Financial Statements and Report of Independent Certified Public Accountants

June 30, 2012 and 2011

Contents

PAGE
Report of Independent Certified Public Accountants
Management's Discussion and Analysis
Financial Statements
Tulsa City-County Library (Primary Government)
Statements of Net Assets
Statements of Activities
Balance Sheets – Governmental Funds
Reconciliation of the Balance Sheets of Governmental Funds to the Statements of Net Assets
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities
Notes to Financial Statements 14 - 23
Tulsa Library Trust (Discreetly Presented Component Unit)
Statements of Net Assets
Statements of Revenues, Expenses and Changes in Net Assets
Statements of Cash Flows
Notes to Financial Statements
Required Supplemental Information Defined Benefit Pension Trust
Other Supplemental Information Supplemental Schedule of Capital Assets by Location (Cash Basis)
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>



Report of Independent Certified Public Accountants

To the Commission of the Tulsa City-County Library

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit (presented on pages 24 to 37) and the major fund of the Tulsa City-County Library (the "Library") as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Library's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit and the major fund of the Library as of June 30, 2012 and 2011, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 3 to 7 and the Defined Benefit Pension Trust on pages 38 to 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of capital assets by location (cash basis) is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Library. Such additional information has been subjected to the auditing procedures applied in

our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have issued our report dated November 9, 2012, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Starfield & O'All PC.

Tulsa, Oklahoma November 9, 2012 Management's Discussion and Analysis

Management's Discussion and Analysis

The Tulsa City-County Library's (the "Library's") management provides this Management's Discussion and Analysis (MD&A) as a tool for readers of the Library's Basic Financial Statements for the fiscal years ended June 30, 2012 and 2011. Readers of the Library's financial statements are encouraged to use this information in conjunction with the Library's Basic Financial Statements, which begin on page 8.

During fiscal 2004, the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement amends GASB Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

Financial Highlights

Financial highlights for the Library as of and for the years ended June 30, 2012, 2011 and 2010 include the following:

- The Library's assets exceeded its liabilities (net assets) at June 30, 2012, 2011 and 2010, by approximately \$67.1, \$68.8 and \$67.4 million, respectively.
- The Library's net assets decreased approximately \$1.7 and increased \$1.4 and \$1.2 million during the years ended June 30, 2012, 2011 and 2010, respectively.
- Revenues from ad valorem taxes were \$25.9 million for both the years ended June 30, 2012 and 2011 and were \$25.3 million for the year ended June 30, 2010.
- Total expenses were approximately \$29.5, \$27.1 and \$26.1 million for the years ended June 30, 2012, 2011 and 2010, respectively.
- Fiscal 2012, 2011 and 2010 capital outlay expenditures were approximately \$1.6, \$2.2 and \$4.2 million, respectively.

Overview of the Basic Financial Statements

This discussion and analysis serves as an introduction to the Library's Basic Financial Statements. The Library's Basic Financial Statements are comprised of government-wide financial statements, fund financial statements and notes to the Basic Financial Statements. The government-wide financial statements are comprised of the Statements of Net Assets and the Statements of Activities (on pages 8 and 9, respectively), which provide information about the activities of the Library as a whole and present a long-term view of the Library's finances. These financial statements provide a broad overview of the Library's operations in a manner similar to private-sector business. Fund financial statements beginning on page 10 demonstrate how the Library's operations were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide statements by providing information about the Library's individual funds.

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about a governmental agency is, "Is the organization as a whole better off or worse off as a result of the year's activities?" The Statements of Net Assets and the Statements of Activities report information that helps answer this question. These statements include all

assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Library's net assets and changes in them. You can think of the net assets – the difference between assets and liabilities – as one way to measure the Library's financial health, or financial position. Over time, increases or decreases in net assets are one indicator of whether the financial position is improving or deteriorating.

In the Statements of Net Assets and the Statements of Activities for the Library, all activities are reported as governmental activities as the Library has no business-type activities.

Reporting the Library's Most Significant Funds

The fund financial statements begin on page 10 and provide detailed information about the Library's governmental funds.

General Fund – The General Fund is referred to by the Library as the Levy Fund, and accounts for transactions related to the receipt of appropriations of ad valorem taxes, most governmental grant and reimbursement programs, gifts and miscellaneous receipts, which are used for the general operations of the Library. The fund also accounts for collections of copy service fees, book fines, proceeds from the sale of surplus property, and other miscellaneous items. Such funds are primarily expended for the purchase, replacement or repair of books or other property, except motor vehicles, and do not require appropriation.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements. The Notes to the Basic Financial Statements begin on page 14.

Other Supplementary Information

The Basic Financial Statements are followed by a section of supplemental information. This section includes a Supplemental Schedule of Capital Assets by Location (Cash Basis). The supplemental schedule is presented for purposes of additional analysis and is not a required part of the Basic Financial Statements.

The Library as a Whole

Net Assets

The table below summarizes the Library's Statements of Net Assets as of June 30:

	2012	2011	2010
Current assets	\$28,844,223	\$28,750,868	\$26,842,619
Capital assets	40,887,547	41,649,302	42,151,485
Total assets	69,731,770	70,400,170	68,994,104
Total liabilities (including long-term capital			
leases of \$33,144 and \$52,564, respectively)	(2,592,625)	(1,554,821)	(1,519,829)
Net assets			
Investment in capital assets, net of related debt	40,854,403	41,596,738	42,073,925
Unrestricted	26,284,742	27,248,611	25,400,350
	\$67,139,145	\$68,845,349	\$67,474,275

Changes in Net Assets

Information from the Library's fiscal 2012, 2011 and 2010 Statements of Activities is shown below:

Revenues	2012	2011	2010
Program Revenues:			
Library services and fees	\$ 1,211,211	\$1,180,669	\$1,028,051
Governmental and other grants	117,978	469,622	111,668
Gifts and contributions:			
Trust	303,780	623,000	521,645
Other	1,295	2,117	2,706
General Revenues:			
Ad valorem taxes	25,907,964	25,901,642	25,272,716
Interest income	51,411	37,727	58,197
State aid	240,088	268,281	296,097
Total revenues	27,833,727	28,483,058	27,291,080
Expenses			
Library services:			
Personnel services	17,995,770	16,377,159	15,756,982
Books and other library materials and equipment	1,489,986	880,193	1,092,513
Maintenance and operations	4,896,983	4,458,719	4,092,944
Depreciation	5,032,364	5,273,343	5,007,301
Disbursements to Tulsa County for use in			
revaluation program	122,079	118,410	122,142
Other	2,749	4,160	4,693
Total expense	29,539,931	27,111,984	26,076,575
Change in net assets	\$(1,706,204)	\$1,371,074	\$1,214,505

Analysis of Overall Financial Position and Results of Operations

The Library's Funds

The Library's total fund balance increased by approximately \$0.2 million during fiscal 2012 to approximately \$26.8 million at June 30, 2012, from approximately \$26.6 million at June 30, 2011. The Library's total fund balance increased by approximately \$1.8 million during fiscal 2011 to \$26.6 million at June 30, 2011, from approximately \$24.8 million at June 30, 2010. The \$15 million in assigned funds is reserved for the Central Library renovations. The unassigned fund balance as of June 30, 2012, has been internally designated for encumbrances (approximately \$345,000) and for buildings and technology (approximately \$134,000). Total fund revenues for fiscal 2012 were approximately \$28 million, which included ad valorem tax revenues of approximately \$26 million.

Capital Asset and Debt Administration

Assets

At June 30, 2012, 2011 and 2010, the Library had approximately \$40.9, \$41.6 and \$42.2 million, respectively, invested in capital assets. Capital assets, net of accumulated depreciation, decreased by \$0.8 and \$0.6 million, respectively, during the fiscal years ended 2012 and 2011 and increased by \$1.5 million, during the fiscal year ended 2010.

Debt

At June 30, 2012, 2011 and 2010, the Library had approximately \$33,000, \$53,000 and \$78,000 respectively, outstanding on capital leases for copy machines. There was also approximately \$965,000 outstanding for the net pension obligation liability at June 30, 2012.

