

**Metropolitan Library Commission of  
Oklahoma County**

*Financial Statements*

June 30, 2016 and 2015  
(With Independent Auditors' Report Thereon)



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**FINANCIAL STATEMENTS**

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**FINANCIAL STATEMENTS**

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## **INDEPENDENT AUDITORS' REPORT**

To the Commissioners  
Metropolitan Library Commission of  
Oklahoma County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Library Commission of Oklahoma County (the "Library") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2016 the Library adopted new accounting guidance, Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application* (GASB 72). Adoption of this statement resulted in revised disclosures related to the financial statements. Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-7 and the budgetary comparison schedule—General Fund, the schedule of changes in net position liability—defined benefit pension plan, the schedule of net pension liability—defined benefit pension plan, the schedule of contributions from employer—defined benefit pension plan, the schedule of investment returns—defined benefit pension plan, and notes to the required supplementary information on pages 62–69 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, 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 audits 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.

(Continued)

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2016, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Shawnee, Oklahoma  
\_\_\_\_\_, 2016

DRAFT

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

This discussion and analysis of the financial performance of the Metropolitan Library Commission of Oklahoma County (the “Library”) provides an overall review of the Library’s financial condition and results of operations for the fiscal years ended June 30, 2016 and 2015. Readers should read this information in conjunction with the Library’s financial statements.

### **FINANCIAL HIGHLIGHTS**

For the year ended June 30, 2016, the Library’s General Fund reported an ending balance of \$27,529,808 versus \$28,520,415 for the year ended June 30, 2015. The comparison reflects a decrease of \$990,607, or 3.5%, of the June 30, 2015, General Fund ending fund balance. Of the June 30, 2016 and 2015, year-end totals, \$13,200,192 and \$14,560,806, respectively, was unassigned, indicating that none of this amount had been restricted, committed, or assigned to specific purposes within the General Fund. For the year ended June 30, 2016, \$14,232,021 of the balance was assigned, with \$6,942,021, assigned to Library capital improvement projects and \$7,300,000 assigned to cash flow requirements. For the year ended June 30, 2015, \$13,865,015 of the balance was assigned, with \$6,825,015 assigned to Library capital improvement projects and \$7,040,000 assigned to cash flow requirements. Nonspendable totals for the years ended June 30, 2016 and 2015, were \$97,595 and \$94,594, respectively.

Over the years, the Library administration, with the approval of the Board of Commissioners, has prudently used or committed the money from the assigned fund balances to alleviate summer cash flow problems and provide funds for capital improvement projects. The Library does not have legal authority to raise tax dollars for capital improvement projects through bond issues as most other local government entities do. Therefore, the money in the assigned fund balances provides opportunities for the Library to improve and maintain its facilities.

The requirement to implement GASB Statement No. 68 resulted in the Library recognizing a net pension liability of approximately \$4,704,000, \$3,472,000, and \$1,056,000 at June 30, 2016, 2015, and 2014, respectively.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—management’s discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Library:

The first statements are *government-wide financial statements* that provide information about the Library’s overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the Library, reporting the Library’s operations in more detail than the government-wide statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

### OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

The Library has three kinds of funds—governmental funds, proprietary funds, and fiduciary funds.

Governmental funds encompass two funds: the General Fund and the Gifts and Grants Fund.

*General Fund:* Represents unrestricted resources that are available for ongoing general library operations. This is the Library's primary operating fund. It includes income from special services, such as copy services, lost book fees, overdue book fines, and other miscellaneous services.

*Gifts and Grants Fund:* Includes all gifts and grants. Gifts and grants include funds provided by intergovernmental grants and other third parties' gifts and grants. All of these funds are generally restricted as to use. Therefore, each fund accounts for its receipts and disbursements of the restricted functions.

The proprietary fund is the Library's insurance fund, an internal service fund. The insurance fund is used to maintain the Library's health and dental self-insurance plan.

Fiduciary funds are reported in the fiduciary fund financial statements but are excluded from government-wide reporting. They include the Pension Fund, the Flex Benefit Fund, and the Defined Contribution Fund. Fiduciary fund financial statements report assets that cannot be used to fund the Library's general operations.

#### **Notes to the Financial Statements:**

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

#### **Supplementary Information:**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information, such as a comparative statement between budgeted and actual resources and appropriations, and the schedule of funding progress for the defined benefit pension plan.



**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**THE LIBRARY AS A WHOLE**

|  | <u>2016</u>          | <u>2015</u>       | <u>2014</u>       |
|--|----------------------|-------------------|-------------------|
| <b><i>Statements of Net Position</i></b>                   |                      |                   |                   |
| Assets:  |                      |                   |                   |
| Current  | \$ 31,738,711        | 32,514,465        | 32,275,087        |
| Capital assets   | <u>15,509,205</u>    | <u>15,278,942</u> | <u>15,694,872</u> |
| Total assets   | <u>47,247,916</u>    | <u>47,793,407</u> | <u>47,969,959</u> |
| Deferred outflows of resources related to the pension plan | <u>3,002,047</u>     | <u>2,406,454</u>  | <u>211,122</u>    |
| Liabilities:   |                      |                   |                   |
| Accounts payable and accrued expenses                      | 1,714,094            | 1,128,458         | 888,527           |
| Compensated absences payable                               | 439,778              | 324,039           | 265,744           |
| Net pension liability                                      | <u>4,704,385</u>     | <u>3,472,023</u>  | <u>1,055,536</u>  |
| Total liabilities  | <u>6,858,257</u>     | <u>4,924,520</u>  | <u>2,209,807</u>  |
| Deferred inflows of resources related to the pension plan  | <u>1,288,910</u>     | <u>1,772,054</u>  | <u>2,288,510</u>  |
| Net position:  |                      |                   |                   |
| Net investment in capital assets                           | 15,509,205           | 15,278,942        | 15,694,872        |
| Restricted   | 162,838              | 85,873            | 85,732            |
| Unrestricted   | <u>26,430,753</u>    | <u>28,138,472</u> | <u>27,902,160</u> |
| Total net position   | <u>\$ 42,102,796</u> | <u>43,503,287</u> | <u>43,682,764</u> |
| <b><i>Changes in Net Position</i></b>                      |                      |                   |                   |
| Beginning net position                                     | \$ <u>43,503,287</u> | <u>43,682,764</u> | <u>44,314,410</u> |
| Revenues:  |                      |                   |                   |
| Property taxes   | 34,082,935           | 32,537,954        | 31,357,148        |
| State aid  | 265,727              | 281,497           | 289,550           |
| Charges for services                                       | 1,763,404            | 1,520,321         | 1,996,522         |
| Operating grants and contributions                         | 296,478              | 364,209           | 290,176           |
| Loss from disposals  | (52,054)             | (34,768)          | (1,186,985)       |
| Investment earning (losses)                                | <u>666,457</u>       | <u>387,000</u>    | <u>442,437</u>    |
| Total revenues   | <u>37,022,947</u>    | <u>35,056,213</u> | <u>33,188,848</u> |
| Expenses:  |                      |                   |                   |
| Public library services                                    | 21,293,301           | 18,677,104        | 18,891,847        |
| Administrative services                                    | 12,075,973           | 11,586,727        | 11,081,148        |
| Depreciation—unallocated                                   | <u>5,054,164</u>     | <u>4,971,859</u>  | <u>3,847,499</u>  |
| Total expenses   | <u>38,423,438</u>    | <u>35,235,690</u> | <u>33,820,494</u> |
| Ending net position  | <u>\$ 42,102,796</u> | <u>43,503,287</u> | <u>43,682,764</u> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS**

As financial information is accumulated on a continuous and consistent basis, financial statements and expenditure reports for governmental funds are presented to the Board of Commissioners each month for its acknowledgement.

For the years ended June 30, governmental fund balances changed as follows:

|                         | <u>2016</u> | <u>General<br/>Fund</u> | <u>Gifts and Grants<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------|-------------|-------------------------|----------------------------------|---|
| Revenues                |             | \$ 36,199,256           | 296,478                          | 36,495,734                              |
| Expenditures            |             | <u>(37,189,863)</u>     | <u>(219,513)</u>                 | <u>(37,409,376)</u>                     |
| Net (decrease) increase |             | <u>\$ (990,607)</u>     | <u>76,965</u>                    | <u>(913,642)</u>                        |
|                         |             |                         |                                  | <u>Total</u>                            |
|                         | <u>2015</u> | <u>General<br/>Fund</u> | <u>Gifts and Grants<br/>Fund</u> | <u>Governmental<br/>Funds</u>           |
| Revenues                |             | \$ 34,211,359           | 364,209                          | 34,575,568                              |
| Expenditures            |             | <u>(34,393,891)</u>     | <u>(364,068)</u>                 | <u>(34,757,959)</u>                     |
| Net (decrease) increase |             | <u>\$ (182,532)</u>     | <u>141</u>                       | <u>(182,391)</u>                        |
|                         |             |                         |                                  | <u>Total</u>                            |
|                         | <u>2014</u> | <u>General<br/>Fund</u> | <u>Gifts and Grants<br/>Fund</u> | <u>Governmental<br/>Funds</u>           |
| Revenues                |             | \$ 33,380,487           | 290,176                          | 33,670,663                              |
| Expenditures            |             | <u>(34,915,509)</u>     | <u>(282,662)</u>                 | <u>(35,198,171)</u>                     |
| Net (decrease) increase |             | <u>\$ (1,535,022)</u>   | <u>7,514</u>                     | <u>(1,527,508)</u>                      |

**General Fund:**

The Library is primarily funded by a 5.2 mill ad valorem (property) tax. For the year ended June 30, 2016, the Oklahoma County's assessed property value had an increase of 4.8% versus 3.8% for the year ended June 30, 2015. Actual tax collections increased 4.7% for the year ended June 30, 2016, over the year ended June 30, 2015, as compared to a 3.9% increase in the year ended June 30, 2015, over the previous year. Investment income for the Library increased to \$666,457 in the year ended June 30, 2016, from \$387,000 in investment income in the year ended June 30, 2015. The increase was primarily due to investment appreciation in the year ended June 30, 2016.

**MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED**

**FINANCIAL ANALYSIS OF THE LIBRARY’S FUNDS, CONTINUED**

**General Fund, Continued:**

Major expenditure categories increased in 2016 from 2015, showing an overall increase of \$2,795,972, or 8.1%. Within categories, personal services increased 3.1% compared to the previous year’s decrease of 0.1%. Maintenance and operations expenses increased, totaling a 9.0% change. Capital outlays increased 23.3%.

**Gifts and Grants Fund:**

During the years ended June 30, 2016 and 2015, \$296,478 and \$364,209, respectively, of gifts and grants funds were received. For the year ended June 30, 2016, the largest contributors were the Friends of the Metropolitan Library System (the “Friends”), which gave 18 grants totaling \$206,935. Other major grantors for the fiscal year ended June 30, 2016, included the OAC (\$16,100) and Guild (\$3,600). For the year ended June 30, 2015, the largest contributors were the Friends, which gave 9 grants totaling \$162,500, and the Library Endowment Trust, which gave 3 grants totaling \$146,500. Other major grantors for the fiscal year ended June 30, 2015, included the Sonic Corporation (\$20,000) and PiPhi (\$10,000).

