund

PLS is primarily (or 95%) funded by Ad Valorem (property) tax. For the 2022-23 financial year the tax rates were: a 6.06 mill Ad Valorem tax in Pottawatomie County; a 6.11 mill Ad Valorem tax in McClain County; and a 6.11 mill Ad Valorem tax in Cleveland County. For FY22-23, the Counties' assessed property value had an increase of 8.06% versus 3.87% for FY21-22. Actual tax collections increased by 6.74% versus 5.73% for the prior year. The increase of 6.74% was due to the collection of more tax revenue. Fine and other charges for services revenue for FY22-23 decreased by \$428,330 from FY21-22. This decrease was precipitated by the fact that no insurance proceeds were received from the insurance company for the roof this year. State Aid increased by \$1,525 over the prior year. Interest income increased by \$412,458 over the prior year. This increase is attributed to an increase in interest rates and the increase in the amount of funds in the fund balance.

The Expense category Personnel Services increased from 2022 to 2023 due to the increase in salaries paid as a result of the pay compensation study completed this year; an increase in health insurance expenses due to a rate increase from the service provider; an increase in employee assistant program caused by a full-year contract with the new provider who started in the middle of the previous year; an increase in workers' compensation insurance as our rate increased; and an increase in unemployment expenses due to the increase in usage. The Expense category of Materials increased to purchase more digital materials for the collection to meet demand. The Technology and Automation category increased because of the purchase of three media boxes, the purchase of maker lab equipment to create three additional maker labs, and the cost of replacing computers throughout the System.

The System Services and General and Administrative expense categories were different in 2023 than in 2022 because of the following:

- Professional Services decreased due to several contracts being capitalized instead of expensed due to the new accounting guidance contained in the GASB 96 accounting standard.
- The Continuing Education expenses increased as the OLA conference was held in Norman this year and more staff attended the conference.
- Equipment expenses increased compared to last year for the purchase of new staff chairs for several branches and the purchase of maker lab equipment for some of the branches.
- Insurance increased to reflect actual insurance costs.
- Supplies increased to reflect the addition of Sunday Stars expenses for the Tecumseh branch.
- Telephone expenses decreased to reflect the elimination of fax lines that were no longer needed.
- Vehicles decreased because fewer vehicles were purchased this year.
- Marketing & Communications costs increased to cover the costs associated with the website redesign.
- Printing expenses decreased as lease expenses for copiers were capitalized instead of expensed due to the new accounting guidance contained in the GASB 87 accounting standard.
- The number of employees and wages paid increased resulting in an increase in Data Processing expenses.
- Board Development expenses increased when compared to last year due to attendance at a development conference.
- Programming expenses increased to cover the costs of author visits for PLS Reads/Spark a Change programs.
- System Outreach expenses increased to reflect the expenses for the new Dolly Parton Imagination Library Program and the Excel online high school program.
- System Facilities decreased to reflect the fact that a new roof and new HVAC units were not needed at the System's Administration building located at 300 Norman Center Court this year like they were last year.

Other Governmental Funds

Gifts/Grants Funds: In FY22-23, Pioneer Library System received \$113,572 in gifts and grants.

Pioneer Library System received \$42,164 in grants this year. \$17,952 of these funds were a grant received from the Oklahoma Partnership for School Readiness. These funds were spent on GLAR Bags and Standup Books. The System received a \$10,000 grant from the H. H. Wilson Foundation. Outright gifts to PLS totaled \$71,408, over 51% (\$36,377) of which was provided by Friends groups throughout PLS. The City of Purcell donated \$7,500 to fund programs at the Purcell Library. All grantors and donors provided financial support and were also active partners providing excellent library services to the community.