Implementation of GASB 39

During the fiscal year ended June 30, 2004, the Library implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it required reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of the Library. Organizations that are legally separate tax-exempt entities and that meet all the following criteria should be discretely presented as component units. These criteria are:

- 1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- 2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- 3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The Tulsa Library Trust (the Trust) was established to benefit the Library, and meeting the criteria above, is considered a component unit of the Library. Management and the Commission of the Library cannot control the Board of the Trust and, therefore, presenting the assets, liabilities and operations of the Trust alongside the financial data of the Library could and would be misleading to the users of the financial statements. Therefore, management has elected to present the Trust's financial statements as a stand-alone entity directly behind the statements of the Library.

Central Library Renovation

Starting in the spring of 2013, the Library is embarking on a full renovation of the existing downtown Central Library building. The current Library was opened in 1965 and the majority of the mechanical, electrical and plumbing systems are original to the building. While the systems are in good repair, it has been determined that it is necessary to upgrade the equipment to comply with current building standards. Along with the systems upgrade, the entire building will be updated to function as a 21st Century library. The entire project is estimated to cost \$47.8 million and will be completed in the fall of 2015.

Contacting the Library's Financial Management

The Library's Basic Financial Statements are designed to provide our citizens, taxpayers, and customers with a general overview of the Library's finances, and to show accountability for the money it receives. If you have questions about the Library's financial statements or need additional financial information, contact the Business Office, 400 Civic Center, Tulsa, OK 74103 or call (918) 549-7373.

Director – Finance and Operations

Statements of Net Assets

June 30,

	Governmen	Activities			
	2012		2011		
Assets					
Current assets					
Cash and cash equivalents	\$ 27,098,134	\$	26,840,512		
Ad Valorem taxes receivable	1,429,077		1,590,085		
Receivable - Tulsa Library Trust	13,616		24,615		
Miscellaneous receivables	24,896		17,156		
Funds held in escrow	 278,500		278,500		
Total current assets	 28,844,223		28,750,868		
Capital assets					
Land, non-depreciable capital assets	6,515,451		6,417,989		
Capital assets, net	 34,372,096		35,231,313		
Total capital assets	 40,887,547		41,649,302		
Total assets	\$ 69,731,770	\$	70,400,170		
Liabilities					
Current liabilities					
Accounts payable	\$ 552,184	\$	493,418		
Salaries and benefits payable	1,042,789		1,008,839		
Capital lease obligations payable within one year	 13,385		18,661		
Total current liabilities	 1,608,358		1,520,918		
Capital lease obligations payable after one year	19,759		33,903		
NPO liability	 964,508				
Total liabilities	 2,592,625		1,554,821		
Net Assets					
Invested in capital assets, net of related debt	40,854,403		41,596,738		
Unrestricted	 26,284,742		27,248,611		
Total net assets	 67,139,145		68,845,349		
Total liabilities and net assets	\$ 69,731,770	\$	70,400,170		

Statements of Activities

Years Ended June 30,

	Governmental Activities				
		2012		2011	
Expenses					
Library services:					
Personnel services	\$	17,995,770	\$	16,377,159	
Books and other library materials and equipment		1,489,986		880,193	
Maintenance and operations		4,896,983		4,458,719	
Depreciation		5,032,364		5,273,343	
Disbursement to Tulsa County for use in County Assessor					
revaluation program		122,079		118,410	
Other		2,749		4,160	
Total program expenses		29,539,931		27,111,984	
Program revenues					
Library services and fees		1,211,211		1,180,669	
Government and other grants		117,978		469,622	
Specific operating/capital contributions:		,		,	
Tulsa Library Trust		303,780		623,000	
Other		1,295		2,117	
Total program revenues		1,634,264		2,275,408	
Net program expense		27,905,667		24,836,576	
General revenues					
Ad valorem taxes		25,907,964		25,901,642	
Interest income		51,411		37,727	
State aid		240,088		268,281	
Total general revenues		26,199,463		26,207,650	
Increase (decrease) in net assets		(1,706,204)		1,371,074	
Net assets, beginning of year		68,845,349		67,474,275	
Net assets, end of year	\$	67,139,145	\$	68,845,349	

Balance Sheets - Governmental Funds

June 30,

	Gener	al Fund
	2012	2011
Assets		_
Cash and cash equivalents	\$ 27,098,134	\$ 26,840,512
Receivables, primarily ad valorem taxes	1,429,077	1,590,085
Receivable - Tulsa Library Trust	13,616	24,615
Miscellaneous receivable	24,896	17,156
Total assets	\$ 28,565,723	\$ 28,472,368
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 552,185	\$ 493,417
Salaries and benefits payable	65,929	· · · · · · · · · · · · · · · · · · ·
Deferred ad valorem tax revenue	1,115,343	1,292,270
Total liabilities	1,733,457	1,858,121
Fund balances		
Assigned	15,000,000	12,000,000
Unassigned	11,832,266	14,614,247
Total fund balances	26,832,266	26,614,247
Total liabilities and fund balances	\$ 28,565,723	\$ 28,472,368

Reconciliation of the Balance Sheets of Governmental Funds to the Statements of Net Assets

June 30,

	2012	2011
Fund balances - total governmental funds	\$ 26,832,266	\$ 26,614,247
Amounts reported for governmental activities in the statements of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	40,887,547	41,649,302
Ad valorem tax receivables are reported in the fund financial statements under the modified - accrual approach whereas ad valorem receivables are reported under the full accrual approach in the statement of net assets. This is the net amount by which ad valorem receivables under the full accrual approach exceed ad valorem revenues under the modified-accrual approach. This excess is reported as deferred	1.115.242	1 202 270
revenue in the fund financial statements.	1,115,343	1,292,270
Funds held in escrow are not an available financial resource in the fund financial statements under the modified - accrual approach in the statements of net assets and therefore, are not reported in the fund financial statements.	278,500	278,500
Long-term liabilities are reported in the statements of net assets, but are not reported as liabilities in the fund financial statements, which have been prepared under the modified-accrual basis of accounting. The detail of the individual long-term liabilities is as follows:		
Compensated absences	(976,859)	(936,405)
Capital lease obligations Net pension obligations	(33,144) (964,508)	(52,565)
r		
Net assets of governmental activities	\$ 67,139,145	\$ 68,845,349

Tulsa City-County Library

Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Years Ended June 30,

	General Fund			
	2012	2011		
Revenues				
Ad Valorem taxes	\$ 26,084,890	\$ 25,803,943		
Interest income	51,411	37,727		
Gifts and contributions:				
Tulsa Library Trust	303,780	623,000		
Other	1,296	2,117		
Library services and fees	1,211,211	1,180,669		
Government and other grants	117,978	469,622		
State aid	240,088	268,281		
Total revenues	20.010.654	20 205 250		
Total revenues	28,010,654	28,385,359		
Expenditures				
Library services:				
Personnel services	16,990,808	16,329,694		
Books and other library materials and equipment	4,128,892	3,442,953		
Maintenance and operations	4,920,791	4,485,648		
Disbursement to Tulsa County for use in County Assessor				
revaluation program	122,079	118,410		
Capital outlay	1,630,064	2,210,627		
Total expenditures	27,792,634	26,587,332		
Net change in fund balances	218,020	1,798,027		
Fund balances - beginning of year	26,614,247	24,816,220		
Fund balances - end of year	\$ 26,832,267	\$ 26,614,247		

Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities

Years Ended June 30,

		2012	2011
Net change in fund balances - total governmental funds	\$	218,020	\$ 1,798,027
Amounts reported for governmental activities in the statements of activities are different because:			
Governmental funds report capital outlays as expenditures, however, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		(767,248)	(502,100)
Ad valorem tax revenue is reported in the combined fund financial statements under the modified - accrual approach whereas ad valorem revenue is reported under the full accrual approach in the statements of activities. This is the net amount by which ad valorem revenues under the full-accrual approach exceed ad valorem revenues under the modified-accrual method.		(176,926)	97,700
Governmental funds report payments on accrued compensated absences as expenditures. However, in the statements of activities, no such expenditures are reported as the government-wide financial statements report accrued compensated absences. This amount represents the change in accrued compensated absences during the period.	((1,004,962)	(47,466)
Governmental funds report payments on capital leases as expenditures. However, in the statements of activities, no such expenditures are reported as the government-wide financial statements report capital lease obligations. This is the amount by which the lease payments exceed interest expense on the capital lease obligation plus depreciation on the capital lease assets in the current period.		24,913	24,913
Change in net assets of governmental activities	\$ ((1,706,204)	\$ 1,371,074

June 30, 2012 and 2011

Note A – Summary of Significant Accounting Policies

Reporting Entity – The Tulsa City-County Library (TCCL or the Library) was established in 1961 by Tulsa County (the County) and the City of Tulsa (the City) in accordance with the City-County Library Act of the Oklahoma statutes. Under this statute, the Library is to foster and promote the establishment, maintenance and operation of a library system in order to give all of the citizens of the counties affected equal access to comprehensive library collections. The Library is governed by a Commission consisting of eleven members: six appointed by the Mayor of the City, subject to the governing Board approval, and three shall be appointed by the Board of County Commissioners. The Mayor of the City and the Chairman of the Board of County Commissioners shall be ex-officio members of the Commission and shall be entitled to vote on all matters.