**Proprietary Fund:**

|              | <u>Insurance Fund</u> |                    |                    |
|--------------|-----------------------|--------------------|--------------------|
|              | <u>2016</u>           | <u>2015</u>        | <u>2014</u>        |
| Revenues     | \$ 2,784,265          | 2,625,470          | 2,572,274          |
| Expenses     | <u>(3,182,014)</u>    | <u>(2,383,193)</u> | <u>(2,217,467)</u> |
| Net increase | <u>\$ (397,749)</u>   | <u>242,277</u>     | <u>354,807</u>     |

The total insurance premium contributed by both the employer and the employees to this fund was \$2,718,366 in the year ended June 30, 2016, versus \$2,570,328 and \$2,543,200 in the years ended June 30, 2015 and 2014, respectively. Claims expense for 2016 was \$3,182,014 compared to \$2,383,193 and \$2,217,467 for 2015 and 2014, respectively.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund budget for the year ended June 30, 2016, was \$58,437,303, an increase of \$3,522,314, or 6.4%, over the June 30, 2015, budget of \$54,914,989. The biggest contributor to the increase in the year ended June 30, 2016, budget over the previous year was \_\_\_\_\_.

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**GENERAL FUND BUDGETARY HIGHLIGHTS, CONTINUED**

Actual results compared to budgeted results were as follows:

|                 | <u>2016</u>     |                                       |
|-----------------|-----------------|---------------------------------------|
| <u>Revenues</u> | <u>Budgeted</u> | <u>Actual on a<br/>Budgeted Basis</u> |
| Revenues        | \$ 31,683,004   | 36,202,171                            |
| Expenditures    | \$ 44,205,282   | 36,366,717                            |
|                 | <u>2015</u>     |                                       |
| <u>Revenues</u> | <u>Budgeted</u> | <u>Actual on a<br/>Budgeted Basis</u> |
| Revenues        | \$ 30,268,862   | 35,438,928                            |
| Expenditures    | \$ 41,049,974   | 34,658,541                            |
|                 | <u>2014</u>     |                                       |
| <u>Revenues</u> | <u>Budgeted</u> | <u>Actual on a<br/>Budgeted Basis</u> |
| Revenues        | \$ 29,145,514   | 33,508,304                            |
| Expenditures    | \$ 43,246,484   | 35,455,211                            |

**CAPITAL ASSETS AND LONG-TERM DEBT**

The Library's investment in depreciable capital assets, net of accumulated depreciation, at June 30, 2016 and 2015, was \$15,193,634 and \$14,963,371, respectively. Of the total depreciable capital assets at June 30, 2016, 43% consisted of furniture, equipment, vehicles, and buildings, while the remaining 57% consisted of books and materials. The previous year, those percentages were 47% and 53%, respectively. Nondepreciable assets at both June 30, 2016 and 2015, represented land owned by the Library in the amount of \$315,571.

The Library has no long-term debt.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

### **ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGET**

The Library's primary revenue is ad valorem (property) tax. Barring a voter-approved change in the mill levy, the annual growth in the Oklahoma County's property values is the most important factor in the Library's revenue outlook. Currently, the Library collects 5.2 mills of the assessed property values. With voters' approval, the number of mills could increase to 6.21 mills.

In general, the Library expects a small growth in the tax revenue for the next year. The Oklahoma County Assessor has certified a \_\_\_\_\_% growth in property values for fiscal year ended June 30, 2017, as opposed to 4.8% in the year ended June 30, 2016. Investment income is expected to be neutral. Real estate prices are rising as new construction and population growth continue, so the Library expects continued incremental growth in revenue for the foreseeable future.

For the year ended June 30, 2017, the Board of Commissioners has approved a General Fund budget of \$\_\_\_\_\_, versus \$58,437,303 for the year ended June 30, 2016. Of the total budget amount for the year ended June 30, 2017, \$\_\_\_\_\_ was for operating costs, \$\_\_\_\_\_ was for capital projects, and \$\_\_\_\_\_ was for other assigned funds. Of the total budget amount for the year ended June 30, 2016, \$38,660,009 was for operating costs, \$5,545,273 was for capital projects, and \$14,232,021 was for other assigned funds.

### **CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Metropolitan Library Commission of Oklahoma County, comply with finance-related laws and regulations, and demonstrate the Library's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Library's Business Office at 300 Park Avenue, Oklahoma City, OK 73102.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF NET POSITION**

| <i>June 30,</i>  | <i>2016</i>            | <i>2015</i>       |
|--|------------------------|-------------------|
|  | <u>Government-Wide</u> |                   |
| <b>Assets and Deferred Outflows of Resources</b>   |                        |                   |
| Current assets:  |                        |                   |
| Cash and cash equivalents  | \$ 8,318,017           | 10,678,027        |
| Investments  | 22,071,032             | 20,421,981        |
| Ad valorem taxes receivable, net of allowance for<br>uncollectible taxes of \$2,303 and \$33,207<br>as of June 30, 2016 and 2015, respectively | 1,076,219              | 1,191,171         |
| Accounts receivable  | 128,920                | 95,389            |
| Accrued interest receivable  | 46,928                 | 33,303            |
| Prepaid expenses   | 97,595                 | 94,594            |
| Total current assets   | <u>31,738,711</u>      | <u>32,514,465</u> |
| Noncurrent assets:   |                        |                   |
| Nondepreciable capital assets  | 315,571                | 315,571           |
| Depreciable capital assets, net  | <u>15,193,634</u>      | <u>14,963,371</u> |
| Total noncurrent assets  | <u>15,509,205</u>      | <u>15,278,942</u> |
| Total assets   | <u>47,247,916</u>      | <u>47,793,407</u> |
| Deferred outflows of resources:  |                        |                   |
| Deferred amounts related to the pension plan   | <u>3,002,047</u>       | <u>2,406,454</u>  |
| <b>Liabilities and Deferred Inflows of Resources</b>   |                        |                   |
| Current liabilities:   |                        |                   |
| Accounts payable and accrued expenses  | 1,714,094              | 1,128,458         |
| Compensated absences payable   | <u>439,778</u>         | <u>324,039</u>    |
| Total current liabilities  | <u>2,153,872</u>       | <u>1,452,497</u>  |
| Noncurrent liabilities:  |                        |                   |
| Net pension liability  | <u>4,704,385</u>       | <u>3,472,023</u>  |
| Total liabilities  | <u>6,858,257</u>       | <u>4,924,520</u>  |
| Deferred inflows of resources:   |                        |                   |
| Deferred amounts related to the pension plan   | <u>1,288,910</u>       | <u>1,772,054</u>  |
| <b>Net Position</b>  |                        |                   |
| Net investment in capital assets   | 15,509,205             | 15,278,942        |
| Restricted   | 162,838                | 85,873            |
| Unrestricted   | <u>26,430,753</u>      | <u>28,138,472</u> |
| Total net position   | <u>\$ 42,102,796</u>   | <u>43,503,287</u> |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF ACTIVITIES**

*Year Ended June 30, 2016*

|  | <u>Expenses</u>        | <u>Revenues</u>                 |   | <u>Net (Expenses)<br/>Revenues/<br/>Changes in<br/>Net Assets</u> |
|--|------------------------|---------------------------------|---|---|
|  |                        | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants<br/>and<br/>Contributions</u> |   |
| Government activities:                         |                        |                                 |   |   |
| Public library services                        | \$ (21,293,301)        | 752,236                         | 296,478   | -   |
| Administrative services                        | (12,075,973)           | 1,011,168                       | -   | -   |
| Depreciation—unallocated                       | (5,054,164)            | -                               | -   | -   |
|  | <u>\$ (38,423,438)</u> | <u>1,763,404</u>                | <u>296,478</u>  | <u>-</u>  |
| General revenues:                              |                        |                                 |   |   |
| Property taxes, levied for<br>general purposes |                        |                                 |   | 34,082,935  |
| State aid                                      |                        |                                 |   | 265,727   |
| Loss from disposals                            |                        |                                 |   | (52,054)  |
| Investment earnings                            |                        |                                 |   | 666,457   |
| Total general revenues                         |                        |                                 |   | <u>34,963,065</u>   |
| Changes in net position                        |                        |                                 |   | (1,400,491)   |
| Net position, beginning of year                |                        |                                 |   | <u>43,503,287</u>   |
| Net position, end of year                      |                        |                                 |   | <u>\$ 42,102,796</u>  |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF ACTIVITIES, CONTINUED**

*Year Ended June 30, 2015*

|  |                        | Revenues                        |   |   |
|--|------------------------|---------------------------------|---|---|
|  | <u>Expenses</u>        | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants<br/>and<br/>Contributions</u> | <u>Capital<br/>Grants<br/>and<br/>Contributions</u>               |
|  |                        |                                 |   | <u>Net (Expenses)<br/>Revenues/<br/>Changes in<br/>Net Assets</u> |
| Government activities:                         |                        |                                 |   |   |
| Public library services                        | \$ (18,677,104)        | 745,528                         | 364,209   | -   |
| Administrative services                        | (11,586,727)           | 774,793                         | -   | -   |
| Depreciation—unallocated                       | <u>(4,971,859)</u>     | -                               | -   | -   |
|  | <u>\$ (35,235,690)</u> | <u>1,520,321</u>                | <u>364,209</u>  | <u>-</u>  |
| General revenues:                              |                        |                                 |   |   |
| Property taxes, levied for<br>general purposes |                        |                                 |   | 32,537,954  |
| State aid                                      |                        |                                 |   | 281,497   |
| Loss from disposals                            |                        |                                 |   | (34,768)  |
| Investment earnings                            |                        |                                 |   | <u>387,000</u>  |
| Total general revenues                         |                        |                                 |   | <u>33,171,683</u>   |
| Changes in net position                        |                        |                                 |   | (179,477)   |
| Net position, beginning of year                |                        |                                 |   | <u>43,682,764</u>   |
| Net position, end of year                      |                        |                                 |   | <u>\$ 43,503,287</u>  |

See Independent Auditors' Report.  
See accompanying notes to financial statements.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**BALANCE SHEETS—GOVERNMENTAL FUNDS**