The Library System as a Whole

	<u>2022-2023</u>	<u>2021-2022</u>
Assets		
Current and Other Assets	\$ 21,478,050	\$ 20,129,795
Lease Receivable	\$ 685,374	\$ 779,556
Right to Use Leased Assets	\$ 9,805	\$ 133,357
Right to Use Subscription Assets	\$ 408,611	\$ -
Capital Assets	<u>\$ 9,683,901</u>	<u>\$ 9,538,119</u>
Total Assets	<u>\$ 32,265,741</u>	<u>\$ 30,580,827</u>
Liabilities		
Accounts Payable and Accrued Expenses	\$ 389,826	\$ 1,117,786
Accrued Interest Payable	\$ 8,107	\$ -
Other Liabilities	\$ 420,613	\$ 409,329
Subscription Liability	\$ 262,850	\$ -
Subscription Liability - Current	\$ 143,471	\$ -
Right to Use Liability	<u>\$ 10,111</u>	<u>\$ 135,557</u>
Total Liabilities	<u>\$ 1,234,978</u>	<u>\$ 1,662,672</u>
Deferred Inflows of Resources		
Inflows Related to Leases	<u>\$ 730,691</u>	<u>\$ 801,403</u>
Total Deferred Inflows of Resources	<u>\$ 730,691</u>	<u>\$ 801,403</u>
Net Position		
Net Investment in Capital Assets	\$ 9,683,901	\$ 9,538,119
Restricted Net Assets	\$ 732,136	\$ 689,024
Unrestricted Net Assets	<u>\$ 19,884,035</u>	<u>\$ 17,889,609</u>
Total Net Position	<u>\$ 30,300,072</u>	<u>\$ 28,116,752</u>
Change in Net Position		
Beginning Net Position	\$ 28,116,752	\$ 26,114,128
Revenues		
Property Taxes	\$ 22,064,787	\$ 20,671,488
Charges for Services	\$ 302,165	\$ 311,979
Operating Grants	\$ 113,572	\$ 155,783
Capital Grants	\$ 7,977	\$ 11,034
State Aid	\$ 112,782	\$ 111,257
Investment Earnings	\$ 496,376	\$ 83,918
Net Change In Beneficial Assets Held by Others	\$ 38,216	\$ (55,416)
Loss on Disposal	<u>\$ (59,860)</u>	<u>\$ 352,109</u>
Total Revenues	<u>\$ 23,076,015</u>	<u>\$ 21,642,152</u>
Expenses		
Public Library Services	\$ 15,321,466	\$ 14,368,178
Administrative Services	\$ 3,030,725	\$ 2,876,709
Depreciation-Unallocated	<u>\$ 2,540,504</u>	<u>\$ 2,394,641</u>
Total Expenses	<u>\$ 20,892,695</u>	<u>\$ 19,639,528</u>
Increase in Net Position	<u>\$ 2,183,320</u>	<u>\$ 2,002,624</u>
Ending Net Position	<u>\$ 30,300,072</u>	<u>\$ 28,116,752</u>

General Fund Budgetary Highlights

The General Fund budget for FY22-23 was \$23,020,148. This was a 7.78% increase over the previous year. The highlights of the budget include:

- A 6.0% salary adjustment for staff who receive a successful or outstanding rating on their performance evaluation and are not in their training period and market adjustments for those staff who were recommended for them based on a pay compensation market study.
- Retirement decreased \$100,000 to reflect no costs needed to terminate the PLS Defined Benefit Pension Plan.
- Health Insurance increased \$16,920 to cover an expected increase in costs for the last three months of the fiscal year when we receive the new rates for Medical and Dental Insurance in April.
- Employee Assistance Programs increased \$11,000 which reflects a change in vendor who provides unlimited online access.
- Contract Labor increased \$960 which reflects the cost of outstanding purchase orders at year-end,
- Unemployment increased \$7,000 which reflects the payment of prior years' amounts in the current year.
- Materials increased \$313,384 to reflect additional funds to purchase digital materials and to cover the costs of outstanding purchase orders as of year-end.
- Professional Services increased \$110,278 to cover additional costs related to Phase Two and OrangeBoy and to cover the costs of a website redesign.
- Equipment decreased \$71,740 to reflect actual needs.
- Postage increased \$5,000 to reflect the increase in postage rates.
- Supplies was increased \$15,000 to reflect an increase in program activity and to cover the cost of Sunday Stars programs.
- Telephone decreased \$8,000 to reflect certain services that were eliminated.
- Travel decreased \$7,000 to reflect a reduction in travel due to the pandemic.
- Vehicles decreased \$2,529 to reflect actual costs.
- Miscellaneous increased \$1,400 to reflect actual costs.
- Printing increased \$35,000 which reflects the cost increased of the copier leases.
- Sales tax decreased \$2,000 to reflect actual activity.
- Data Processing increased \$2,000 which reflects the cost increase of processing payroll.
- Revaluation increased \$54,417 to reflect the increase in costs and the payments of two of last year's invoices out of this year.
- Technology increased \$98,315 to cover the cost of outstanding purchase orders at year-end, and to cover the Envisionware price increase.
- Employee Development increased \$12,008 to cover the costs of outstanding purchase orders at year-end and the cost of the OLA conference.
- Marketing and Communications increased \$16,537 to cover the costs of outstanding purchase orders at year-end.
- Programming increased \$65,265 to cover the costs of outstanding purchase orders at year-end and to cover the costs of speaker fees.
- System Outreach increased \$25,000 to cover the cost of the Dolly Parton Imagination Library Program.
- Assigned Fund Balance reflects several items: Cleveland County, \$124,560; Moore Public Library \$153,806; McClain County, \$173,995; and Pottawatomie County, \$50,000; Library Projects, \$220,000.
- Unassigned Fund Balance increased \$1,608,891.
- Total Fund Balance for 2022-2023 is anticipated to be \$17,240,436.