Basis of Accounting – The basic financial statements of the Tulsa City-County Library have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Library applies all applicable GASB pronouncements, as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") Opinions issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements.

Subsequent Events – The Library has evaluated subsequent events through November 9, 2012, the date which the financial statements were available to be issued.

Note B – Basis of Presentation

Government-Wide Financial Statements – The government-wide financial statements provide operational accountability information for the Library as an economic unit. The government-wide financial statements report information about the Library's ability to maintain service levels and continue to meet its obligations as they come due. The statements include all activities of the Library, and include the statements of net assets and the statements of activities as required by GASB.

Fund Financial Statements – The accounts of the Library are organized on the basis of funds, each of which are considered to be an independent fiscal and accounting entity. The operations of each fund are accounted for within separate sets of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, expenditures and transfers. Financial activities of the Library are recorded in the fund as described below

Governmental Funds – Governmental funds finance all functions of the Library, accounting for the acquisition, use and balances of the Library's expendable financial resources and the related liabilities.

June 30, 2012 and 2011

Note B – Basis of Presentation - Continued

General Fund – The General Fund, referred to by the Library as the Levy Fund, accounts for transactions related to the receipt of appropriations of ad valorem taxes, most governmental grant and reimbursement programs, gifts and miscellaneous receipts, which are used for the general operations of the Library. As such, this fund will always be reported as a major fund. The fund also accounts for collections of copy service fees, book fines, proceeds from the sale of surplus personal property and other miscellaneous items. Such amounts are primarily expended for the purchase, replacement or repair of books or other personal property, except motor vehicles, and do not require appropriation.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds. A reconciliation is presented to explain the differences in fund balances of the governmental fund financial statements and the net assets of the governmental activities in the government-wide financial statements.

During the fiscal year ended June 30, 2004, the Library implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it required reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of the Library. Organizations that are legally separate, tax-exempt entities and that meet all the following criteria should be discretely presented as component units. These criteria are:

- 1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents.
- 2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- 3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

June 30, 2012 and 2011

Note B – Basis of Presentation - Continued

The Tulsa Library Trust (the Trust) was established to benefit the Library, and meeting the criteria above, is considered a component unit of the Library. The assets of the Trust are held in endowment funds. These funds are required to be retained in perpetuity in accordance with the donor's intent. The income from these investments may be expended for the benefit of the Library. The determination of amounts to be expended and the timing of those expenditures are solely that of the Board of the Trust. Management and the Commission of the Library cannot control the Board of the Trust and, therefore, presenting the assets, liabilities and operations of the Trust alongside the financial data of the Library could and would be misleading to the users of the financial statements. In order to comply with the requirements of Statement No. 39, management has elected to present the financial information of its discretely presented component unit in their entirety on pages 24 to 37. Management believes this presentation discloses the resources being held for the benefit of the Library and clearly shows the net assets of the Trust are not under the control of the Commission.

Note C – Measurement Focus/ Basis of Accounting/Accounting Policies

Measurement Focus/Revenue Recognition – The measurement focus determines the accounting and financial reporting treatment applied to a fund. The governmental activities within the government-wide statement of net assets and statement of activities are presented using the economic resources measurement focus. The economic resources measurement focus meets the accounting objectives of determining net income, financial position, and cash flows. Government funds use the current financial resources measurement focus. This measurement focus is based upon the receipt and disbursement of current available financial resources rather than when earned or incurred.

Basis of Accounting – The accrual basis of accounting is used throughout the government-wide financial statements; conversely, the fund financial statements for the governmental funds have been prepared in accordance with the modified accrual basis of accounting, whereby revenues are recognized when considered both measurable and available to finance expenditures of the current period.

Accounting Policies – The Library's significant accounting policies related to the following basic financial statement categories are summarized below.

Cash and Cash Equivalents – The Library considers all highly liquid investments in debt securities with initial maturities of three months or less to be cash equivalents.

Ad Valorem Taxes – Property taxes are collected and remitted to the County. These taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31.

In the governmental fund financial statements, property taxes receivable are recorded in the Levy Fund. At fiscal year-end, the receivables represent delinquent and escrowed paid-under-protest taxes. If paid-under-protest and delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred revenue. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the County regardless of when cash is received. Over time, substantially all property taxes are collected.

June 30, 2012 and 2011

Note C – Measurement Focus/ Basis of Accounting/Accounting Policies - Continued

Capital Assets/Depreciation – The Library's accounting policies regarding capital assets such as land, buildings, furniture, equipment and books are that these assets, with an initial cost of \$1,000 or more, are capitalized and depreciated over their estimated useful lives. Library materials (subscriptions) are generally expensed when purchased. The Library has chosen the straight-line depreciation method for its capital assets based on the estimated useful lives of the capital assets as follows:

Class of Asset Estimated Useful Life

Buildings and improvement 30 years
Furniture, fixtures and equipment 3 - 20 years
Books 5 years

Capital assets do not include assets held for public exhibition, education and research.

Compensated Absences – It is the Library's policy to permit employees to accumulate earned but unused annual vacation leave benefits. Employees earn annual leave based on years of service. Unused annual leave may be carried forward each year up to a maximum level of twenty working days. Unused annual leave must normally be taken within the next year after it is earned. Upon termination, an employee will be paid for any vacation leave earned but not used if they have been employed at least one year. Each full-time employee also earns sick leave at a rate of 8 hours per calendar month; part-time employees earn sick leave at a reduced rate. Sick leave may accumulate up to 120 working days and may be exchanged for additional vacation days at a ratio of 2 sick days to 1 vacation day. Upon termination, an employee will not be paid for any sick leave accrued but not used, and, therefore, no accrual has been recorded. The governmental fund financial statements record expenditures when employees are paid for annual leave. The government-wide financial statements present the cost of accumulated vacation leaves as a liability classified as salaries and benefits payable.

Deferred Ad Valorem Taxes – The governmental fund financial statements record Ad Valorem taxes earned but not received within 60 days of year-end as deferred revenue at June 30, 2012 and 2011.

Net Assets – The government-wide financial statements utilize a net assets presentation that are categorized as investment in fixed assets (net of related debt), restricted and unrestricted. Investment in capital assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital assets related debt. Unrestricted net assets represent unrestricted liquid assets. The governmental fund financial statements classify equity as an unreserved fund balance.

Use of Estimates – The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

June 30, 2012 and 2011

Note D – Fund Equity

Beginning with fiscal year 2011, the Library implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact (such as inventory).

Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – Amounts constrained to specific purposes by the Library itself, using its highest level of decision-making authority (i.e., Board of Commission). To be reported as committed, amounts cannot be used for any other purpose unless the Library takes the same highest level action to remove or change the constraint.

Assigned – Amounts that are designated by the Library for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Commission.

Unassigned – All amounts not included in other spendable classifications. Positive amounts are reported only in the general fund.

The General Fund has assigned funds of \$15,000,000 for the Central Library renovations. The Unassigned Fund Balance of \$11,832,266 includes \$345,000 designated for encumbrances and \$134,000 designated for buildings and technology.

Note E – Stewardship, Compliance and Accountability

Under Oklahoma law, the Library may not obligate funds for periods extending beyond the current fiscal year, except for the issuance of general obligation bonds. All lease and lease-purchase agreements, whether or not they are capitalized, must be re-approved at the beginning of each fiscal year. State grant revenues and expenditures are accounted for in accordance with applicable contract provisions.