*June 30, 2016*

|  | <u>General<br/>Fund</u>     | <u>Gifts and<br/>Grants Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-----------------------------|----------------------------------|---|
| <b>Assets</b>  |                             |                                  |   |
| Cash   | \$ 6,011,628                | 162,838                          | 6,174,466                               |
| Investments  | 22,071,032                  | -                                | 22,071,032                              |
| Ad valorem taxes receivable, net of allowance                                  | 1,076,219                   | -                                | 1,076,219                               |
| Accrued interest receivable  | 46,928                      | -                                | 46,928                                  |
| Prepaid expenses   | 97,595                      | -                                | 97,595                                  |
|  | <u>29,303,402</u>           | <u>162,838</u>                   | <u>29,466,240</u>                       |
| <b>Total assets</b>  | <b><u>\$ 29,303,402</u></b> | <b><u>162,838</u></b>            | <b><u>29,466,240</u></b>                |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</b>       |                             |                                  |   |
| <b>Liabilities:</b>  |                             |                                  |   |
| Accounts payable   | \$ 758,571                  | -                                | 758,571                                 |
| Accrued salaries   | 571,470                     | -                                | 571,470                                 |
| <b>Total liabilities</b>   | <b><u>1,330,041</u></b>     | <b><u>-</u></b>                  | <b><u>1,330,041</u></b>                 |
| <b>Deferred inflows of resources:</b>  |                             |                                  |   |
| Accrued property taxes not available<br>for spending                           | 443,553                     | -                                | 443,553                                 |
|  | <u>443,553</u>              | <u>-</u>                         | <u>443,553</u>                          |
| <b>Total liabilities and deferred inflows<br/>of resources</b>                 | <b><u>1,773,594</u></b>     | <b><u>-</u></b>                  | <b><u>1,773,594</u></b>                 |
| <b>Fund balances:</b>  |                             |                                  |   |
| Nonspendable   | 97,595                      | -                                | 97,595                                  |
| Restricted   | -                           | 162,838                          | 162,838                                 |
| Assigned   | 14,232,021                  | -                                | 14,232,021                              |
| Unassigned   | 13,200,192                  | -                                | 13,200,192                              |
| <b>Total fund balances</b>   | <b><u>27,529,808</u></b>    | <b><u>162,838</u></b>            | <b><u>27,692,646</u></b>                |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balances</b> | <b><u>\$ 29,303,402</u></b> | <b><u>162,838</u></b>            | <b><u>29,466,240</u></b>                |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**BALANCE SHEETS—GOVERNMENTAL FUNDS, CONTINUED**

*June 30, 2015*

|  | <u>General<br/>Fund</u> | <u>Gifts and<br/>Grants Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|----------------------------------|---|
| <b>Assets</b>  |                         |                                  |   |
| Cash   | \$ 8,097,662            | 85,873                           | 8,183,535                               |
| Investments  | 20,421,981              | -                                | 20,421,981                              |
| Ad valorem taxes receivable, net of allowance                            | 1,191,171               | -                                | 1,191,171                               |
| Accrued interest receivable  | 33,303                  | -                                | 33,303                                  |
| Prepaid expenses   | 94,594                  | -                                | 94,594                                  |
|  | <u>          </u>       | <u>          </u>                | <u>          </u>                       |
| Total assets   | <u>\$ 29,838,711</u>    | <u>85,873</u>                    | <u>29,924,584</u>                       |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</b> |                         |                                  |   |
| <b>Liabilities:</b>  |                         |                                  |   |
| Accounts payable   | \$ 378,620              | -                                | 378,620                                 |
| Accrued salaries   | 446,123                 | -                                | 446,123                                 |
| Total liabilities  | <u>824,743</u>          | <u>-</u>                         | <u>824,743</u>                          |
| <b>Deferred inflows of resources:</b>                                    |                         |                                  |   |
| Accrued property taxes not available<br>for spending                     | 493,553                 | -                                | 493,553                                 |
|  | <u>          </u>       | <u>          </u>                | <u>          </u>                       |
| Total liabilities and deferred inflows<br>of resources                   | <u>1,318,296</u>        | <u>-</u>                         | <u>1,318,296</u>                        |
| <b>Fund balances:</b>  |                         |                                  |   |
| Nonspendable   | 94,594                  | -                                | 94,594                                  |
| Restricted   | -                       | 85,873                           | 85,873                                  |
| Assigned   | 13,865,015              | -                                | 13,865,015                              |
| Unassigned   | 14,560,806              | -                                | 14,560,806                              |
| Total fund balances  | <u>28,520,415</u>       | <u>85,873</u>                    | <u>28,606,288</u>                       |
|  | <u>          </u>       | <u>          </u>                | <u>          </u>                       |
| Total liabilities, deferred inflows<br>of resources, and fund balances   | <u>\$ 29,838,711</u>    | <u>85,873</u>                    | <u>29,924,584</u>                       |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**RECONCILIATIONS OF THE BALANCE SHEETS—GOVERNMENTAL FUNDS  
TO THE STATEMENTS OF NET POSITION**

| <i>June 30,</i>   | <i>2016</i>          | <i>2015</i>        |
|---|----------------------|--------------------|
| <b>Reconciliation of Fund Balances to Net Position</b>  |                      |                    |
| Total fund balances—governmental funds  | \$ 27,692,646        | 28,606,288         |
| Amounts reported for governmental activities in the statements of net assets are different because:   |                      |                    |
| Certain assets used in governmental activities are not financial resources and therefore are not reported in the funds:   |                      |                    |
| Capital assets, net of accumulated depreciation   | 15,509,205           | 15,278,942         |
| Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. | 443,553              | 493,553            |
| Net position of Internal Service Fund separately reported as proprietary fund.  | 1,888,417            | 2,286,166          |
| Compensated absences in governmental activities are not financial expenditures and therefore are not reported as a liability in governmental funds.                           | (439,777)            | (324,039)          |
| Deferred outflows related to the pension plan are not financial resources and therefore are not reported in the funds.  | 3,002,047            | 2,406,454          |
| Deferred inflows related to the pension plan are not due and payable in the current period and therefore are not reported in the funds.                                       | (1,288,910)          | (1,772,054)        |
| Net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.  | <u>(4,704,385)</u>   | <u>(3,472,023)</u> |
| Net position of governmental activities   | <u>\$ 42,102,796</u> | <u>43,503,287</u>  |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES—GOVERNMENTAL FUNDS**

*Year Ended June 30, 2016*

|   | <u>General<br/>Fund</u> | <u>Gifts and<br/>Grants Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|----------------------------------|---|
| Revenues:                                   |                         |                                  |   |
| Property taxes                              | \$ 34,132,935           | -                                | 34,132,935                              |
| Collections on book fines and copy services | 752,236                 | -                                | 752,236                                 |
| Gifts and grants                            | -                       | 296,478                          | 296,478                                 |
| State revenue                               | 265,727                 | -                                | 265,727                                 |
| Investment income                           | 666,457                 | -                                | 666,457                                 |
| Other                                       | 381,901                 | -                                | 381,901                                 |
| Total revenues                              | <u>36,199,256</u>       | <u>296,478</u>                   | <u>36,495,734</u>                       |
| Expenditures:                               |                         |                                  |   |
| Personal services                           | 23,336,314              | -                                | 23,336,314                              |
| Maintenance and operations:                 |                         |                                  |   |
| Contractual services                        | 4,682,575               | 201,886                          | 4,884,461                               |
| Commodities                                 | 1,232,990               | -                                | 1,232,990                               |
| Capital outlays                             | 7,937,984               | 17,627                           | 7,955,611                               |
| Total expenditures                          | <u>37,189,863</u>       | <u>219,513</u>                   | <u>37,409,376</u>                       |
| Net changes in fund balances                | (990,607)               | 76,965                           | (913,642)                               |
| Fund balances, beginning of year            | <u>28,520,415</u>       | <u>85,873</u>                    | <u>28,606,288</u>                       |
| Fund balances, end of year                  | <u>\$ 27,529,808</u>    | <u>162,838</u>                   | <u>27,692,646</u>                       |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES—GOVERNMENTAL FUNDS, CONTINUED**

*Year Ended June 30, 2015*

|   | <u>General<br/>Fund</u> | <u>Gifts and<br/>Grants Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|----------------------------------|---|
| Revenues:                                   |                         |                                  |   |
| Property taxes                              | \$ 32,598,393           | -                                | 32,598,393                              |
| Collections on book fines and copy services | 745,528                 | -                                | 745,528                                 |
| Gifts and grants                            | -                       | 364,209                          | 364,209                                 |
| State revenue                               | 281,497                 | -                                | 281,497                                 |
| Investment income                           | 387,000                 | -                                | 387,000                                 |
| Other                                       | 198,941                 | -                                | 198,941                                 |
| Total revenues                              | <u>34,211,359</u>       | <u>364,209</u>                   | <u>34,575,568</u>                       |
| Expenditures:                               |                         |                                  |   |
| Personal services                           | 22,634,023              | -                                | 22,634,023                              |
| Maintenance and operations:                 |                         |                                  |   |
| Contractual services                        | 4,175,014               | 331,913                          | 4,506,927                               |
| Commodities                                 | 1,144,894               | -                                | 1,144,894                               |
| Capital outlays                             | 6,439,960               | 32,155                           | 6,472,115                               |
| Total expenditures                          | <u>34,393,891</u>       | <u>364,068</u>                   | <u>34,757,959</u>                       |
| Net changes in fund balances                | (182,532)               | 141                              | (182,391)                               |
| Fund balances, beginning of year            | <u>28,702,947</u>       | <u>85,732</u>                    | <u>28,788,679</u>                       |
| Fund balances, end of year                  | <u>\$ 28,520,415</u>    | <u>85,873</u>                    | <u>28,606,288</u>                       |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**RECONCILIATIONS OF NET CHANGES IN GOVERNMENTAL FUND BALANCES TO  
GOVERNMENTAL ACTIVITIES CHANGES IN NET POSITION**

| <i>Years Ended June 30,</i>   | <i>2016</i>           | <i>2015</i>      |
|---|-----------------------|------------------|
| Net changes in fund balances—total governmental funds   | \$ (913,642)          | (182,391)        |
| Amounts reported for governmental activities in the statements of activities are different because:   |                       |                  |
| Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets:   |                       |                  |
| Depreciation expense  | (5,054,164)           | (4,971,859)      |
| Capital additions   | <u>5,336,481</u>      | <u>4,590,697</u> |
|   | <u>282,317</u>        | <u>(381,162)</u> |
| Disposals of capital assets are not considered to be expenditures in the governmental funds. Receipts of funds from the sale of capital assets are considered revenue in the governmental funds. They are, however, recorded as overall loss in the statements of activities.                               | (52,054)              | (34,768)         |
| Compensated absences are not considered to be expenditures in the governmental funds. They are, however, recorded as expenses in the statements of activities.  | (115,739)             | (58,295)         |
| Because some property taxes will not be collected for several months after the Library's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are instead counted as deferred revenues. They are, however, recorded as revenues in the statements of activities. | (107,115)             | (166,844)        |
| Uncollectible property taxes receivable that have been written-off are not considered to be revenues in the governmental funds. They are, however, recorded as a reduction of recognized revenue in the statements of activities.   | 57,115                | 106,405          |
| The statements of activities include net activity of the Internal Service Fund, which is shown as a proprietary fund in the fund financial statements.  | (397,749)             | 242,277          |
| In the statements of activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.  | <u>(153,624)</u>      | <u>295,301</u>   |
| Changes in net position of governmental activities  | <u>\$ (1,400,491)</u> | <u>(179,477)</u> |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**BALANCE SHEETS—PROPRIETARY FUND**

| <i>June 30,</i>                    | <i>2016</i>   | <i>2015</i>      |
|------------------------------------|---|------------------|
|                                    | <u>Governmental Activities—<br/>Internal Service Fund</u> |                  |
| <b>Assets</b>                      |   |                  |
| Current assets:                    |   |                  |
| Cash and cash equivalents          | \$ 2,143,551  | 2,494,492        |
| Stop-loss reimbursement receivable | <u>128,920</u>  | <u>95,389</u>    |
| Total assets                       | <u>2,272,471</u>  | <u>2,589,881</u> |
| <b>Liabilities</b>                 |   |                  |
| Claims payable                     | <u>384,054</u>  | <u>303,715</u>   |
| <b>Net Position</b>                |   |                  |
| Unrestricted                       | <u>\$ 1,888,417</u>                                       | <u>2,286,166</u> |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION—PROPRIETARY FUND**

| <i>Years Ended June 30,</i>     | <i>2016</i>                                       | <i>2015</i>      |
|---------------------------------|---|------------------|
|                                 | Governmental Activities—<br>Internal Service Fund |                  |
| Operating revenues:             |   |                  |
| Insurance premiums              | \$ 2,718,366                                      | 2,570,328        |
| Refunds and miscellaneous       | 64,057  | 54,575           |
| Total operating revenues        | <u>2,782,423</u>                                  | <u>2,624,903</u> |
| Operating expenses:             |   |                  |
| Claims                          | <u>3,182,014</u>                                  | <u>2,383,193</u> |
| Net operating (loss) income     | <u>(399,591)</u>                                  | <u>241,710</u>   |
| Non-operating revenues:         |   |                  |
| Interest income                 | <u>1,842</u>                                      | <u>567</u>       |
| Changes in net position         | (397,749)   | 242,277          |
| Net position, beginning of year | <u>2,286,166</u>                                  | <u>2,043,889</u> |
| Net position, end of year       | <u>\$ 1,888,417</u>                               | <u>2,286,166</u> |