Capital Asset and Long-Term Debt

PLS's investment in capital assets, net of accumulated depreciation, as of June 30, 2023 was \$9,683,901, and on June 30, 2022 was \$9,538,119. Of the total depreciable capital assets, net of accumulated depreciation, on June 30, 2023, 21% are furniture, equipment and vehicles; 44% are building and property; and the remaining 35% are books and materials. Of the total depreciable capital assets, net of accumulated depreciation, on June 30, 2022, 17% are furniture, equipment, and vehicles; 47% are building and property; and the remaining 36% 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 FY22-23, PLS borrowed no money and incurred no interest expense related to borrowed money. PLS did record interest expense related to the copier leases and SBITA's that are contained in the financial statement notes.

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. PLS 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 8.88% growth in property value for 2023; the Pottawatomie County Assessor has certified a 3.63% growth and the McClain County Assessor has certified a 12.96% growth.

For Fiscal Year 2023-2024, the PLS Board of Trustees plan to approve a general fund budget of \$25,029,543 versus \$23,020,148 for 2022-2023. A highlight of the budget follows:

- A 6% performance adjustment for staff who qualify.
- Retirement increased to cover projected retirement benefit changes.
- Health Insurance increased \$224,133 to cover the cost of new positions and an estimated 15% increase in April 2024.
- Group Term Life Insurance increased \$1,400 due to salary increases.
- Disability Insurance increased \$3,000 due to salary increases.
- Workers Compensation increased \$10,000 because insurance rates increased.
- Unemployment decreased due to actual activity.
- Scholarship increased 10,000 due to additional scholarships being awarded.
- Materials increased \$393,348 to reflect materials cost increases.
- Professional Services increased \$162,133 to reflect contract cost increases.
- Equipment increased \$150,000 to reflect the purchase of additional task chairs and the amount of year-end outstanding purchase orders.
- Insurance increased \$21,000 due to the insurance rates increased.
- Supplies increased \$30,000 due to the increase in the amount and cost of supplies.
- Telephone decreased \$4,000 to reflect the elimination of duplicative services.
- Mileage increased \$5,000 to reflect an expected increase in the mileage rate.
- Vehicles increased \$15,000 to reflect the increase in vehicle costs.
- Audit decreased \$4,500 to reflect the decrease in the contract cost.
- Miscellaneous increased \$18,600 to reflect an increase in costs.
- Printing decreased to reflect the decrease in copier lease costs.
- Data Processing increased to reflect the actual payroll costs.

- Technology increased \$6,745 to reflect the purchase of additional technology, current year outstanding purchase orders, and the removal of previous year's outstanding purchase orders.
- Employee Development increased \$27,992 due to current year outstanding purchase orders and additional conference expenses.
- Marketing and Communications increased \$131,605 to cover the cost of increased advertising campaigns and outstanding year-end purchase orders.
- Programming decreased \$15,265 due to the removal of prior year and addition of the current year outstanding purchase orders.
- Assigned Fund Balance reflects several items: Cleveland County, \$124,560; McClain County, \$173,996; and Pottawatomie County, \$50,000; Library Projects, \$220,000; Moore Public Library, \$153,806.
- Unassigned Fund Balance increased \$2,163,456.
- Total Fund Balance for 2023-2024 is anticipated to be \$19,890,158.

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, 2023

	Primary Governmental Activities	Component Unit Library Foundation
Assets		
Current assets:		
Cash and Cash Equivalents	\$ 19,715,619	\$ 426,747
Beneficial Interest in asset held by others	466,745	72,866
Ad Valorem Tax Receivable	236,716	-
Accrued Interest Receivable	-	251
Lease Receivable	685,374	-
Other Current Assets	1,035,749	5,174
Other Receivable	23,221	-
Subscription Assets	408,611	-
Non Current assets:		
Right to Use Assets, Net	9,805	-
Non-Depreciable Capital Assets	536,951	-
Depreciable Capital Assets, Net	9,146,950	-
Total Assets	\$ 32,265,741	\$ 505,038
Liabilities		
Accounts Payable and Accrued Expenses	\$ 389,826	\$ 12,087
Accrued Interest Payable	8,107	-
Compensated Absences Payable	420,613	-
Subscription Liability	262,850	-
Subscription Liability - Current	143,471	-
Right to Use Liability	10,111	-
Total Liabilities	\$ 1,234,978	\$ 12,087
Deferred Inflows of Resources		
Inflows related to leases	\$ 730,691	\$ -
Net Position		
Net Investment in Capital Assets	\$ 9,683,901	\$ -
Restricted - Non Spendable Net Assets	-	46,408
Restricted - Literacy and Other Programs	732,136	144,427
Unrestricted - Board Designated Endowment	-	17,768
Unrestricted - Undesignated	19,884,035	284,348
Total Net Position	\$ 30,300,072	\$ 492,951