Budgetary Comparison Information – The Library is not legally required to adopt an annual budget; therefore, presenting budget to actual comparisons is not considered necessary.

Note F – Cash and Cash Equivalents

The County Treasurer's office holds all cash and cash equivalents for the Library and, as agent for the Library, ensures that such deposits are properly insured or collateralized. Balances held by the County on behalf of the Library at June 30, 2012 and 2011 were included in a commingled pool of County funds with a portion of the funds held in a checking account, which is swept daily into a government money market mutual fund. The balance of the pool is invested directly in the same mutual fund. The cash is subject to the depository collateral risk of all the pooled funds of the County. Under this concept, all cash is pooled together for investment purposes and interest income is credited to the appropriate funds.

June 30, 2012 and 2011

Note F - Cash and Cash Equivalents - Continued

Deposits are held by Oklahoma banking institutions and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition to bank-owned securities, letters-of-credit are also used to cover deposits exceeding FDIC insurance amounts. Under state law, the institutions must protect excess county funds by pledging collateral (bank assets) to cover such funds.

Note G – Ad Valorem Taxes

The Library's share of the County's Ad Valorem taxes due but not collected by the County as of June 30, 2012 and 2011 is \$1,429,077 and \$1,590,085, respectively. Amounts are considered fully collectible.

Note H – Capital Assets

The Library's capital assets activity for fiscal 2012 and 2011 is as follows:

	Bal	ance				Balance
	Jul	y 1,				June 30,
	20	011	Additions	Ι	Deductions	2012
Capital assets not being depreciated:						
Land and improvements	\$ 6,4	417,989	\$ -	\$	-	\$ 6,417,989
Construction in progress		-	97,462		-	97,462
	6,4	417,989	97,462		-	6,515,451
Capital assets being depreciated:						
Buildings and improvements	41,	796,077	875,672		-	42,671,749
Furniture, fixtures and equipment	12,9	934,176	656,926		(44,553)	13,546,549
Books	25,4	449,130	2,638,906		(2,812,880)	25,275,156
	80,	179,383	4,171,504		(2,857,433)	81,493,454
Accumulated depreciation for:						
Buildings and improvements	(22,	056,962)	(1,412,438)		-	(23,469,400)
Furniture, fixtures and equipment	(9,	299,740)	(1,253,300)		51,122	(10,501,918)
Books	(13,	591,368)	(2,371,553)		2,812,881	(13,150,040)
	(44,9	948,070)	(5,037,291)		2,864,003	(47,121,358)
Total capital assets being						
depreciated, net	35,2	231,313	(865,787)		6,570	34,372,096
Capital assets, net	\$ 41,	649,302	\$ (768,325)	\$	6,570	\$ 40,887,547

June 30, 2012 and 2011

Note H - Capital Assets - Continued

The Library's capital assets activity for fiscal 2011 and 2010 is as follows:

		Balance					Balance	
		July 1,				June 30,		
		2010	Additions	Ι	Deductions		2011	
Capital assets not being depreciated:								
Land and improvements	\$	6,620,011	\$ 120,678	\$	(322,700)	\$	6,417,989	
Capital assets being depreciated:								
Buildings and improvements		39,972,476	1,823,601		-		41,796,077	
Furniture, fixtures and equipment		12,495,653	734,617		(296,094)		12,934,176	
Books		25,662,164	2,480,584		(2,693,618)		25,449,130	
		78,130,293	5,038,802		(2,989,712)		80,179,383	
Accumulated depreciation for:								
Buildings and improvements	((20,684,923)	(1,372,039)		-		(22,056,962)	
Furniture, fixtures and equipment		(7,973,205)	(1,532,943)		206,408		(9,299,740)	
Books	((13,940,691)	(2,344,295)		2,693,618		(13,591,368)	
		(42,598,819)	(5,249,277)		2,900,026		(44,948,070)	
Total capital assets being								
depreciated, net		35,531,474	(210,475)		(89,686)		35,231,313	
Capital assets, net	\$	42,151,485	\$ (89,797)	\$	(412,386)	\$	41,649,302	

Note I – Capital Leases

The Library leases copy machines under capital leases ranging from three to five years. Changes in the capital leases are as follows:

	Balance at 7/1/2011		Additions	S	De	eletions	alance at /30/2012	e Within ne Year
Capital leases	\$	52,564	\$	-	\$	19,420	\$ 33,144	\$ 13,385
	Balance at 7/1/2010		Additions	3	De	eletions	 alance at /30/2011	e Within
Capital leases	\$	77,560	\$		\$	24,996	\$ 52,564	\$ 18,661

June 30, 2012 and 2011

Note I – Capital Leases - Continued

The minimum lease payments remaining under the capital lease agreements extending beyond one year at June 30, 2012 are as follows: \$13,385 in 2013; \$14,219 in 2014; and \$5,540 in 2015. The total amount representing interest is \$2,436.

Note J – Commitments

The Library leases some of its branch library buildings. The lease terms for the branch libraries are generally for one-year periods that expire in April and June. The lease agreements usually provide one-year renewal options for up to ten years. Total rent-related disbursements under these leases for 2012 were \$17,267.

In addition, the Library has a license agreement with a computer software vendor that is renewable annually. The maintenance fee for 2012 and 2011 was \$160,162 and \$158,018.

In 2011, the Commission approved a plan to remodel the Central Library Building, with an estimated cost of \$47.8 million. The project is expected to begin in the spring of 2013 and be completed by the fall of 2015 and will be funded through a combination of funds. \$15 million has been set aside from the Library fund balance, a fund which the Library had set up a number of years ago to save for capital needs. The Library will be implementing a capital campaign to secure funding for an additional portion of the project and is also investigating raising funds through federal investment incentives.

Note K – Intergovernmental Operating Lease

TCCL has operating leases with various local governments (i.e. Skiatook and Tulsa County) consisting of county owned building space leased to TCCL. The Skiatook lease was for five years beginning December 1, 2005 to September 30, 2010 at a rate of \$10 per year. The Skiatook lease automatically renewed September 30, 2010 for an additional five years. The Tulsa County lease (i.e. Kaiser Operating Agreement) is for 99 years starting June 1, 2006 through May 31, 2105 at a rate of \$1 per year.

Note L – Pension Plan and Deferred Compensation Plan

Pension Plan Description – The employees of the Library contribute to the City of Tulsa's Municipal Employees' Pension Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit pension plan. All full-time employees of the Library are eligible to participate in the Plan on the first day of the month which coincides with or next follows their first day of employment. The benefit provisions are established and may be amended by the City of Tulsa in accordance with the City Charter and State of Oklahoma statutes. The Plan provides retirement benefits and also includes death benefits for the surviving spouse. The Plan does not provide a monthly income for disabled participants; however, under certain conditions, employees who become disabled may be eligible to receive their full retirement at age 65 even though they were unable to work up to retirement age. The Plan is administered by a separate board of trustees and the assets are held in custody by an Oklahoma bank. The Plan issues a publicly available annual financial report that includes financial statements and required supplementary information for the Plan. That annual report may be obtained by writing to the Finance Department, City of Tulsa, 200 Civic Center, Tulsa, Oklahoma 74101.

June 30, 2012 and 2011

Note L - Pension Plan and Deferred Compensation Plan - Continued

Pension Plan Funding Policy – Employees of the Library, as established by the Pension Board of Trustees, are required to contribute 5 percent of their base pay to participate in the Plan. The contributions are deducted from the employees' wages or salary and remitted by the Library to the Plan on a monthly basis. The Library is required to contribute the remaining amounts necessary to fund the Plan using the actuarial basis specified by City Ordinance. The Library's employer contributions to the Plan for the years ended June 30, 2012 and 2011 were \$2,063,980 and \$681,059, respectively, and was equal to its required contributions for each year.

Deferred Compensation Plan – Employees of the Library may also participate in a deferred compensation plan adopted by the Library under provisions of the Internal Revenue Code ("IRC") Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the Library. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date.

The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The deferred compensation plan is administered by an unrelated third party. Assets and income within the plan are held in trust for the exclusive benefit of plan participants and their beneficiaries through a custodial account agreement with a national financial institution for the exclusive benefit of the plan's participants and are not reflected in the accompanying financial statements.