See Independent Auditors' Report.  
See accompanying notes to financial statements.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF CASH FLOWS—PROPRIETARY FUND**

**Increase (Decrease) in Cash and Cash Equivalents**

| <i>Years Ended June 30,</i>   | <i>2016</i>                                       | <i>2015</i> |
|---|---|-------------|
|   | Governmental Activities—<br>Internal Service Fund |             |
| <b>Cash flows from operating activities:</b>  |   |             |
| Cash received from other fund for services  | \$ 2,718,366                                      | 2,570,328   |
| Receipts from reinsurance   | 500,472   | 394,511     |
| Payments of claims  | (3,635,678)                                       | (2,667,168) |
| Other receipts  | 64,057  | 54,575      |
| Net cash (used in) provided by operating activities   | (352,783)   | 352,246     |
| <b>Cash flows from investing activities:</b>  |   |             |
| Interest on investments   | 1,842   | 567         |
| Net cash provided by investing activities   | 1,842   | 567         |
| <b>Net (decrease) increase in cash and cash equivalents</b>                                 | (350,941)   | 352,813     |
| Cash and cash equivalents, beginning of year  | 2,494,492   | 2,141,679   |
| Cash and cash equivalents, end of year  | \$ 2,143,551                                      | 2,494,492   |
| <b>Reconciliation of net operating income to net cash provided by operating activities:</b> |   |             |
| Net operating (loss) income   | \$ (399,591)                                      | 241,710     |
| Adjustments to reconcile net operating income to net cash provided by operating activities: |   |             |
| Increase in receivables   | (33,531)  | (54,877)    |
| Increase in claims payable  | 80,339  | 165,413     |
| Net cash (used in) provided by operating activities   | \$ (352,783)                                      | 352,246     |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF FIDUCIARY NET POSITION—FIDUCIARY FUNDS**

*June 30, 2016*

|  | <u>Pension<br/>Fund</u> | <u>Flex Benefit<br/>Fund</u> | <u>Defined<br/>Contribution<br/>Fund</u> | <u>Total<br/>Fiduciary<br/>Funds</u> |
|--|-------------------------|------------------------------|--|--------------------------------------|
| <b>Assets</b>                                      |                         |                              |  |                                      |
| Cash   | \$ 584,532              | 34,594                       | -  | 619,126                              |
| Receivables (unsettled trades and accrued income)  | 30,887                  | -                            | -  | 30,887                               |
| Investments:                                       |                         |                              |  |                                      |
| Certificates of deposit                            | 349,000                 | -                            | -  | 349,000                              |
| Corporate bonds                                    | 406,216                 | -                            | -  | 406,216                              |
| Common stock                                       | 7,927,546               | -                            | -  | 7,927,546                            |
| Mutual funds                                       | 16,530,076              | -                            | 13,653,902                               | 30,183,978                           |
| Guaranteed interest account                        | -                       | -                            | 3,032,915                                | 3,032,915                            |
| Total investments                                  | <u>25,212,838</u>       | <u>-</u>                     | <u>16,686,817</u>                        | <u>41,899,655</u>                    |
| Total assets                                       | <u>25,828,257</u>       | <u>34,594</u>                | <u>16,686,817</u>                        | <u>42,549,668</u>                    |
| <b>Liabilities</b>                                 |                         |                              |  |                                      |
| Employee benefits payable                          | -                       | 9,594                        | -  | 9,594                                |
| Prepayment from the Library                        | -                       | 25,000                       | -  | 25,000                               |
| Total liabilities                                  | <u>-</u>                | <u>34,594</u>                | <u>-</u>                                 | <u>34,594</u>                        |
| <b>Net Position</b>                                |                         |                              |  |                                      |
| Net position restricted for pensions and insurance | <u>\$ 25,828,257</u>    | <u>-</u>                     | <u>16,686,817</u>                        | <u>42,515,074</u>                    |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF FIDUCIARY NET POSITION—FIDUCIARY FUNDS, CONTINUED**

*June 30, 2015*

|   | Pension<br><u>Fund</u> | Flex Benefit<br><u>Fund</u> | Defined<br>Contribution<br><u>Fund</u> | Total<br>Fiduciary<br><u>Funds</u> |
|---|------------------------|-----------------------------|--|------------------------------------|
| <b>Assets</b>   |                        |                             |  |                                    |
| Cash  | \$ 797,263             | 35,116                      | -                                      | 832,379                            |
| Receivables (unsettled trades and<br>accrued income)  | 30,536                 | -                           | -                                      | 30,536                             |
| Investments:  |                        |                             |  |                                    |
| Corporate bonds                                       | 788,094                | -                           | -                                      | 788,094                            |
| Common stock  | 7,865,736              | -                           | -                                      | 7,865,736                          |
| Mutual funds  | 16,972,187             | -                           | 13,836,286                             | 30,808,473                         |
| Guaranteed interest account                           | -                      | -                           | 1,953,083                              | 1,953,083                          |
| Total investments                                     | <u>25,626,017</u>      | <u>-</u>                    | <u>15,789,369</u>                      | <u>41,415,386</u>                  |
| Total assets  | <u>26,453,816</u>      | <u>35,116</u>               | <u>15,789,369</u>                      | <u>42,278,301</u>                  |
| <b>Liabilities</b>                                    |                        |                             |  |                                    |
| Employee benefits payable                             | -                      | 10,116                      | -                                      | 10,116                             |
| Prepayment from the Library                           | -                      | 25,000                      | -                                      | 25,000                             |
| Total liabilities                                     | <u>-</u>               | <u>35,116</u>               | <u>-</u>                               | <u>35,116</u>                      |
| <b>Net Position</b>                                   |                        |                             |  |                                    |
| Net position restricted for pensions<br>and insurance | <u>\$ 26,453,816</u>   | <u>-</u>                    | <u>15,789,369</u>                      | <u>42,243,185</u>                  |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION—FIDUCIARY FUNDS**

*Year Ended June 30, 2016*

|   | Pension<br><u>Fund</u> | Flex Benefit<br><u>Fund</u> | Defined<br>Contribution<br><u>Fund</u> | Total<br>Fiduciary<br><u>Funds</u> |
|---|------------------------|-----------------------------|--|------------------------------------|
| <b>Additions</b>  |                        |                             |  |                                    |
| Contributions:  |                        |                             |  |                                    |
| Employer  | \$ 767,211             | -                           | 1,077,951                              | 1,845,162                          |
| Employee  | 63,791                 | 637,537                     | 608,954                                | 1,310,282                          |
| Rollover  | -                      | -                           | 150,182                                | 150,182                            |
| Total contributions   | <u>831,002</u>         | <u>637,537</u>              | <u>1,837,087</u>                       | <u>3,305,626</u>                   |
| Investment income:  |                        |                             |  |                                    |
| Interest  | 47,900                 | -                           | 83,346                                 | 131,246                            |
| Dividends   | 508,833                | -                           | -                                      | 508,833                            |
| Net decrease in fair value of investments                             | <u>(88,097)</u>        | <u>-</u>                    | <u>(408,763)</u>                       | <u>(496,860)</u>                   |
| Total investment income   | <u>468,636</u>         | <u>-</u>                    | <u>(325,417)</u>                       | <u>143,219</u>                     |
| Direct investment expenses  | <u>(70,269)</u>        | <u>-</u>                    | <u>-</u>                               | <u>(70,269)</u>                    |
| Net investment income (loss)  | <u>398,367</u>         | <u>-</u>                    | <u>(325,417)</u>                       | <u>72,950</u>                      |
| Total additions   | <u>1,229,369</u>       | <u>637,537</u>              | <u>1,511,670</u>                       | <u>3,378,576</u>                   |
| <b>Deductions</b>   |                        |                             |  |                                    |
| Benefits paid   | 1,793,103              | 627,957                     | 613,542                                | 3,034,602                          |
| Administrative expense  | <u>61,825</u>          | <u>9,580</u>                | <u>680</u>                             | <u>72,085</u>                      |
| Total deductions  | <u>1,854,928</u>       | <u>637,537</u>              | <u>614,222</u>                         | <u>3,106,687</u>                   |
| Net (decrease) increase in net position                               | (625,559)              | -                           | 897,448                                | 271,889                            |
| Net position restricted for pensions and insurance, beginning of year | <u>26,453,816</u>      | <u>-</u>                    | <u>15,789,369</u>                      | <u>42,243,185</u>                  |
| Net position restricted for pensions and insurance, end of year       | <u>\$ 25,828,257</u>   | <u>-</u>                    | <u>16,686,817</u>                      | <u>42,515,074</u>                  |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION—FIDUCIARY FUNDS,  
CONTINUED**

*Year Ended June 30, 2015*

|  | Pension<br>Fund      | Flex Benefit<br>Fund | Defined<br>Contribution<br>Fund | Total<br>Fiduciary<br>Funds |
|--|----------------------|----------------------|---------------------------------|-----------------------------|
| <b>Additions</b>   |                      |                      |                                 |                             |
| Contributions:   |                      |                      |                                 |                             |
| Employer   | \$ 812,823           | -                    | 989,375                         | 1,802,198                   |
| Employee   | <u>77,896</u>        | <u>594,365</u>       | <u>562,095</u>                  | <u>1,234,356</u>            |
| Total contributions  | <u>890,719</u>       | <u>594,365</u>       | <u>1,551,470</u>                | <u>3,036,554</u>            |
| Investment income:   |                      |                      |                                 |                             |
| Interest   | 51,940               | -                    | 54,588                          | 106,528                     |
| Dividends  | 518,583              | -                    | -                               | 518,583                     |
| Net (decrease) increase in fair value<br>of investments                  | <u>(530,686)</u>     | <u>-</u>             | <u>506,151</u>                  | <u>(24,535)</u>             |
| Total investment income  | <u>39,837</u>        | <u>-</u>             | <u>560,739</u>                  | <u>600,576</u>              |
| Direct investment expenses   | <u>(159,049)</u>     | <u>-</u>             | <u>(21,502)</u>                 | <u>(180,551)</u>            |
| Net investment (loss) income   | <u>(119,212)</u>     | <u>-</u>             | <u>539,237</u>                  | <u>420,025</u>              |
| Total additions  | <u>771,507</u>       | <u>594,365</u>       | <u>2,090,707</u>                | <u>3,456,579</u>            |
| <b>Deductions</b>  |                      |                      |                                 |                             |
| Benefits paid  | 1,636,804            | 589,936              | 1,050,421                       | 3,277,161                   |
| Administrative expense   | <u>57,880</u>        | <u>4,429</u>         | <u>760</u>                      | <u>63,069</u>               |
| Total deductions   | <u>1,694,684</u>     | <u>594,365</u>       | <u>1,051,181</u>                | <u>3,340,230</u>            |
| Net (decrease) increase in net position                                  | (923,177)            | -                    | 1,039,526                       | 116,349                     |
| Net position restricted for pensions and<br>insurance, beginning of year | <u>27,376,993</u>    | <u>-</u>             | <u>14,749,843</u>               | <u>42,126,836</u>           |
| Net position restricted for pensions and<br>insurance, end of year       | <u>\$ 26,453,816</u> | <u>-</u>             | <u>15,789,369</u>               | <u>42,243,185</u>           |

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016 and 2015**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Metropolitan Library Commission of Oklahoma County's (the "Library") financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

**Reporting Entity**

The Library is a corporate body for public purposes created under Title 65 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. There are no component units included within the reporting entity.