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM
Statement of Activities
For the Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contribution s	Capital Grants and Contribution s	Primary Governmental Activities	Component Unit
Functions/Programs	Expenses					Library Foundation
Governmental Activities:						
Public Library Services	\$ 15,321,466	\$ 302,165	\$ 113,572	\$ 7,977	\$ (14,897,752)	
Administrative Services	3,030,725	-	-	-	(3,030,725)	
Depreciation - unallocated	2,540,504	-	-	-	(2,540,504)	
Total Primary Government	\$ 20,892,695	\$ 302,165	\$ 113,572	\$ 7,977	\$ (20,468,981)	
Component Unit						
Library Foundation	\$ 173,754	\$ -	\$ 243,003	\$ -		\$ 69,249
General Revenues:						
Property taxes, levied for general purposes					\$ 22,064,787	\$ -
State aid					112,782	-
Net change in beneficial assets held by others					38,216	13,366
Investment earnings					496,376	4,471
Loss on disposals					(59,860)	-
Total General Revenues					\$ 22,652,301	\$ 17,837
Change in Net Assets					\$ 2,183,320	\$ 87,086
Net position - beginning					28,116,752	405,865
Net position - ending					\$ 30,300,072	\$ 492,951

See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM
Balance Sheet
Governmental Funds
June 30, 2023

ASSETS	<u>General Fund</u>	<u>Gifts and Grants Fund</u>	<u>Total Governmental Funds</u>
Cash	\$ 19,574,398	\$ 141,221	\$ 19,715,619
Investments	-	466,745	466,745
Receivable from General Fund	-	118,522	118,522
Ad Valorem Tax Receivable	236,716	-	236,716
Lease Receivable	685,374	-	685,374
Other Receivable	13,468	9,753	23,221
Deposit	9,593	-	9,593
Prepaid Expenses	1,026,156	-	1,026,156
Total Assets	<u>\$ 21,545,705</u>	<u>\$ 736,241</u>	<u>\$ 22,281,946</u>

LIABILITIES AND FUND BALANCES

Liabilities			
Accounts Payable	\$ 182,208	\$ 4,105	\$ 186,313
Accrued Salaries and Employee Benefits	203,513	-	203,513
Compensated Absences Payable	420,613	-	420,613
Payable to Special Revenue	118,522	-	118,522
Total Liabilities	<u>\$ 924,856</u>	<u>\$ 4,105</u>	<u>\$ 928,961</u>
Deferred Inflow of Resources			
Leases	\$ 730,691	\$ -	\$ 730,691
Fund Balances			
Assigned for Service Upgrades and Improvements	\$ 722,361	\$ 730,346	\$ 1,452,707
Committed for Outstanding Encumbrances	486,266	1,790	488,056
Unassigned	18,681,531	-	18,681,531
Fund Balances, End of Year	<u>\$ 19,890,158</u>	<u>\$ 732,136</u>	<u>\$ 20,622,294</u>
Total Liabilities and Fund Balances	<u>\$ 21,545,705</u>	<u>\$ 736,241</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$30,705,051 including \$536,951 of non-depreciable assets, and the accumulated depreciation is \$21,021,150.	\$ 9,683,901
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$237,462 and the accumulated amortization is \$227,657.	9,805
Long-term debt issued for lease liabilities	(135,558)
Principal payments on long-term debt for lease liabilities	125,447
Subscription leased assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$550,037 and the accumulated amortization is \$141,426.	408,611
Long-term debt issued for SBITA liabilities	(550,037)
Principal payments on long-term debt for SBITA liabilities	143,716
Increase payments on debt service	(8,107)

Total Net Position - Governmental Activities	<u>\$ 30,300,072</u>
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See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Gifts and Grants Fund	Total Governmental Funds
Revenues:			
Property Taxes	\$ 22,064,787	\$ -	\$ 22,064,787
Collections on Book Fines and Copy Services	198,284	-	198,284
Gifts and Grants	-	113,572	113,572
State Revenue	112,782	-	112,782
Other Contracts	103,881	-	103,881
Other Financing Sources	245,329	-	245,329
In-Kind Donations	-	7,977	7,977
Interest	496,376	38,216	534,592
	<u>\$ 23,221,439</u>	<u>\$ 159,765</u>	<u>\$ 23,381,204</u>
Total Revenues			
Expenditures			
Personal Services	\$ 12,733,524	\$ -	\$ 12,733,524
Materials	3,303,101	116,653	3,419,754
General and Administrative	2,544,465	-	2,544,465
Technology and Automation	1,753,670	-	1,753,670
System Services	888,428	-	888,428
	<u>\$ 21,223,188</u>	<u>\$ 116,653</u>	<u>\$ 21,339,841</u>
Total Expenditures			
Net Change in Fund Balance	\$ 1,998,251	\$ 43,112	\$ 2,041,363
Beginning Fund Balance	<u>17,891,907</u>	<u>689,024</u>	<u>18,580,931</u>
Ending Fund Balances	<u>\$ 19,890,158</u>	<u>\$ 732,136</u>	<u>\$ 20,622,294</u>
Total net changes in fund balances - governmental funds			\$ 2,041,363