Note M – Transactions with the Discretely Presented Component Unit

The Tulsa Library Trust (the "Trust") was established in 1972 by the Friends of the Tulsa Public Library, Inc., and the Tulsa City-County Library Commission. The Trust's mission is to increase endowment and donor funding to improve and enhance the Library's programs, collections, services, and librarian training and to administer Trust expenditures and investments. The Library is the primary beneficiary of the Trust. During the years ended June 30, 2012 and 2011, the Trust contributed \$303,780 and \$623,000, respectively, to the Library to be used for book and equipment purchases. In addition, the Trust directly sponsors various other activities such as the Distinguished Author Series and summer programs for children.

Note N – Related Party Transactions

The Library exchanges various services, such as cash management and payroll processing, with the City and County. No value is assigned in the financial statements to the services received from, or rendered for, as the value of these services is not readily determinable.

June 30, 2012 and 2011

Note O – Recent Accounting Pronouncements

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting as a component unit. The provisions of the Statement are effective for periods beginning after July 25, 2012. The Library is currently evaluating the effects that Statement 61 may have on their financial statements.

In June 2011, The Governmental Accounts Standards Board (GASB) issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The Statement specifies that the statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Statement 63 also specifies that the statement of net position should report the residual amount as net position rather than net assets. Under the Statement, net position should be displayed in three components similar to those currently required for net assets: net investment in capital assets, restricted and unrestricted. The provisions of this Statement are effective for periods beginning after December 15, 2012 and will be applied on a prospective basis. The Library is currently evaluating the effects that Statement No. 63 may have on their financial statements.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Statement No. 65 reclassifies and recognizes certain times currently being reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, or inflows of resources. The provisions of this Statement are effective for periods beginning after December 15, 2012, and will be applied on a prospective basis. The Library is currently evaluating the effects that Statement No. 65 may have on their financial statements.

In June, 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which improves accounting and financial reporting of public employee pensions by state and local governments. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The provisions in Statement No. 68 are effective for fiscal years beginning after June 15, 2014. However, early application is encouraged. The Library is currently evaluating the effects that Statement No. 68 will have on their financial statements.

Discretely Presented Component Unit

Statements of Net Assets

June 30,

	2012	2011
Assets		
Current assets		
Cash	\$ 22,871	\$ 40,643
Investments		
Marketable investments, at fair value	1,856,660	1,891,137
Cash equivalents	157,645	322,144
Accrued interest receivable	21,337	24,936
Pledges receivable and other assets	10,150	1,064
Total current assets	2,068,663	2,279,924
Non-current assets		
Restricted investments	11,367,999	11,245,943
Pledges receivable, less current portion	27,858	
Total non-current assets	 11,395,857	11,245,943
Total assets	\$ 13,464,520	\$ 13,525,867
Liabilities		
Current liabilities		
Accounts payable	\$ 11,509	\$ 5,922
Due to Tulsa City-County Library	13,616	24,615
Total current liabilities	25,125	30,537
Net Assets		
Restricted - non-expendable	6,913,037	6,808,528
Restricted - expendable	4,409,711	4,410,556
Unrestricted	2,116,647	2,276,246
Total net assets	13,439,395	13,495,330
Total liabilities and net assets	\$ 13,464,520	\$ 13,525,867

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30,

		2012	2011	
Operating revenues				
Special activities	\$	264,561	\$ 227,823	
Contributions		317,075	162,729	
Interest income		72,294	58,702	
Dividend income		190,862	172,674	
Net increase in fair value of marketable investments		3,422	2,400,820	
Net operating revenues		848,214	3,022,748	
Operating expenses				
Library capital contributions		107,260	637,536	
Grants and special programs		182,668	154,921	
Library books and records		113,489	120,519	
Li brary personnel		178,962	175,546	
Special programs/summer reading program		108,437	87,414	
Distinguished author series		91,995	92,677	
First books/giveaway books		105,133	76,912	
Scholarships		4,000	2,000	
Other		127,130	95,698	
Total operating expenses		1,019,074	1,443,223	
Operating income (loss)		(170,860)	1,579,525	
Contributions to endowment funds		114,925	90,560	
Increase (decrease) in net assets		(55,935)	1,670,085	
Net assets, beginning of year		13,495,330	11,825,245	
Net assets, end of year	\$	13,439,395	\$ 13,495,330	

Statements of Cash Flows

Years Ended June 30,

	2012	2011
Operating activities		
Cash received from:		
Contributions	\$ 280,131	\$ 176,665
Special activities	264,562	227,823
Interest income	75,893	50,415
Dividend income	 190,862	172,674
Total receipts	811,448	627,577
Cash paid for:		
Library books and records	107,902	130,186
Library personnel	178,962	175,546
Special programs/summer reading program	291,105	242,335
Distinguished author series	91,995	92,677
Scholarships	4,000	2,000
Capital contributions	118,259	274,404
First books/giveaway books	105,133	76,912
Other	 127,130	95,698
Total disbursements	1,024,486	1,089,758
Net cash used in operating activities	 (213,038)	(462,181)
Investing activities		
Proceeds from the sale of marketable investments	5,047,803	7,164,133
Purchases of marketable investments	(4,967,462)	(6,821,718)
Net cash provided by investing activities	 80,341	342,415
Capital and related financing activities		
Contributions to endowment	 114,925	90,560
Net decrease in cash	(17,772)	(29,206)
Unrestricted cash, beginning of year	40,643	69,849
Unrestricted cash, end of year	\$ 22,871	\$ 40,643

Tulsa Library Trust (Discretely Presented Component Unit of Tulsa City-County Library)

Statements of Cash Flows - Continued

Years Ended June 30,

December 11 is the second in the second	 2012	2011
Reconciliation of operating income to cash provided by (used in) operating activities:		
Operating income	\$ (170,860) \$	1,579,525
Adjustments to reconcile operating income to net cash used in operating activities:		
Net realized and unrealized (gain) on marketable investments	(3,421)	(2,400,820)
Donation of Brookside Library to Tulsa City-County Library	-	430,496
Changes in operating assets and liabilities:		
Accrued interest receivable	3,599	(8,287)
Pledges receivable and other assets	(36,944)	13,936
Accounts payable	5,587	(9,667)
Amounts due to Tulsa City-County Library	 (10,999)	(67,364)
Net cash used in operating activities	\$ (213,038) \$	(462,181)

June 30, 2012 and 2011

Note A – Entity, Mission and Summary of Significant Accounting Policies

Reporting Entity and Mission – The Tulsa Library Trust (the Trust) was established in 1972 by the Friends of the Tulsa Public Library, Inc. and the Tulsa City-County Library Commission to benefit the Tulsa City-County Library ("TCCL" or the "Library"), and for the advancement of literature and library sciences. The mission of the Trust is to increase endowment and donor funding to improve and enhance the Library's programs, collections, services, librarian training and to administer Trust expenditures and investments. The Library is the primary beneficiary of the income of the Trust. The Trust is governed by a board of eleven trustees (the "Trustees"). Although the Trust is considered a component unit of the Library under GASB Statement No. 39, the Library has no control over the use of resources held by the Trust or control over when the Trust will make expenditures for the benefit of the Library.

- 1. Basis of Accounting The Trust prepares its financial statements on the accrual basis of accounting. The basic financial statements of the Trust have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Trust is organized as a special purpose unit of local government.
- 2. Basis of Presentation In 2003, the Trust adopted GASB 34 and accordingly, the financial statements are prepared in accordance with the proprietary fund provisions of the statement. The Trust has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") Opinions issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements.

The net assets of the Trust are classified into the following components:

- Restricted net assets Consists of net assets with constraints placed on the use either by external groups, such as contributors, or by laws and regulations. Restricted net assets classified as nonexpendable represent amounts that are required to be retained in perpetuity, such as permanent endowments. Restricted net assets classified as expendable represent amounts for which the donor has specified the purpose for which the contributed net assets are to be used.
- Unrestricted net assets All other assets that do not meet the definition of "restricted."