Under the Oklahoma Metropolitan Library Act (the "Act"), the Library is governed by the Board of Commissioners. Effective July 31, 2007, Section 554 of the Act was amended, increasing the number of the Board of Commissioners voting members from 19 to 27. The Board of Commissioners members include: 13 voting members who are appointees of the City of Oklahoma City; 1 voting member who is an appointee of the Oklahoma County Commissioners; 1 voting member each from the cities of Bethany, Choctaw, Del City, Edmond, Harrah, Jones, Luther, Midwest City, Nicoma Park, the Village, and Warr Acres; and 2 ex-officio members—the Mayor of Oklahoma City and the Chairman of the Oklahoma County Commissioners, for a total of 27 voting members. The Board of Commissioners also includes one nonvoting member, the Librarian, who conducts Library operations.

**Basis of Presentation**

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

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Basis of Presentation, Continued**

***Government-Wide Financial Statements***

In the government-wide statements of net position, the Library's governmental activities are reported using the accrual basis of accounting. The Library's net position is reported in three parts—net investment in capital assets, restricted, and unrestricted. Revenues are recognized when earned and expenses are recognized when incurred.

The government-wide statements of activities report both the gross and net cost of each of the Library's programs and functions. The functions are also supported by general government revenues. The statements of activities reduce gross expenses (including depreciation) by related program revenues, operating grants and contributions, and capital grants and contributions. Program revenues must be directly associated with the function. Charges for services include charges and fees to customers for fines and charges for services provided. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

All interfund transactions between governmental funds and internal service funds are eliminated in the government-wide statements.

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

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

***Fund Financial Statements***

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

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

See Independent Auditors' Report.

METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Basis of Presentation, Continued**

*Fund Financial Statements, Continued*

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans. Employer and participant contributions are recognized in the period in which the contributions are due and the Library has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the plan.

The Library reports the following major governmental funds:

General Fund:

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

Special Revenue Fund:

*Gifts and Grants Fund*—The Library accounts for resources received from various gifts and grants. These resources are restricted to, or designated for, specific purposes by a grantor.

Additionally, the Library reports the following fund types:

Proprietary Fund:

*Internal Service Fund*—Revenues and expenses related to services provided to the Library for employee insurance are accounted for in the Internal Service Fund, the insurance fund.

Fiduciary Funds:

*Employee Benefit Trust Funds*—The Pension Fund, the Flex Benefit Fund, and the Defined Contribution Fund are used to report assets held in trust for members and beneficiaries of the plans, and the assets cannot be used to support the Library's operating programs.

See Independent Auditors' Report.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Basis of Accounting**

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

Accrual

The government-wide financial statements are presented on the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements.

Revenues are recognized when earned and expenses are recognized when a liability is incurred. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fiduciary fund financial statements are in conformity with the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*.

Modified Accrual

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

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$500 or more and all books and materials are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|                            |          |
|----------------------------|----------|
| Buildings and improvements | 30 years |
| Furniture and fixtures     | 7 years  |
| Computer equipment         | 4 years  |
| Vehicles                   | 5 years  |
| Books and materials        | 5 years  |

During the year ended June 30, 2015, the Library changed depreciation methodologies for books and materials. Prior to 2015, all books were depreciated on the straight-line basis over an estimated useful life of 5 years beginning at the time the books were purchased and placed in service. For the year ended June 30, 2015, the cumulative capital outlay for books and materials purchased throughout the year is capitalized at year-end and depreciated over a straight-line useful life of 5 years with a half-year convention used in the first and last years. The change in methodology does not have a significant effect on the Library's net position for the current or future years due to the current and previous depreciation methods utilizing a 5-year estimated useful life.

**Compensated Absences**

The Library accrues accumulated unpaid annual leave when it has been earned by the employee. Generally, up to 75% of annual leave must be taken during the calendar year earned and compensated absences are reported as current liabilities. Eligible employees who end their employment with the Library are reimbursed for each day of accumulated unpaid annual leave.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Annual Budget**

The Library is required by state law to prepare an annual budget. The Oklahoma County Excise Board formally approves an annual budget for the General Fund.

**Cash and Cash Equivalents**

The Library considers all cash on-hand, demand deposits, money market checking, and certificates of deposit held at an individual bank which are subject to early withdrawal penalties, no matter what the maturity period, to be cash and cash equivalents.

**Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments held at June 30, 2016 and 2015, with original maturities greater than 1 year are stated at fair value.

**Investment Earnings**

Investment earnings principally consist of interest income and fair market value adjustments as the investments are presented at fair value. Investment earnings for the years ended June 30 were as follows:

|                               | <u>2016</u>       | <u>2015</u>    |
|-------------------------------|-------------------|----------------|
| Interest income               | \$ 222,825        | 171,399        |
| Fair market value adjustments | <u>443,632</u>    | <u>215,601</u> |
| Investment earnings           | <u>\$ 666,457</u> | <u>387,000</u> |

**Advertising Costs**

All costs associated with advertising are expensed as incurred.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Property Tax Revenues**

The Library is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within Oklahoma County. The County Assessor, upon receipt of the certification of tax levies from the Oklahoma County Excise Board, extends the tax levies on the tax roll for submission to the County Treasurer prior to October 1. The County Treasurer must commence tax collection within 15 days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half are due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 1. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has 2 years to redeem the property by paying the taxes and penalty owed. If at the end of 2 years the owner has not done so, the purchaser is issued a deed to the property. The Oklahoma County Assessor's Office bills and collects the property taxes and remits to the Library its share.

**Property Taxes Receivable**

Property taxes receivable by the Library include uncollected taxes assessed as of October 1, 2015 and 2014, and earlier. The Library considers prior years' experience in estimating uncollectible property taxes. The balance in the allowance account was \$2,303 and \$33,207 as of June 30, 2016 and 2015, respectively. No provision has been made in the other funds for uncollectible amounts. All property taxes earned at year-end but not yet received are included in receivables reported on the government-wide statements. At June 30, 2016 and 2015, the Library wrote-off \$54,812 and \$73,198, respectively, of property taxes receivable as an uncollectible amount which related to the property taxes receivable of 2006 and earlier years. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Any remaining property taxes due are deferred until they become available.

Changes in the allowance for the years ended June 30 were as follows:

|  | <u>2016</u>     | <u>2015</u>   |
|--|-----------------|---------------|
| Balance, beginning of year                   | \$ 33,207       | 48,590        |
| Provision added to allowance during the year | -               | -             |
| Charge-offs                                  | (54,812)        | (73,198)      |
| Recoveries                                   | <u>23,908</u>   | <u>57,815</u> |
| Balance, end of year                         | <u>\$ 2,303</u> | <u>33,207</u> |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Deferred Inflows and Outflows of Resources**

*Fund Financial Statements*

Deferred inflows of resources represents the portion of property taxes receivable that will be collected this year but are not available soon enough to pay current period expenditures and are deferred.

*Government-Wide Financial Statements*

Deferred inflows and outflows of resources represent amounts associated with pension differences between expected and actual experience, differences between projected and actual earnings on pension fund investments, and changes in assumptions. Note 6 details the components of these items.

**State Revenues**

The Library receives revenue from the State of Oklahoma (the “State”) and the Oklahoma Department of Libraries to administer certain categorical library programs.

**Interfund Transfers**

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

Interfund transfers were used to transfer grant receipts from the Gifts and Grants Fund to the General Fund. For the purpose of the statements of activities, all interfund transfers between individual governmental funds have been eliminated.

**Contributed Facilities and Services**

The Library operates several branches located in government-owned buildings and receives certain services without charge. The estimated fair rental values of the premises and services are not reported in the accompanying statements of revenues, expenditures, and changes in fund balances.

**Grants**

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

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Income Taxes**

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

**Prepaid Expenses**

The Library uses the consumption method to record prepaid expenses. Prepaid expenses are payments in advance of the receipt of goods or services in exchange transactions and are usually made for insurance and rent. Prepaid expenses are reported as financial resources at the time of prepayment, and expenditures for prepaid services are recognized when the related services are received. Included in prepaid expenses is \$25,000 paid by the Library to the Flex Benefit Fund, which the Flex Benefit Fund reflects a liability.

**Pensions**

*Defined Benefit Pension Plan*—For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Metropolitan Library System Pension Plan (the “Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Defined Contribution Plan*—The Library also has a defined contribution plan. The defined contribution is discussed in Notes 2 and 6.

**Restricted Resources**

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

**Use of Estimates**

The preparation of financial statements 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Equity Classification**

*Government-Wide Financial Statements*

Equity is classified as net position and displayed in three components:

- (a) Net investment in capital assets—consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted—consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (ii) law through constitutional provisions or enabling legislation.
- (c) Unrestricted—all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the Library’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The classifications are defined as:

- (a) Nonspendable fund balance—includes amounts that cannot be spent because they are either (i) not in spendable form or (ii) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash, including prepaid expenses.

It is the responsibility of the Library’s Finance Director to identify and report all nonspendable funds appropriately in the Library’s financial statements.

- (b) Restricted fund balance—consists of amounts with constraints placed on the use of resources either (i) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (ii) imposed by law through constitutional provisions or enabling legislation.

It is the responsibility of the Library’s Finance Director to identify and report all restricted funds appropriately in the Library’s financial statements. The Library has identified the Gifts and Grants Fund as a restricted fund balance.

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Equity Classification, Continued**

*Fund Statements, Continued*

- (c) Committed fund balance—reflects specific purposes pursuant to constraints imposed by formal action of the Library’s highest level of decision-making authority. Also, such constraints can only be removed or changed by the same form of formal action.

For purposes of the committed fund balance, the Board of Commissioners is considered the Library’s highest level of decision-making authority. Funds set aside by the Board of Commissioners as committed fund balances require the passage of a resolution by a majority vote of the members of the Board of Commissioners. The passage of such a resolution must take place prior to the Library’s fiscal year-end in order for it to be applicable to the Library’s fiscal year-end, although it is permitted for the specific amount of the commitment to be determined after the fiscal year-end if additional information is required in order to determine the exact amount to be committed. The Board of Commissioners has the authority to remove or change the commitment of funds with a majority vote.