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	\$ (2,275,624)	
Capital Outlay	<u>2,625,738</u>	350,114

Amortization expense for intangible right to use lease assets.	\$ <u>(123,552)</u>	(123,552)
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The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. the amount is the net effect of these differences in the treatment of long-term debt.

Principal Payments on Long Term Debt	\$ <u>125,456</u>	125,456
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Subscription based IT arrangement capital outlay expenditures which were capitalized	\$ 550,037	
Amortization expense for intangible subscription based IT arrangement assets.	<u>(141,426)</u>	408,611

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. the amount is the net effect of these differences in the treatment of long-term debt.

New Long Term Debt	\$ (550,037)	
Principal Payments on Long Term Debt	143,716	
Increase in Accrued Interest	<u>(8,107)</u>	(414,428)

Disposals of capital assets are not considered to be expenditures in the governmental funds. They are however, recorded as a loss in the statement of activities.

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		(59,860)
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Disposals of non-depreciable capital assets		<u>(144,384)</u>
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Change in net position of governmental activities		<u>\$ 2,183,320</u>
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See Accompanying Notes to Financial Statements

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 1 – Summary of Significant Accounting Policies

The Reporting Entity –

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

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

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

Financial Statement Presentation –

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

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

Basic Financial Statements – Government-Wide Statements –

The Library's basic financial statements include both government-wide (reporting the Library System as a whole) and fund financial statements (reporting the Library's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 1 – Summary of Significant Account Policies (continued)

Library does not have any activities classified as business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

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

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

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

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

Basic Financial Statements – Fund Financial Statements

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

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

The Library reports the following major governmental funds:

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

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

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

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 Library's policy to use restricted resources first.

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

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

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Fair Market Value Measurement – Fair value is defined as “the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at a measurement date”.

Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

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

Level 2 – Inputs other than quoted prices for identical assets or liabilities that are observable in the market place. For example, Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices are observable for the asset or 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 activity) and are significant to the fair value measurement. Unobservable inputs reflect the Library’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or the liability at the reporting date.

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

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

Property Tax Revenues – Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The County Assessor's office bills and collects the property taxes and remits to the Library its portion. Property taxes not paid prior to April are considered delinquent. Such delinquent tax payments have not historically been material. Delinquent tax payments are received throughout the year and are recognized as revenue in the year received, except for those received within 60 days of year end, which are recognized as revenues as of June 30, 2023 in both the government-wide and fund financial statements.

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

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

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

Tax years before 2019 are no longer subject to examination by the Internal Revenue Service and the State of Oklahoma.

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

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

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

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

See Note 6 for discussion of the System’s deferred outflows of resources and deferred inflows of resources.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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. The System uses an estimate based on municipal bond rate yield curves as the discount rate for leases and subscription-based information technology arrangements unless the rate that the lessor/vendor charges is known.

New Accounting Pronouncements – During the year, the System implemented GASB Statement No. 96, *Subscription-based information technology arrangements*. A subscription-based information technology arrangements (SBITA's) is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably that the government or SBITA will not exercise that option).

Under this statement, a government generally should recognize a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term and (3) capitalized implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, also became effective this year but doesn't affect the Library's financial statements.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 2 – Cash and Investments

The Library’s investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. A certificate of deposit in the amount of \$9,593 is pledged on a letter of credit for a security deposit.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Library’s deposits may not be returned to it. At June 30, 2023, none of the Library’s bank balance of 20,130,177 was exposed to custodial credit risk because it was not insured or collateralized. The balance is fully collateralized with securities held by First Fidelity Bank in the Library’s name. The market value of these securities as of June 30, 2023 was \$25,861,670 plus \$250,000 of FDIC insurance gives coverage of \$26,111,670.

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

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

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

As of June 30, 2023, assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by CFO	<u>\$ 466,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,745</u>
Total Recurring Fair Value Measurements	<u>\$ 466,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,745</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.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 2 – Cash and Investments (continued)

Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. The Library's board may, by an affirmative vote of two thirds of the board, for an unusual circumstance, recommend and request distribution of all or part of the assets held by CFO. However, the CFO has the ultimate authority over and control of all property held by CFO. Distributions in the amount of \$22,425 for the year ended June 30, 2023, 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 requires the Organization to reflect its beneficial interest in these assets in its financial statements. At June 30, 2023, assets transferred to the Community

Foundation by the Organization had a fair value of \$466,745 based on the approximate present value of future cash flows from CFO.