June 30, 2012 and 2011

Note A – Entity, Mission and Summary of Significant Accounting Policies - Continued

Within the Trust's restricted net assets, the following donor-related funds are maintained:

- <u>Special Programming and Grant Fund</u> This fund consists of various special funds and grants donated for special programming or projects that generally last less than one year in length.
- National Endowment for the Humanities Challenge Grant Fund The grant allows the Library to pursue its commitment to fulfill, and excel in, its role as the community's center for the exploration of the humanities, using earnings from the grant and matching contributions. The grant of \$250,000 was matched by non-federal contributions on a three-to-one basis, for total matching contributions of \$750,000.
- <u>Ruth G. Hardman Literacy Fund</u> This fund is designated to enhance the Library's literacy services and resources.
- Zarrow Award for Young Readers' Literature Fund This fund is designed to provide a cash award to the recipient of the annual Anne V. Zarrow Award for Young Readers' Literature presented each year by the Trust and its beneficiaries.
- Ethel F. Crate Fund This fund is designed to purchase classical music, art and literature for the Library.
- <u>Aaronson Lecture Series Fund</u> This fund was established in 1998 by a transfer of funds from the Arts and Humanities Council. This fund is designed to support a lecture program for the City of Tulsa, which is now part of the Oklahoma Conference for Community Justice's Annual Trialogue Series.
- <u>Peggy V. Helmerich Special Library Project Fund</u> This fund is designed to provide for special projects decided upon each year by the Library director and Peggy V. Helmerich or her heirs, using income from the contribution. The contribution to establish the fund has been designated by the donor to function as an endowment.
- <u>Peggy V. Helmerich Distinguished Author Award Fund</u> This fund is designed to provide a cash award to the recipient of the annual Peggy V. Helmerich Distinguished Author Award presented each year by the Trust and its beneficiaries, using income from the contribution. The contribution to establish the fund has been designated by the donor to function as an endowment.
- <u>Peggy V. Helmerich Library Landscape Fund</u> This fund is designed to provide maintenance of the landscaping and beautification of the grounds and properties of the Peggy V. Helmerich Library and other libraries, using income from the contribution. The contribution to establish the fund has been designated by the donor to function as an endowment.

June 30, 2012 and 2011

Note A – Entity, Mission and Summary of Significant Accounting Policies - Continued

- <u>Peggy V. Helmerich Fund</u> This fund is designed to purchase family-related and religiously oriented material for the Library's collections, using earnings from the contribution. The contribution to establish the fund has been designated by the donor to function as an endowment.
- Warren M. Stroud Fund This fund is designed to purchase books in the fields of the arts and music.
- <u>Lillian Norberg Endowment Fund</u> This endowment began with a \$5,000 contribution from the Friends of the Tulsa City-County Libraries in honor of Lillian Norberg. Each year, the Friends will submit project suggestions regarding the use of the expendable earnings.
- Allie Beth Martin Scholarship Fund This fund is designed to provide financial grant assistance to residents of Oklahoma who wish to take graduate level courses leading to a Masters Degree in Library Science.
- American Indian Festival of Words This fund is designed to provide an annual award, which honors
 the finest in American Indian writing or a circle of honor recognition to an American Indian role model.
 Annual programming is included.
- Marcus R. Tower Service Award Fund This fund is designed to provide for the annual Marcus R. Tower Service Award to a community volunteer working on behalf of libraries and literacy.
- American Society for Non-Destructive Testing Fund ("ASNT") This fund is designed to purchase materials, which are decided annually by the ASNT Advisory Committee and TCCL staff. The contribution to establish the fund has been designated by the donor to function as an endowment.
- 3. Spending Policy The Trust's spending policy is designed to release substantial current income for operating purposes in a stable stream while protecting the value of its invested assets against inflation. The Trust plans to distribute annually 5.5 percent of a trailing three-year (twelve quarter) average of the investment's total market value, with the understanding that this spending rate, plus the rate of inflation, will not normally exceed the long-term total return earned on such investments. This total return basis for calculating spending is sanctioned by the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), under which guidelines the Trust is permitted to spend an amount in excess of current yield (interest and dividends earned), including realized or unrealized appreciation. The spending policy is applied to endowment contributions consistent with donor stipulations. Periodically the Trust reviews its spending policy to ensure consistency with the overall long-term objectives of the Trust.

In 2006, percentage caps were put in place to further protect these invested assets. A 6.5 percent floor was established to curb spending in the event that a large drop in the market occurred. A 10 percent ceiling of spending was set as an upward cap to prevent against over-expenditure in years of positive market growth. Both percentages are to be based on the current year market value of the Trust.

June 30, 2012 and 2011

Note A – Entity, Mission and Summary of Significant Accounting Policies - Continued

4. *Cash Deposits* – The Trust's cash balances are held by a financial institution. The Trust's marketable and restricted investments are held by a bank trust department, as agent for the Trust, and are not directly held in the Trust's name. Excess deposits are swept into a money market mutual fund that is not insured by the Federal Deposit Insurance Corporation (FDIC).

5. *Investments* –

- Marketable and Restricted The Trust's investments are stated at fair value based on quoted market prices at year-end. The Trust combines all funds held by each agent for investment purposes. Investment income is allocated to individual donor-related funds based on the average principal balance maintained for each such fund. The amounts the Trust will ultimately realize from these investments could differ materially and significant fluctuations in fair values could occur from year to year. Investments representing the Trust's donor-restricted amounts, including endowments, are reported as restricted investments and classified as non-current assets.
- Cash Equivalents This investment account represents the carrying value of units held by the Trust in liquid asset funds. These funds are managed such that cost equals fair value.
- 6. Contributions and Pledges Contributions specified by the donor to be retained as an endowment are reported as contributions to endowment. Noncash contributions received are recorded at fair value. Pledges or promises to give are recognized as receivables and revenues (net of estimated uncollectible amounts) when all requirements are met, the promise is considered verifiable, and the resources pledged or promised are considered measurable and probable collectable.
- 7. Special Activities Special activities primarily consist of contributions for various special programming and projects.
- 8. *Contributions to Endowment Funds* During 2012, the Trust received contributions of approximately \$115,000 to be restricted for the endowment funding.
- 9. Income Taxes The Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, consequently, no provision for income taxes has been included in the accompanying basic financial statements.
- 10. Use of Estimates The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- 11. Subsequent Event The Trust has evaluated subsequent events through September 29, 2012, the date which the financial statements were available to be issued

Tulsa Library Trust (Discretely Presented Component Unit of Tulsa City-County Library)

Notes to Financial Statements

June 30, 2012 and 2011

Note B – Deposits and Investments - Marketable and Restricted

Deposits – On June 30, 2012 and 2011, the cash balance was \$22,871 and \$40,643, respectively, and is maintained by the Bank of Oklahoma in a depository account in the Trust's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Trust's deposits may not be returned or the Trust will not be able to recover collateral securities in the possession of an outside party. The Trust requires deposits to be secured by the Federal Deposit Insurance Corporation (FDIC).

Marketable and restricted investments consist of the following at June 30:

	20)12	2011			
	Fair Value	Fair Value Cost		Cost		
Equity securities Governmental agency and	\$ 8,293,623	\$ 6,449,724	\$ 8,672,999	\$ 6,534,439		
corporate obligations	4,931,036	4,637,421	4,464,081	4,295,951		
	\$ 13,224,659	\$ 11,087,145	\$ 13,137,080	\$ 10,830,390		

The Trust has retained several outside investment management firms to provide for investment of the monies of the Trust except for a small amount of cash. Bank of Oklahoma is the custodian of all cash and investments. All investments are carried in street name (in the name of the agent, etc.) and are classified as Category 3 for credit risk. All investments are stated at fair value based on quoted prices in active markets.

The general investment policy shall be to diversify investments among both equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

Notes to Financial Statements

June 30, 2012 and 2011

Note B – Deposits and Investments - Marketable and Restricted - Continued

The composition of the Trust investments is as follows:

			Average	Weighted Average
			Credit Quality/	Number of Years to
	Fair Value	Cost	Rating (1)	Maturity (2)
Cavanall Hill Cash Management	\$ 157,645	\$ 157,645	N/A	N/A
U.S. Treasuries	632,198	537,243	AAA	8.39
U.S. Agencies	60,343	59,715	AAA	24.27
Corporate Bonds	1,137,294	1,102,366	AAA	21.21
Mutual Fund - Fixed	3,101,200	2,938,095	N/A	N/A
Domestic Stocks - Mutual Fund				
Large Cap	2,864,708	2,181,578	N/A	N/A
Mid-Cap	1,652,768	952,765	N/A	N/A
Small Cap	1,795,396	1,238,735	N/A	N/A
International	1,980,752	2,076,646	N/A	N/A
Total Investments	\$13,382,304	\$11,244,788	_	
•			_	

- (1) Ratings are provided where applicable to indicate Credit Risk. N/A indicates not applicable.
- (2) Interest Rate Risk is estimated using weighted average days to maturity.