- (d) Assigned fund balance—reflects amounts that are constrained by the Library’s intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint. Assigned funds cannot cause a deficit in the unassigned fund balance.

For purposes of the assigned fund balance, the Board of Commissioners is considered the Library’s highest level of decision-making authority. Any funds that the Finance Director assigns for specific purposes must be reported to the Board of Commissioners at its next regular meeting. The assignment of funds shall be recorded in the Board of Commissioners’ official meeting minutes.

- (e) Unassigned fund balance—is the residual classification for the General Fund only. Unassigned fund balance essentially consists of excess funds that have not been classified in the above four fund balance categories.

It is the Library’s policy to first use the restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Library’s policy for the use of the unrestricted fund balance amounts require that committed amounts be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

See Independent Auditors’ Report.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Equity Classification, Continued**

*Fund Statements, Continued*

Effective July 1, 2010, the Library implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The following tables show the fund balance classifications as shown on the governmental funds balance sheets in accordance with GASB 54 as of June 30:

|  | 2016                 |                          | Total<br>Governmental<br>Funds |
|--|----------------------|--------------------------|--------------------------------|
|  | General<br>Fund      | Gifts and<br>Grants Fund |                                |
| Fund balances:                                   |                      |                          |                                |
| Nonspendable:                                    |                      |                          |                                |
| Prepaid expenses                                 | \$ 97,595            | -                        | 97,595                         |
| Restricted:                                      |                      |                          |                                |
| Grants or gifts received for<br>special programs | -                    | 162,838                  | 162,838                        |
| Assigned:  |                      |                          |                                |
| Cash flow  | 7,000,000            | -                        | 7,000,000                      |
| Reserve for extra payday                         | 300,000              | -                        | 300,000                        |
| Capital improvement:                             |                      |                          |                                |
| Belle Isle Library                               | 950,000              | -                        | 950,000                        |
| Bethany Library                                  | 442,957              | -                        | 442,957                        |
| Capitol Hill Library                             | 538,000              | -                        | 538,000                        |
| Del City Library                                 | 589,276              | -                        | 589,276                        |
| New Edmond Library                               | 3,493,785            | -                        | 3,493,785                      |
| Village Library                                  | 491,481              | -                        | 491,481                        |
| Warr Acres Library                               | 426,522              | -                        | 426,522                        |
| Total assigned                                   | 14,232,021           | -                        | 14,232,021                     |
| Unassigned                                       | 13,200,192           | -                        | 13,200,192                     |
| Total fund balances                              | <u>\$ 27,529,808</u> | <u>162,838</u>           | <u>27,692,646</u>              |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Equity Classification, Continued**

*Fund Statements, Continued*

|  | 2015                    |                                  |   |
|--|-------------------------|----------------------------------|---|
|  | <u>General<br/>Fund</u> | <u>Gifts and<br/>Grants Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
| Fund balances:                                   |                         |                                  |   |
| Nonspendable:                                    |                         |                                  |   |
| Prepaid expenses                                 | \$ 94,594               | -                                | 94,594                                  |
| Restricted:                                      |                         |                                  |   |
| Grants or gifts received for<br>special programs | -                       | 85,873                           | 85,873                                  |
| Assigned:  |                         |                                  |   |
| Cash flow  | 6,800,000               | -                                | 6,800,000                               |
| Reserve for extra payday                         | 240,000                 | -                                | 240,000                                 |
| Capital improvement:                             |                         |                                  |   |
| Belle Isle Library                               | 950,000                 | -                                | 950,000                                 |
| Bethany Library                                  | 442,957                 | -                                | 442,957                                 |
| Capitol Hill Library                             | 538,000                 | -                                | 538,000                                 |
| Del City Library                                 | 589,276                 | -                                | 589,276                                 |
| New Edmond Library                               | 3,386,779               | -                                | 3,386,779                               |
| Village Library                                  | 491,481                 | -                                | 491,481                                 |
| Warr Acres Library                               | 426,522                 | -                                | 426,522                                 |
| Total assigned                                   | <u>13,865,015</u>       | <u>-</u>                         | <u>13,865,015</u>                       |
| Unassigned                                       | <u>14,560,806</u>       | <u>-</u>                         | <u>14,560,806</u>                       |
| Total fund balances                              | <u>\$ 28,520,415</u>    | <u>85,873</u>                    | <u>28,606,288</u>                       |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds. This is an extension of the formal budgetary integration in the General Fund. Encumbrances do not represent any further constraint on the use of amounts than is already communicated by governmental fund balance classification as restricted, committed, or assigned. As of June 30, 2016 and 2015, approximately \$420,000 and \$1,523,000, respectively, of encumbrances were outstanding.

**Recent Accounting Pronouncements**

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The Library adopted GASB 72 on July 1, 2015. Adoption of this statement resulted in revised disclosures related to the financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). GASB 73 addresses accounting and financial reporting for pensions that do not meet the criteria for applying GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), and amends certain disclosure requirements of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* (GASB 67) and GASB 68. GASB 73 amendments include restricting additional disclosures related to 10-year schedules required by GASB 67 to be limited to factors over which the plan or government has influence, such as a change in investment policies. Amendments also address payables to a plan that are not separately financed specific liabilities, and the timing of employer recognition of revenue for the support of nonemployer contributing entities. The Library adopted this statement on July 1, 2015. The adoption had no significant impact on the Library's financial statements.

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recent Accounting Pronouncements, Continued**

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). GASB 74 seeks to improve the usefulness of information about postemployment benefits (OPEB) other than pensions. This statement provides guidance for reporting and disclosure of defined benefit and defined contribution OPEB plans. The Library adopted this statement July 1, 2015. The Library has no items to be reported, and the adoption had no significant impact on the Library's financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of GASB 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB 75 is effective for fiscal years beginning after June 15, 2017. The Library has not yet determined the complete impact of adopting GASB 75.

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**METROPOLITAN LIBRARY COMMISSION OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recent Accounting Pronouncements, Continued**

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). GASB 76 identifies accounting sources used to prepare state and local government financial statements in conformity with GAAP, and established a GAAP hierarchy of these resources. This Statement improves financial reporting by raising the category of GAAP Implementation Guides in the GAAP hierarchy, by emphasizing the importance of analogies to authoritative literature when an accounting event is not specified in authoritative GAAP, and by requiring the consideration of consistency with GASB Concept Statements when evaluating accounting treatments in non-authoritative GAAP. The Library adopted this statement on July 1, 2015. The adoption had no significant impact on the Library's financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). GASB 77 provides financial reporting and disclosure guidance to governments that have either entered into tax abatement agreements or that have revenues affected by tax abatements entered into by another government. Governments will generally use tax abatements to encourage specific economic development that benefit either the government or its citizens by forgoing certain taxes. The Library will adopt GASB 77 effective July 1, 2016, for the June 30, 2017, reporting year. The Library does not expect GASB 77 to have a significant impact on the financial statements.

In December 2015, GASB issued Statement No. 79, *Certain Investment Pools and Pool Participants* (GASB 79). GASB 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Specific criteria address (1) the way the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. The Library adopted this statement on July 1, 2015. The adoption of this statement had no significant impact on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). GASB 80 amends blending requirements for the financial statements of component units to include criteria requiring blending of a component unit organized as a not-for-profit corporation in which the primary government is the sole corporate member. The Library will adopt GASB 80 effective July 1, 2016, for the June 30, 2017, reporting year. The Library does not expect GASB 80 to have a significant impact on the financial statements.

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recent Accounting Pronouncements, Continued**

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). GASB 81 provides recognition and measurement guidance for situations in which a government is one of the beneficiaries of an irrevocable split-interest agreement. Irrevocable split-interest agreements are a type of giving by a donor to provide resources to two or more beneficiaries, including governments. GASB 81 provides the recognition and reporting requirements applicable when a government is one of the parties to such an agreement. The Library will adopt GASB 81 effective July, 1 2017, for the June 30, 2018, reporting year. The Library does not expect GASB 81 to have a significant impact on the financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues* (GASB 82). GASB 82 addresses issues that arose for pension plans and participating employers when implementing GASB 67 and GASB 68. Under GASB 82, “covered payroll” will be the metric used to prepare ratios and other measures in schedules included in required supplementary information. This change replaces “covered-employee payroll,” the presentation required by GASB 67 and GASB 68, since this particular data element presented operational challenges to pension plans. GASB 82 also now clarifies that a deviation, as defined by the Actuarial Standards Board, when selecting the assumptions used to determine total pension and liability related measures, is not considered to be in conformity with GASB 67 and GASB 68. And lastly, in certain circumstances, employers may make a portion or the entire employee required contributions to a pension plan on behalf of the employee. Under GASB 82, these contributions are classified as plan member contributions for GASB 67. For purposes of GASB 68, including determining an employer’s proportion, those amounts should also be considered employee contributions. The Library adopted this statement July 1 2015. The adoption had no significant impact on the Library’s financial statements.

**Date of Management’s Review of Subsequent Events**

Management has evaluated subsequent events through \_\_\_\_\_, 2016, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The Library's investment policies are governed by State statutes. Permissible investments include direct obligations of the U.S. government and agencies; negotiable certificates of deposit of savings and loan associations and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Non-negotiable certificates of deposit are considered to be cash equivalents. Collateral is required for demand deposits and certificates of deposit on all amounts not covered by Federal Deposit Insurance Corporation insurance.

As a key part of the Library's activities, the Library holds investments that are measured and reported at fair value on a recurring basis. Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

1. Level 1—Unadjusted quoted prices in active markets for identical assets.
2. Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.
3. Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3. As of June 30, 2016 and 2015, the Library had no investments valued using NAV. Fair values of investments by level are presented below. The levels are presented as of June 30, 2016 and 2015.