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

Distributions in the amount of \$1,737 for the year ended June 30, 2023, were received by the System. The fair value of the funds originally donated by third parties at June 30, 2023 was \$35,890. The Organization has no remainder interest in the corpus of these funds.

Note 3 – Collections

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

Note 4 – Lease Receivable

On November 1, 2013, the Library entered into a 20 year lease with the City of Norman, a related party, to lease building space to the city. The fixed payment increases \$.90 per square foot every five years of the lease term. The Library purchased \$500,000 and put into service \$500,000 of F&E that the City is repaying at a rate of \$50,000 per year for 10 years at 3.75% interest. The lease receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.75% which is stated in the agreement.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 4 – Lease Receivable (continued)

In fiscal year 2023, the Library recognized \$70,173 of lease revenue and \$27,618 of interest revenue under the lease which is included in Other Contracts on the Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds.

The cost of the leased space is included in the Building category in Note 12 – Capital Assets, and the amount of accumulated depreciation thereon. The amount of cost attributable to only the leased space is not determinable and therefore not disclosed here.

The future minimum lease payments are due as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 66,414	\$ 24,378	\$ 90,792
2025	53,299	22,301	75,600
2026	55,332	20,268	75,600
2027	57,443	18,157	75,600
2028	59,635	15,965	75,600
2029-2033	366,163	41,237	407,400
2034	27,088	212	27,300
	<u>\$ 685,374</u>	<u>\$ 142,518</u>	<u>\$ 827,892</u>

Note 5 – Right to Use Assets

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

Right to use asset activity for the Primary Government for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets				
Leased copiers	\$ 219,812	\$ -	\$ -	\$ 219,812
Leased postage meter	17,650	-	-	17,650
Total right to use assets	<u>\$ 237,462</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 237,462</u>
Less accumulated amortization for:				
Leased copiers	100,183	119,671	-	219,854
Leased postage meter	3,922	3,881	-	7,803
Total accumulated amortization	<u>104,105</u>	<u>123,552</u>	<u>-</u>	<u>227,657</u>
Right to use assets, net	<u>\$ 133,357</u>	<u>\$ (123,552)</u>	<u>\$ -</u>	<u>\$ 9,805</u>

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 6 – Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The System has no current items that meet this criterion.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The System has one item that meets the criterion for this category – leases. Refer to Note 4.

Note 7 – Long-Term Obligations

Leases

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

The first lease agreement was executed on 1/1/2021 to lease a postage machine and requires twenty quarterly payments of \$1,071. There are no variable components of this lease. The lease liability is measured at a discount rate of 4.3% which was the rate provided to the Library by its bank. As a result of this lease the Library has recorded a right to use asset with a current net book value of \$9,805.

The second lease agreement was executed on 6/1/2018 to lease one copier and requires sixty monthly lease payments of \$165. There are no variable components of this lease. The lease liability is measured at a discount rate of 4.3% which was the rate provided to the Library by its bank. As a result of this lease the Library has recorded a right to use asset with a current net book value of \$0.

The third lease agreement was executed on 6/1/2018 to lease twenty-four copiers and requires sixty monthly lease payments of \$2,745. There are no variable components of this lease. The lease liability is measured at a discount rate of 4.3% which was the rate provided to the Library by its bank. As a result of this lease the Library has recorded a right to use asset with a net book value of \$0.

The fourth lease agreement was executed on 10/1/2021 to lease six copiers and requires twenty-two monthly lease payments of \$2,750. There are no variable components to this lease. The lease liability is measured at a discount rate of 4.3% which was the rate provided to the Library by its bank. As a result of this lease the Library has recorded a right to use asset with a net book value of \$0.

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 7 – Long-Term Obligations (continued)

The fifth lease agreement was executed on 10/1/2021 to lease one copier and requires twenty-two monthly lease payments of \$4,954. There are no variable components to this lease. The lease liability is measured at a discount rate of 4.3% which was the rate provided to the Library by its bank. As a result of this lease the Library has recorded a right to use asset with a net book value of \$0.

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 3,917	\$ 368	\$ 4,285
2025	4,086	198	4,284
2026	2,108	34	2,142
	<u>\$ 10,111</u>	<u>\$ 600</u>	<u>\$ 10,711</u>

Note 8 – Subscription-Based Information Technology Arrangements (SBITAs)

The System has entered into subscription-based technology arrangements involving various library management and operational software with terms ranging from 1.5 to 6 years.