As of June 30, 2012, the Trust had the following investments and maturities:

	Investment Maturities (in Years)								
	F	air Value	Less than 1	1-5	6-10	More than 10			
U.S. Treasuries (1) U.S. Agencies (2) Corporate Bonds	\$	632,199 60,343 1,137,293	0.0% 0.0% 0.0%	24.0% 0.0% 0.0%	44.0% 0.0% 6.0%	32.0% 100.0% 94.0%			
Total	\$	1,829,835	0.0%	8.0%	19.0%	73.0%			

Notes to Financial Statements

June 30, 2012 and 2011

Note B – Deposits and Investments - Marketable and Restricted - Continued

The Trust believes that the asset allocation decision significantly affects the long-term rate of return and volatility of the fund. The asset allocation of the investment funds should reflect a proper balance of the Trust objectives regarding return, risk, spending policy and liquidity. The target asset mix that will be consistent with the achievement of these long-term objectives will be a balanced investment approach.

Based on the Trust assessment of their objectives, the investment funds shall have an overall target asset allocation of 70 percent in equities and 30 percent fixed income, and be invested in the major asset classes as follows:

	Minimum	Target	Maximum	Representative Index	
U.S. Equities	52%	55%	58%	Russell 3000	
International Equities	12%	15%	18%	MSCI EAFE	
Fixed Income*	27%	30%	33%	Lehman Aggregate Bond	
Cash	0%	0%	5%	Salomon 91-day Treasury Bill	

^{*}This target asset allocation may include both U.S. and international fixed income. During the process of Investment Manager selection, the specific investment guidelines and performance objectives, including target asset mix between U.S. and international fixed income, will be established.

It is the Trust's policy to rebalance to its target asset allocation on a uniform basis so as not to cause undue expense to be allocated to the portfolio. It is the Trust's policy to review rebalancing the portfolio at least annually or sooner if desired by the person(s) charged with the oversight of the portfolio's investments. The method of rebalancing will be based on the "tolerance" rebalancing formula, which generally states that the portfolio will be rebalanced if the target asset allocation goes beyond the stated tolerance for any particular asset class.

As an example, if the target allocation for U.S. Equities is 55 percent with a 3 percent tolerance, then no rebalancing would be required under this investment policy if the range for equity investments remained within a 52 percent to 58 percent range; otherwise, management is required to direct the investment manager(s) to rebalance the portfolio to within target limits. Further, at least annually (usually corresponding to the year-end report to the Trust), the Trust will review these rebalancing ranges to assure that they remain reasonable and workable within the context of the goals of the endowment.

Investment Risk Disclosures

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Trust's investing activities are approved by the Board of Trustees and managed under the custody of the Bank of Oklahoma. Investing is performed in accordance with investment policies adopted by the Board of Trustees and complies with the Investment Policies adopted.

Tulsa Library Trust (Discretely Presented Component Unit of Tulsa City-County Library)

Notes to Financial Statements

June 30, 2012 and 2011

Note B – Deposits and Investments - Marketable and Restricted - Continued

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Trusts' investment in a single issuer. Excluding mutual funds, the Trust's corporate bonds were less than 5 percent of the total portfolio.

Interest Rate Risk is the risk that changes in interest rates which will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Trust's investment policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from overconcentration of assets in a specific maturity period, a single issuer, or an individual class of securities.

Foreign Currency Risk is the risk that changes in exchange rates which will adversely affect the fair value of an investment. The Board of Trustees has stated in the Policy the guidelines for the international equity portfolio manager. The constraints on the international equity portfolio manager are to diversify internationally across the global equity markets. The international equity manager invests in only non-U.S. dollar denominated equity securities. The manager is required to invest in a prudent manner and to operate under the restrictions indicated in their prospectus. These include: regional constraints, diversification requirements and the type of securities held.

The Trust's international equity portfolio comprises approximately 15 percent of the total portfolio investments at fair value as of June 30, 2012. The manager of this pooled portfolio does not hedge the foreign currency risk and the Policy does not require it.

Change in Valuation of the Trust's Investments

During the year ended June 30, 2012, the Trust's investments increased (including investments bought, sold and held during the year) in value and included realized gain of \$175,847 and unrealized loss of \$172,426. During the year ended June 30, 2011, the Trust's investments increased (including investments bought, sold and held during the year) in value and included realized gains of \$552,054 and unrealized gains of \$1,848,766.

The calculation of realized gains and losses is independent of the calculation of the changes in the fair value of investments. Realized gains for 2012 and 2011 include unrealized amounts from the prior periods.

Notes to Financial Statements

June 30, 2012 and 2011

Note C – Land and Building

A summary of the Trust's capital assets activity for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Capital Acquisitions	Sales/Other Dispositions	Balance June 30, 2011
Capital assets not being depreciated: Land	\$ 120,678	•	\$ (120,678)	\$ -
Capital assets being depreciated:				
Building	497,922	-	(497,922)	=
	618,600	-	(618,600)	-
Less: accumulated depreciation	(188,104)	-	188,104	
	\$ 430,496	\$ -	\$ (430,496)	\$ -

During fiscal year 1998, the Trust received a contribution of land and a building (the "facility"). The Trust recorded the contributed assets at their estimated fair value, and made subsequent improvement expenditures related to the building. As of the effective date of the contribution, a lease agreement was entered into between the Trust and the Library to allow for the Library to continue its use of the facilities for that branch location. Beginning in 2010, the building was no longer leased to the Library. The Trust completed transfer of the building during the year ending June 30, 2011.

Note D – Funds Held by Tulsa Community Foundation

In February 2000, the Trust contracted with the Tulsa Community Foundation (the "Foundation") to create the Library Books for Children Fund as an agency fund of the Foundation. In June 2002, the Trust contracted with the Foundation to create the Betty Kaiser Library Literacy Fund as another fund of the Foundation. Under the agency fund agreements, a significant portion of donor's contributions to the funds are intended to remain in the Funds as permanent endowments, with periodic distributions to be made from the Library Books for Children Fund to the Library and from the Betty Kaiser Library Literacy Fund to the Trust in accordance with the Foundation's spending policy. At June 30, 2012, the fair value of the Library Books for Children Fund and the Betty Kaiser Library Literacy Fund was approximately \$401,000 and \$215,000, respectively. At June 30, 2011, the fair value of the Library Books for Children Fund and the Betty Kaiser Library Literacy Fund was approximately \$414,000 and \$227,000, respectively.

Tulsa Library Trust (Discretely Presented Component Unit of Tulsa City-County Library)

Notes to Financial Statements

June 30, 2012 and 2011

Note D – Funds Held by Tulsa Community Foundation- Continued

The Foundation holds unilateral power to direct the use of the assets in the funds; therefore, the assets of the funds are not reflected in the accompanying basic financial statements of the Trust. Distributions from the Library Books for Children Fund of \$10,000 were received by the Library during the fiscal years ended June 30, 2012 and 2011, respectively. There was \$10,796 and \$10,164 in distributions made to the Trust by the Betty Kaiser Library Literacy Fund during fiscal years 2012 and 2011, respectively.

Note E – Due to Tulsa City-County Library

The Trust reimburses the Tulsa City-County Library for various items that the Library may pay on behalf of the Trust. Amounts outstanding and owed to TCCL for fiscal years ended June 30, 2012 and 2011 were \$13,616 and \$24,615, respectively. The outstanding balance primarily pertains to books and other materials acquired by TCCL on behalf of the Trust.