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

|   | Amounts<br>Measured at<br>Fair Value | Fair Value Measurements at<br>Reporting Date Using                            |   |  |
|---|--------------------------------------|---|---|--|
|   |                                      | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <i>June 30, 2016</i>                          |                                      |   |   |  |
| <b><u>Investments by Fair Value Level</u></b> |                                      |   |   |  |
| <i>The Library</i>                            |                                      |   |   |  |
| U.S. government securities                    | \$ 21,070,028                        | 21,070,028  | -   | -  |
| Treasury money market fund                    | <u>1,001,004</u>                     | <u>1,001,004</u>  | -   | -  |
| Total investments measured at<br>fair value   | <u>\$ 22,071,032</u>                 | <u>22,071,032</u>   | <u>-</u>  | <u>-</u>   |
| <i>Fiduciary Funds</i>                        |                                      |   |   |  |
| <b>Fixed income:</b>                          |                                      |   |   |  |
| Certificates of deposit                       | \$ 349,000                           | 349,000   | -   | -  |
| Corporate bonds                               | <u>406,216</u>                       | -   | <u>406,216</u>  | -  |
| Total fixed income                            | <u>755,216</u>                       | <u>349,000</u>  | <u>406,216</u>  | -  |
| <b>Equities:</b>                              |                                      |   |   |  |
| Common stock                                  | 7,927,546                            | 7,927,546   | -   | -  |
| Equity funds                                  | <u>30,183,978</u>                    | -   | <u>30,183,978</u>   | -  |
| Total equities                                | <u>38,111,524</u>                    | <u>7,927,546</u>  | <u>30,183,978</u>   | -  |
| <b>Guaranteed investments:</b>                |                                      |   |   |  |
| Guaranteed interest account                   | <u>3,032,915</u>                     | -   | -   | <u>3,032,915</u>                                   |
| Total guaranteed investments                  | <u>3,032,915</u>                     | -   | -   | <u>3,032,915</u>                                   |
| Total investments measured at<br>fair value   | <u>\$ 41,899,655</u>                 | <u>8,276,546</u>  | <u>30,590,194</u>   | <u>3,032,915</u>                                   |

See Independent Auditors' Report.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

|   | Amounts<br>Measured at<br>Fair Value | Fair Value Measurements at<br>Reporting Date Using                            |   |  |
|---|--------------------------------------|---|---|--|
|   |                                      | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <i>June 30, 2015</i>                          |                                      |   |   |  |
| <b><u>Investments by Fair Value Level</u></b> |                                      |   |   |  |
| <i>The Library</i>                            |                                      |   |   |  |
| U.S. government securities                    | \$ 20,421,981                        | 20,421,981  | -   | -  |
| Total investments measured at<br>fair value   | <u>\$ 20,421,981</u>                 | <u>20,421,981</u>   | <u>-</u>  | <u>-</u>   |
| <i>Fiduciary Funds</i>                        |                                      |   |   |  |
| <b>Fixed income:</b>                          |                                      |   |   |  |
| Corporate bonds                               | \$ 788,094                           | -   | 788,094   | -  |
| Total fixed income                            | <u>788,094</u>                       | <u>-</u>  | <u>788,094</u>  | <u>-</u>   |
| <b>Equities:</b>                              |                                      |   |   |  |
| Common stock                                  | 7,865,736                            | 7,865,736   | -   | -  |
| Equity funds                                  | 30,808,473                           | -   | 30,808,473  | -  |
| Total equities                                | <u>38,674,209</u>                    | <u>7,865,736</u>  | <u>30,808,473</u>   | <u>-</u>   |
| <b>Guaranteed investments:</b>                |                                      |   |   |  |
| Guaranteed interest account                   | 1,953,083                            | -   | -   | 1,953,083  |
| Total guaranteed investments                  | <u>1,953,083</u>                     | <u>-</u>  | <u>-</u>  | <u>1,953,083</u>                                   |
| Total investments measured at<br>fair value   | <u>\$ 41,415,386</u>                 | <u>7,865,736</u>  | <u>31,596,567</u>   | <u>1,953,083</u>                                   |

The guaranteed investment account represents an account held by a life insurance company which pays a fixed guaranteed rate on the account. The account is generally stated at contract value as determined by the insurance company. As the value is determined by the insurance company, the investment is considered Level 3.

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Custodial Credit Risk**

Custodial Credit Risk—Deposits

For deposits, custodial credit risk is the risk that in the event of the failure of a counterparty, the Library will not be able to recover the value of its deposits. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. At June 30, 2016 and 2015, the carrying amounts of the Library's cash and cash equivalents were \$8,318,017 and \$10,678,027, respectively, and the bank balances were \$8,917,377 and \$11,079,839, respectively. The difference in balances was primarily due to outstanding checks.

The fair value of investments pledged to secure deposits was approximately \$17,181,000 and \$15,455,000 at June 30, 2016 and 2015, respectively. The deposits were fully insured as of June 30, 2016 and 2015.

Custodial Credit Risk—Investments

Investments are made under the custody of the Library Treasurer in accordance with investment policies complying with State statutes and Library policy.

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the Library will not be able to recover the value of its investments. Investment securities are exposed to custodial risk if they are uninsured, are not registered in the name of the Library, or are held by a counterparty or the counterparty's trust department but not in the name of the Library. While the investment policy does not specifically address custodial credit risk, all investments are insured and collateralized.

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH AND INVESTMENTS, CONTINUED**

**Interest Rate Risk and Credit Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest changes. Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The following tables provide information concerning credit risk.

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

| <u>Investment Type</u>   | <u>Moody's<br/>Credit<br/>Rating</u> | <u>Fair Value</u>    | <u>2016<br/>Investment Maturities<br/>(In Years)</u> |                    |                  | <u>%</u>    |
|--|--------------------------------------|----------------------|--|--------------------|------------------|-------------|
|  |                                      |                      | <u>Less than 1</u>                                   | <u>1 or More,</u>  |                  |             |
|  |                                      |                      |  | <u>Less than 5</u> | <u>5 or More</u> |             |
| Federal Home Loan Bank<br>Federal National<br>Mortgage Association | Aaa                                  | \$ 4,018,860         | -  | 4,018,860          | -                | 18%         |
| Federal National<br>Mortgage Association                           | Aaa                                  | 4,028,392            | -  | 4,028,392          | -                | 18%         |
| Goldman Sach Money<br>Market Fund                                  | Aaa                                  | 1,001,004            | 1,001,004  | -                  | -                | 5%          |
|  |                                      | <u>\$ 22,071,032</u> | <u>11,995,088</u>                                    | <u>10,075,944</u>  | <u>-</u>         | <u>100%</u> |

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH AND INVESTMENTS, CONTINUED**

**Interest Rate Risk and Credit Risk, Continued**

| <u>Investment Type</u>   | Moody's<br>Credit<br>Rating | <u>Fair Value</u>    | 2015                              |                   |   | <u>%</u>    |
|--|-----------------------------|----------------------|-----------------------------------|-------------------|---|-------------|
|  |                             |                      | <u>Investment Maturities</u>      |                   |   |             |
|  |                             |                      | <u>(In Years)</u>                 |                   |   |             |
|  |                             | <u>Less than 1</u>   | <u>1 or More,<br/>Less than 5</u> | <u>5 or More</u>  |   |             |
| Federal Home Loan Bank<br>Federal National<br>Mortgage Association | Aaa                         | \$ 8,452,812         | 500,812                           | 7,952,000         | - | 41%         |
| Federal Home Loan<br>Mortgage Corporation                          | Aaa                         | 3,975,562            | -                                 | 3,975,562         | - | 20%         |
|  | Aaa                         | <u>7,993,607</u>     | <u>3,002,355</u>                  | <u>4,991,252</u>  | - | <u>39%</u>  |
|  |                             | <u>\$ 20,421,981</u> | <u>3,503,167</u>                  | <u>16,918,814</u> | - | <u>100%</u> |

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH AND INVESTMENTS, CONTINUED**

**Pension Fund**

The cash and investments of the Pension Fund are invested in various assets with the Bank of Oklahoma and may be used only for the payment of benefits to the members of the Pension Fund (see Note 6). The composition of the Pension Fund at fair value as of June 30 is shown in the following table:

|  | 2016          |   | 2015          |   |
|--|---------------|---|---------------|---|
|  | Fair Value    | Exposure as<br>a Percentage<br>of Total<br>Investment | Fair Value    | Exposure as<br>a Percentage<br>of Total<br>Investment |
| Cash                                   | \$ 584,532    | 2%  | \$ 797,263    | 3%  |
| Fixed income:                          |               |   |               |   |
| Certificates of deposit                | 349,000       | 1%  | -             | 0%  |
| Corporate bonds                        | 406,216       | 2%  | 788,094       | 3%  |
| Bond funds (pooled fixed<br>income)    | 8,808,258     | 34%   | 9,287,144     | 35%   |
|  | 9,563,474     |   | 10,075,238    |   |
| Equities:                              |               |   |               |   |
| Common stock                           | 7,927,546     | 30%   | 7,865,736     | 29%   |
| Equity funds                           | 7,721,818     | 30%   | 7,685,043     | 29%   |
|  | 15,649,364    |   | 15,550,779    |   |
| Receivables:                           |               |   |               |   |
| Unsettled trades and<br>accrued income | 30,887        | 1%  | 30,536        | 1%  |
|  | \$ 25,828,257 | 100%  | \$ 26,453,816 | 100%  |

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) CASH AND INVESTMENTS, CONTINUED**

**Pension Fund, Continued**

*Investment Allocation Policy*—On March 28, 1983, the Board of Commissioners appointed a Board of Administrators for the Pension Fund—the Library Retirement Pension Board (the “Pension Board”). The Pension Board has the responsibility for the management of the Pension Fund and has the responsibility for reviewing the Pension Fund and reporting on its status to the Board of Commissioners annually. The Pension Board consists of the three officers of the Board of Commissioners and three designated Library staff employees. Overall investment guidelines provide for diversification and allow investment in domestic and international equities, fixed-income securities, and cash equivalents.

The following are the investment allocation limits:

|                             | <u>Upper Limit</u> |
|-----------------------------|--------------------|
| Domestic large cap equities | 50%                |
| Domestic small cap equities | 9%                 |
| International equities      | 9%                 |
| Fixed-income securities     | 45%                |
| Cash equivalents            | 5%                 |

The Pension Fund addresses custodial credit risk, with the policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the Board of Commissioners. At June 30, 2016 and 2015, the Pension Fund held \$25,828,257 and \$26,453,816, respectively, in cash, investments, and receivables. This amount was held by the investment counterparty, in the name of the Pension Fund.

Pursuant to the Prudent Investor Rule, Oklahoma statutes restrict Pension Fund investing.

During the years ended June 30, 2016 and 2015, the Pension Board made no significant investment policy changes.

*Method Used to Value Investments*—The Pension Fund’s investments are reported at fair value. Debt and equity securities are reported at fair value, as determined by the Plan’s custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs.

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**METROPOLITAN LIBRARY COMMISSION OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH AND INVESTMENTS, CONTINUED**

**Pension Fund, Continued**

*Custodial Credit Risk*—Custodial credit risk is the risk that in the event of the failure of a counterparty, the Library will not be able to recover the value of its investments. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Library, or are held by a counterparty or the counterparty’s trust department but not in the name of the Library. All cash, cash equivalents, and investments of the Pension Fund are insured and collateralized.

*Rate of Return*—For the years ended June 30, 2016 and 2015, the annual money-weighted rate of return on the Pension Fund’s investments, net of the Pension Fund’s investment expense, was (5.51)% and (0.65)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Concentration of Credit Risk*—The investment policy limits the concentration of equity investments to no more than 5% in any one issuer. Except as noted in the table below, no investment with a single firm exceeds 5% of the Pension Fund’s net position.