A summary of SBITA asset activity during the year ended June 30, 2023, for the System is as follows:

	(Restated) Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Other capital assets				
SBITA	\$ 304,708	\$ 245,329	\$ -	\$ 550,037
Total capital assets (intangible)	<u>304,708</u>	<u>245,329</u>	<u>-</u>	<u>550,037</u>
Less accumulated amortization				
SBITA	-	(141,426)	-	(141,426)
Total accumulated amortization	<u>-</u>	<u>(141,426)</u>	<u>-</u>	<u>(141,426)</u>
Other capital assets, net	<u>\$ 304,708</u>	<u>\$ 103,903</u>	<u>\$ -</u>	<u>\$ 408,611</u>

SBITA Obligations during the year ended June 30, 2023, for the System is as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Amounts Due Within One Year
Lease Obligations	\$ 304,708	\$ 245,329	\$ 143,716	\$ 406,321	\$ 143,471
	<u>\$ 304,708</u>	<u>\$ 245,329</u>	<u>\$ 143,716</u>	<u>\$ 406,321</u>	<u>\$ 143,471</u>

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 8 – Subscription-Based Information Technology Arrangements (SBITAs) (continued)

The future subscription payments under SBITAs for the System are as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 143,471	\$ 8,107	\$ 151,578
2025	140,615	5,111	145,726
2026	59,824	2,854	62,678
2027	62,411	1,457	63,868
	<u>\$ 406,321</u>	<u>\$ 17,529</u>	<u>\$ 423,850</u>

Note 9 – Short-Term Borrowing

On an annual basis, the Library utilizes short-term unsecured promissory notes in anticipation of the collection of ad valorem taxes. In accordance with Title 65 Section 4-105 of the Oklahoma Statutes, the term of the loan may not exceed one year. As of June 30, 2023, no balance was owed. No interest expense was paid or incurred during the year ended June 30, 2023 related to short-term borrowing.

Note 10 – Other Current Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	<u>\$409,329</u>	<u>596,250</u>	<u>584,966</u>	<u>\$420,613</u>	<u>\$ 420,613</u>

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

Note 11- Commitments

Encumbrances – As discussed in Note 1 above, budgetary information, budgetary basis of accounting, and encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2023 the amount of encumbrances expected to be honored upon performance by the vendor in the next year were:

General Fund	\$ 486,266
Gifts and Grants Fund	<u>1,790</u>
Total	<u>\$488,056</u>

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 12 – Capital Assets

Subscription based information technology arrangement assets are amortized over the shorter of useful life or the term of the associated contract.

Capital assets of the System at June 30, 2023 are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Non-depreciable Capital Assets:				
Land	\$ 161,179	\$ -	\$ -	\$ 161,179
Computer Equipment	<u>247,847</u>	<u>272,397</u>	<u>144,472</u>	<u>375,772</u>
Total Non-Depreciable Capital Assets	<u>\$ 409,026</u>	<u>\$ 272,397</u>	<u>\$ 144,472</u>	<u>\$ 536,951</u>
Depreciable Capital Assets:				
Library Books	\$ 17,083,198	\$ 1,253,777	\$ 1,075,657	\$ 17,261,318
Building	5,147,902	-	-	5,147,902
Furniture and Fixtures	1,213,848	131,148	1,140	1,343,856
Computer Equipment	5,765,882	902,314	811,070	5,857,126
Vehicles	<u>491,796</u>	<u>66,102</u>	<u>-</u>	<u>557,898</u>
Total Depreciable Capital Assets	<u>29,702,626</u>	<u>2,353,341</u>	<u>1,887,867</u>	<u>30,168,100</u>
Less Accumulated Depreciation for:				
Library Books	13,744,348	1,388,012	1,075,657	14,056,703
Building	942,016	136,027	-	1,078,043
Furniture and Fixtures	1,179,673	18,377	1,140	1,196,910
Computer Equipment	4,331,148	685,269	751,210	4,265,207
Vehicles	<u>376,348</u>	<u>47,939</u>	<u>-</u>	<u>424,287</u>
Total Accumulated Depreciation	<u>20,573,533</u>	<u>2,275,624</u>	<u>1,828,007</u>	<u>21,021,150</u>
Total Depreciable Capital Assets, Net	<u>\$ 9,129,093</u>	<u>\$ 77,717</u>	<u>\$ 59,860</u>	<u>\$ 9,146,950</u>

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 13 – Fund Balance

The following table shows the fund balance classifications as shown on the governmental funds balance sheet as of June 30, 2023:

	General Fund	Gifts and Grants Fund	Total Governmental Funds
Fund Balance			
Assigned:			
Cleveland County Libraries	\$ 124,560	\$ -	\$ 124,560
Moore Library Project	153,806	-	153,806
McClain County Libraries	173,995	-	173,995
Pottawatomie County Libraries	50,000	-	50,000
Library Projects	220,000	-	220,000
Special Revenue Funds	-	730,346	730,346
Committed:			
Reserved for Encumbrances	486,266	1,790	488,056
Unassigned	<u>18,681,531</u>	-	<u>18,681,531</u>
Total Fund Balance	<u>\$ 19,890,158</u>	<u>\$ 732,136</u>	<u>\$ 20,622,294</u>

Note 14– Defined Contribution Retirement Plan

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

Funding Policy - Employees of the Library are not required to contribute to the plan. The Library makes an annual contribution based on a percentage of an employee’s salary. For employees that were members of the Defined Benefit retirement plan that was frozen in 2008, the percentage of salary was based on an actuarial calculation that was done in 2008. These percentages were reviewed and recalculated during the current year which resulted in several of the percentages being changed. These new percentages were used when calculating the contributions to participants’ accounts for 2023. 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, 2023 totaled \$429,364.

Note 15 – Risk Management

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

PIONEER LIBRARY SYSTEM
Notes to Financial Statements
June 30, 2023

Note 16 – Termination Benefits

The Library offered a one-time voluntary retirement incentive to up to 5 employees. To be eligible the employee was required to be a salaried employee and to have 15 years of service with the Library. The first 5 employees who completed and returned a signed offer agreement were selected to receive the benefit. By accepting the offer the employees agreed to retirement date of May 1, 2023. The offer was for the employee to receive a one-time payment in the amount equal to their annual salary. The total amount of payments issued to employees was \$303,299. Payments were issued on May 15, 2023.

Note 17 – Subsequent Events

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

The System continues to operate at pre-pandemic service levels at the essential services provided in the previous phase continue with the addition of browsing and Wi-Fi access in grab-and-go environment.

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts GAAP Basis	Budget to GAAP Differences Over(Under)	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Resources (inflows)						
Property Taxes	\$ 20,174,506	\$21,910,706	\$ 22,064,787	\$ 44,302	\$ 22,020,485	\$ 109,779
State Revenue	111,257	111,257	112,782	-	112,782	1,525
Interest	35,000	60,000	496,376	28,010	468,366	408,366
Other Financing Sources	-	-	245,329	245,329	-	-
Other	288,202	286,714	302,165	5,653	296,512	9,798
Use of Designated Fund Balan	-	651,471	-	-	-	(651,471)
Amounts Available for Appropriatic	<u>20,608,965</u>	<u>23,020,148</u>	<u>23,221,439</u>	<u>323,294</u>	<u>22,898,145</u>	<u>(122,003)</u>
Charges to Appropriations (outflows)						
Personnel Services	12,730,057	13,841,586	12,733,524	380,366	13,113,890	727,696
Materials	3,000,000	3,356,652	3,303,101	(2,307)	3,300,794	55,858
General and Administrative	1,981,513	2,268,367	2,544,465	(152,257)	2,392,208	(123,841)
Technology	1,890,548	2,493,255	1,753,670	112,299	1,865,969	627,286
System Services	905,000	1,060,288	888,428	(17,673)	870,755	189,533
Total Charges to Appropriations	20,507,118	23,020,148	21,223,188	320,428	21,543,616	1,476,532
Change in Net Assets	101,847	-	1,998,251	2,866	1,354,529	(1,598,535)
Beginning Fund Balance	<u>15,375,892</u>	<u>17,240,436</u>	<u>17,240,436</u>	<u>-</u>	<u>17,240,436</u>	<u>-</u>
Ending Fund Balance	<u>\$ 15,477,739</u>	<u>\$ 17,240,436</u>	<u>\$ 19,238,687</u>	<u>\$ 2,866</u>	<u>\$ 18,594,965</u>	<u>\$ (1,598,535)</u>

Budget to Actual Reconciliation:

Revenues on a budgetary basis are based on cash received rather than the modified accrual basis used for financial reporting	\$ 323,294
Encumbrances for the prior fiscal year which were included in the year ordered for budgetary purposes but were canceled during the current budgetary year	<u>(320,428)</u>
	<u>\$ 2,866</u>

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).

Notes to required Budgetary Information

Note Budgeting and Budgetary Control

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

Budgetary Basis of Accounting

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



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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 21, 2023

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the fiduciary fund type of Pioneer Library System (the System), as of and for the year ended June 30, 2023, 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 21, 2023. The financial statements of the aggregate discretely presented component unit, the Pioneer Library System Foundation, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Pioneer Library System Foundation.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Trustees of
Pioneer Library System
September 21, 2023

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GRAY, BLODGETT & COMPANY, PLLC
Gray, Blodgett & Company, PLLC