Note F – Recent Accounting Pronouncements

In June 2011, The Governmental Accounts Standards Board (GASB) issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The Statement specifies that the statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Statement No. 63 also specifies that the statement of net position should report the residual amount as net position rather than net assets. Under the Statement, net position should be displayed in three components similar to those currently required for net assets: net investment in capital assets, restricted, and unrestricted. The provisions of this Statement are effective for periods beginning after December 15, 2012 and will be applied on a prospective basis. The Trust is currently evaluating the effects that Statement No. 63 may have on their financial statements.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Statement No. 65 reclassifies and recognizes certain times currently being reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, or inflows of resources. One of the requirements is that debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The provisions of this Statement are effective for periods beginning after December 15, 2012, and will be applied on a prospective basis. The Trust is currently evaluating the effects that Statement No. 65 may have on their financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information

As of June 30, 2012

Defined Benefit Pension Trust

I. Schedule of Funding Progress

Municipal Employees Pension Fund (000's)

Actuarial Valuation Date	_	Actuarial Value of Assets (a)		etuarial Accrued iability (AAL) Entry Age (b)		Jnfunded AAL (UAAL) (b-a)	Fundeo Ratio a/b	l	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2011	\$	372,469	\$	484,699	\$	112,230	76	.8%	\$ 101,690	110.4%
1/1/2010	Ψ	365,775	Ψ	457,233	Ψ	91,458		.0%	108,423	84.4%
1/1/2009		359,191		437,504		78,313	82	.1%	111,170	70.4%
1/1/2008		392,428		412,704		20,276	95	.1%	107,574	18.8%
1/1/2007		370,778		384,173		13,395	96	.5%	103,358	13.0%
1/1/2006		347,721		347,121		(600)	100	.2%	95,804	-0.6%
1/1/2005		330,079		322,939		(7,140)	102	.2%	89,434	-8.0%
1/1/2004		312,900		306,760		(6,140)	102	.0%	89,201	-6.9%

II. Schedule of MERP Employer Contributions Required Supplemental Information

Municipal Employees Pension Fund (000's)

Annual									
Fiscal	R	equired	Percentage						
Year	Co	ntribution	Contributed						
2011	\$	10,303	65%						
2010		9,747	72%						
2009		7,004	100%						
2008		6,777	100%						
2007		6,512	100%						
2006		6,036	100%						
2005		5,634	100%						
2004		5,620	100%						

Tulsa City-County Library

Required Supplemental Information

As of June 30, 2012

III. Notes to Required Supplemental Information

Municipal Employees Pension Fund

Valuation date January 1, 2012

Actuarial cost method Entry Age Normal

Amortization method Level percentage of payroll, open

Remaining amortization period 30 years

Actuarial asset valuation method Smoothed Fair Market Value

Actuarial assumptions:

Investment rate of return* 7.75%

Projected salary increases* 4.25% - 13.70%

*Includes inflation at 3.25%
Cost of living adjustments None



Supplemental Schedule of Capital Assets by Location (Cash Basis)

As of June 30, 2012

					Furniture		Total		ber of and
]	Buildings		Fixtures		Property,	Certai	n Other
			and		and		Plant and	Lib	rary
	Land	Im	provements	F	Equipment]	Equipment	Mat	erials
Bixby	\$ 501,087	\$	341,302	\$	115,960	\$	958,349		31,218
Bookmobile	-		-		152,052		152,052		41,820
Broken Arrow	1,341,925		1,772,055		219,969		3,333,949		68,535
Brookside	120,678		659,996		160,099		940,773		47,547
Central	386,873		7,151,070		8,044,573		15,582,516	8	68,076
Charles Page	-		1,085,108		127,000		1,212,108		31,495
Collinsville	84,990		1,031,117		146,565		1,262,672		29,392
Kendall-Whittier	100,000		673,632		138,606		912,238		28,463
Genealogy	-		-		113,658		113,658		12,211
Glenpool	97,157		552,391		104,187		753,735		29,272
New HK Kaiser (HKK)	-		2,307,063		301,863		2,608,926		54,782
Hardesty South Regional	2,225,230		7,576,921		847,713		10,649,864	1	37,942
Jenks	14,349		566,554		121,601		702,504		37,464
Judy Z. Kishner Library (KI)	99,832		1,153,894		127,664		1,381,390		20,812
Martin East Regional	52,680		3,045,105		589,684		3,687,469	1	12,431
Maxwell	-		491,059		139,983		631,042		34,004
Nathan Hale	50,291		645,527		105,635		801,453		35,503
Owasso	524,197		1,076,327		182,111		1,782,635		65,828
Peggy Helmerich	196,044		1,890,007		267,883		2,353,934		66,692
Pratt	-		573,990		135,485		709,475		33,220
Rusidill North Regional	-		2,362,808		401,832		2,764,640		53,396
Schusterman-Benson	279,445		1,276,370		197,487		1,753,302		47,846
Skiatook	63,876		432,642		118,488		615,006		27,126
South Broken Arrow	74,209		616,192		180,106		870,507		40,578
Sperry	5,426		-		-		5,426		-
Suburban Acres	-		552,099		110,435		662,534		21,157
Support Service Center	126,000		3,044,932		64,758		3,235,690		-
Zarrow Regional	73,699		2,075,320		247,844		2,396,863		54,322
Totals	\$ 6,417,988	\$ 4	42,953,481	\$	13,463,241	\$	62,834,710	2,0	31,132

NOTE: The capital assets above are recorded at cost of fair value at date of donation, with the exception of books and certain other library related materials, which are presented as number of units. The schedule is prepared on a cash basis, so it may differ from amounts presented in the accompanying accrual basis government-wide financial statements.

Tulsa City-County Library

Supplemental Schedule of Capital Assets by Location (Cash Basis)

As of June 30, 2011

					Number of
			Furniture	Total	Books and
		Buildings	Fixtures	Property,	Certain Other
		and	and	Plant and	Library
	Land	Improvements	Equipment	Equipment	Materials
Bixby	\$ 501,087	\$ 341,302	\$ 115,960	\$ 958,349	30,403
Bookmobile	-	-	152,052	152,052	36,453
Broken Arrow	1,341,925	1,589,538	164,648	3,096,111	56,293
Brookside	120,678	516,793	147,344	784,815	50,503
Central	386,873	6,826,301	7,725,054	14,938,228	1,325,353
Charles Page	-	1,085,108	126,062	1,211,170	30,322
Collinsville	84,990	1,035,202	129,508	1,249,700	27,920
Kendall-Whittier	100,000	666,957	119,552	886,509	32,900
Genealogy	-	-	98,447	98,447	11,814
Glenpool	97,157	552,391	104,187	753,735	27,322
New HK Kaiser (HKK)	-	2,285,763	293,063	2,578,826	55,859
Hardesty South Regional	2,225,230	7,576,921	818,239	10,620,390	143,400
Jenks	14,349	561,947	120,941	697,237	34,906
Judy Z. Kishner Library (KI)	99,832	1,154,512	125,064	1,379,408	21,740
Martin East Regional	52,680	3,012,819	563,675	3,629,174	109,661
Maxwell	-	491,059	128,307	619,366	29,522
Nathan Hale	50,291	645,527	104,298	800,116	33,679
Owasso	524,197	1,066,990	169,812	1,760,999	60,919
Peggy Helmerich	196,044	1,808,922	257,204	2,262,170	69,404
Pratt	-	573,990	135,485	709,475	39,242
Rusidill North Regional	-	2,336,918	383,131	2,720,049	74,646
Schusterman-Benson	279,445	1,266,281	174,669	1,720,395	54,724
Skiatook	63,876	430,965	117,067	611,908	26,392
South Broken Arrow	74,209	616,192	178,881	869,282	40,529
Sperry	5,426	-	-	5,426	-
Suburban Acres	-	552,099	89,442	641,541	20,216
Support Service Center	126,000	3,044,932	63,421	3,234,353	-
Zarrow Regional	73,699	2,043,304	237,689	2,354,692	59,837
Totals	\$ 6,417,988	\$ 42,082,733	\$ 12,843,202	\$ 61,343,923	2,503,959

NOTE: The capital assets above are recorded at cost of fair value at date of donation, with the exception of books and certain other library related materials, which are presented as number of units. The schedule is prepared on a cash basis, so it may differ from amounts presented in the accompanying accrual basis government-wide financial statements.



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*

To the Commission of the Tulsa City-County Library

We have audited the financial statements of the governmental activities, the discretely presented component unit, and the major fund of Tulsa City-County Library (the Library), as of and for the year ended June 30, 2012, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 9, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management and the Commission of the Tulsa City-County Library, and is not intended to be and should not be used by anyone other than these specified parties.

5 Confield & O'All P. C

Tulsa, Oklahoma November 9, 2012

- 43 -