The following table presents the individual investments exceeding the 5% threshold at June 30:

| <u>Classification of Investment</u> | <u>Name of Investment</u>                | <u>2016</u>        |              |                   |
|-------------------------------------|--|--------------------|--------------|-------------------|
|                                     |  | <u>Shares Held</u> | <u>Cost</u>  | <u>Fair Value</u> |
| Bond fixed income fund              | Vanguard Short-Term Bond Index           | 139,118            | \$ 1,459,249 | 1,479,471         |
| Bond fixed income fund              | Templeton Global Bond ADV                | 111,664            | 1,394,911    | 1,264,032         |
| Bond fixed income fund              | Metropolitan West Total Return Bond Fund | 305,292            | 3,325,721    | 3,360,909         |
| Equity fund                         | Vanguard 500 Index Fund Admiral Class    | 21,455             | 4,164,424    | 4,155,066         |

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**METROPOLITAN LIBRARY COMMISSION OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH AND INVESTMENTS, CONTINUED**

**Pension Fund, Continued**

*Concentration of Credit Risk, Continued*

| <u>Classification<br/>of Investment</u> | <u>Name of Investment</u>                   | <u>2015</u>            |              |                   |
|---|---|------------------------|--------------|-------------------|
|   |   | <u>Shares<br/>Held</u> | <u>Cost</u>  | <u>Fair Value</u> |
| Bond fixed<br>income fund               | Vanguard Short-Term Bond Index              | 126,185                | \$ 1,327,373 | 1,326,202         |
| Bond fixed<br>income fund               | Templeton Global Bond ADV                   | 119,569                | 1,500,675    | 1,459,932         |
| Bond fixed<br>income fund               | Metropolitan West Total<br>Return Bond Fund | 334,863                | 3,653,105    | 3,619,867         |
| Common stock<br>Equity fund             | Vanguard Value ETF Fund                     | 47,945                 | 4,054,915    | 3,996,695         |
|   | Vanguard 500 Index Fund<br>Admiral Class    | 20,997                 | 4,078,998    | 3,997,079         |

*Foreign Currency Risk*—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Pension Fund held no foreign investments at June 30, 2016 or 2015. As such, no Pension Fund investments were subject to foreign currency risk.

*Credit Risk*—Fixed-income investments are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The following table provides information as of June 30 concerning credit risk:

| <u>S&amp;P 500 Rating</u> | <u>2016</u>       |   | <u>2015</u>       |   |
|---------------------------|-------------------|---|-------------------|---|
|                           | <u>Fair Value</u> | <u>Percentage of<br/>Total<br/>Fixed-Income<br/>Investments at<br/>Fair Value</u> | <u>Fair Value</u> | <u>Percentage of<br/>Total<br/>Fixed-Income<br/>Investments at<br/>Fair Value</u> |
| BBB+                      | \$ 217,822        | 54%   | \$ 65,000         | 8%  |
| A                         | 188,394           | 46%   | 418,930           | 53%   |
| A-                        | -                 | 0%  | 304,164           | 39%   |
|                           | <u>\$ 406,216</u> | <u>100%</u>   | <u>\$ 788,094</u> | <u>100%</u>   |

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**METROPOLITAN LIBRARY COMMISSION OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH AND INVESTMENTS, CONTINUED**

**Pension Fund, Continued**

*Credit Risk, Continued*

At June 30, 2016 and 2015, the Pension Fund held \$8,808,258 and \$9,287,144, respectively, of pooled fixed income funds. The pooled funds are not rated nor is there a credit rating available.

*Interest Rate Risk*—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, the Pension Fund had the following fixed-income investments with maturities:

| 2016  |                    |                                   |                                    |                             |
|---|--------------------|-----------------------------------|------------------------------------|-----------------------------|
| <u>Investment Maturities at Fair Value (in Years)</u> |                    |                                   |                                    |                             |
| <u>Investment Type</u>                                | <u>Less than 1</u> | <u>1 or More,<br/>Less than 5</u> | <u>5 or More,<br/>Less than 10</u> | <u>Total<br/>Fair Value</u> |
| Corporate bonds                                       | \$ -               | 406,216                           | -                                  | 406,216                     |

  

| 2015  |                    |                                   |                                    |                             |
|---|--------------------|-----------------------------------|------------------------------------|-----------------------------|
| <u>Investment Maturities at Fair Value (in Years)</u> |                    |                                   |                                    |                             |
| <u>Investment Type</u>                                | <u>Less than 1</u> | <u>1 or More,<br/>Less than 5</u> | <u>5 or More,<br/>Less than 10</u> | <u>Total<br/>Fair Value</u> |
| Corporate bonds                                       | \$ 369,164         | 418,930                           | -                                  | 788,094                     |

**Defined Contribution Fund**

The investments of the Defined Contribution Fund are invested in mutual funds and a guaranteed interest account with Mass Mutual Life Insurance Company and may be used only for the payment of benefits to the participants of the defined contribution plan (see Note 6).

The following table presents the fair value of the defined contribution plan's investments by type at June 30:

| <u>Investment Type</u>      | <u>Fair Value</u>    |                   |
|-----------------------------|----------------------|-------------------|
|                             | <u>2016</u>          | <u>2015</u>       |
| Guaranteed interest account | \$ 3,032,915         | 1,953,083         |
| Mutual funds                | 13,653,902           | 13,836,286        |
|                             | <u>\$ 16,686,817</u> | <u>15,789,369</u> |

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) CASH AND INVESTMENTS, CONTINUED**

**Defined Contribution Fund, Continued**

*Custodial Credit Risk*—Custodial credit risk is the risk that in the event of the failure of a counterparty, the Library will not be able to recover the value of its investments. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Library, or are held by a counterparty or the counterparty’s trust department but not in the name of the Library. While the trust agreement does not specifically address custodial credit risk, all investments are insured and collateralized.

*Concentration of Credit Risk*—Except as noted below, no single investment exceeds 5% of the Defined Contribution Fund’s total investments. The following table presents the individual investments exceeding the 5% threshold at June 30:

| <u>Classification of<br/>Investment<br/>2016</u> | <u>Name of<br/>Investment</u>          | <u>Fair<br/>Value</u> |
|--|--|-----------------------|
| Mutual fund                                      | Destination Retirement 2020            | \$ 1,058,782          |
| Mutual fund                                      | Destination Retirement 2030            | 1,286,956             |
| Mutual fund                                      | American Century Equity<br>Growth Fund | 1,973,315             |
| Guaranteed interest account                      | Guaranteed interest account            | 3,032,915             |

| <u>Classification of<br/>Investment<br/>2015</u> | <u>Name of<br/>Investment</u>          | <u>Fair<br/>Value</u> |
|--|--|-----------------------|
| Mutual fund                                      | Select Growth Opportunities            | \$ 789,825            |
| Mutual fund                                      | Destination Retirement 2020            | 1,003,910             |
| Mutual fund                                      | Destination Retirement 2030            | 1,285,063             |
| Mutual fund                                      | Destination Retirement 2040            | 795,087               |
| Mutual fund                                      | American Century Equity<br>Growth Fund | 1,988,217             |
| Guaranteed interest account                      | Guaranteed interest account            | 1,953,083             |

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(3) COLLECTIONS**

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

**(4) CAPITAL ASSETS**

Capital assets of the Library at June 30 consisted of the following:

|   | <u>Balance at<br/>June 30, 2015</u> | <u>Increases</u> | <u>Decreases</u>   | <u>Balance at<br/>June 30, 2016</u> |
|---|-------------------------------------|------------------|--------------------|-------------------------------------|
| Capital assets not being depreciated:       |                                     |                  |                    |                                     |
| Land  | \$ 315,571                          | -                | -                  | 315,571                             |
| Capital assets being depreciated:           |                                     |                  |                    |                                     |
| Library books                               | 20,100,017                          | 4,792,153        | (2,016,349)        | 22,875,821                          |
| Furniture and fixtures                      | 4,575,152                           | 144,302          | (144,144)          | 4,575,310                           |
| Computer equipment                          | 4,042,413                           | 350,717          | (592,999)          | 3,800,131                           |
| Vehicles                                    | 501,272                             | 49,309           | (16,794)           | 533,787                             |
| Buildings and improvements                  | 5,955,349                           | -                | -                  | 5,955,349                           |
| Total capital assets being depreciated      | <u>35,174,203</u>                   | <u>5,336,481</u> | <u>(2,770,286)</u> | <u>37,740,398</u>                   |
| Less accumulated depreciation:              |                                     |                  |                    |                                     |
| Library books                               | 12,200,323                          | 3,980,209        | (2,016,349)        | 14,164,183                          |
| Furniture and fixtures                      | 3,355,801                           | 283,244          | (135,007)          | 3,504,038                           |
| Computer equipment                          | 2,500,265                           | 618,059          | (550,922)          | 2,567,402                           |
| Vehicles                                    | 390,173                             | 60,533           | (15,954)           | 434,752                             |
| Buildings and improvements                  | 1,764,270                           | 112,119          | -                  | 1,876,389                           |
| Total accumulated depreciation              | <u>20,210,832</u>                   | <u>5,054,164</u> | <u>(2,718,232)</u> | <u>22,546,764</u>                   |
| Total capital assets being depreciated, net | <u>14,963,371</u>                   | <u>282,317</u>   | <u>(52,054)</u>    | <u>15,193,634</u>                   |
| Capital assets, net                         | <u>\$ 15,278,942</u>                | <u>282,317</u>   | <u>(52,054)</u>    | <u>15,509,205</u>                   |

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CAPITAL ASSETS, CONTINUED**

|   | <u>Balance at<br/>June 30, 2014</u> | <u>Increases</u> | <u>Decreases</u>   | <u>Balance at<br/>June 30, 2015</u> |
|---|-------------------------------------|------------------|--------------------|-------------------------------------|
| Capital assets not being depreciated:       |                                     |                  |                    |                                     |
| Land  | \$ 315,571                          | -                | -                  | 315,571                             |
| Capital assets being depreciated:           |                                     |                  |                    |                                     |
| Library books                               | 18,803,948                          | 3,713,039        | (2,416,970)        | 20,100,017                          |
| Furniture and fixtures                      | 4,812,758                           | 230,925          | (468,531)          | 4,575,152                           |
| Computer equipment                          | 3,525,368                           | 646,733          | (129,688)          | 4,042,413                           |
| Vehicles                                    | 501,272                             | -                | -                  | 501,272                             |
| Buildings and improvements                  | 5,955,349                           | -                | -                  | 5,955,349                           |
| Total capital assets being depreciated      | <u>33,598,695</u>                   | <u>4,590,697</u> | <u>(3,015,189)</u> | <u>35,174,203</u>                   |
| Less accumulated depreciation:              |                                     |                  |                    |                                     |
| Library books                               | 10,818,226                          | 3,799,067        | (2,416,970)        | 12,200,323                          |
| Furniture and fixtures                      | 3,503,479                           | 295,086          | (442,764)          | 3,355,801                           |
| Computer equipment                          | 2,023,754                           | 597,198          | (120,687)          | 2,500,265                           |
| Vehicles                                    | 334,118                             | 56,055           | -                  | 390,173                             |
| Buildings and improvements                  | 1,539,817                           | 224,453          | -                  | 1,764,270                           |
| Total accumulated depreciation              | <u>18,219,394</u>                   | <u>4,971,859</u> | <u>(2,980,421)</u> | <u>20,210,832</u>                   |
| Total capital assets being depreciated, net | <u>15,379,301</u>                   | <u>(381,162)</u> | <u>(34,768)</u>    | <u>14,963,371</u>                   |
| Capital assets, net                         | <u>\$ 15,694,872</u>                | <u>(381,162)</u> | <u>(34,768)</u>    | <u>15,278,942</u>                   |

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(5) COMPENSATED ABSENCES**

Compensated absences are liquidated through the General Fund. Generally, up to 75% of annual leave must be taken during the calendar year earned, and compensated absences are reported as current liabilities.

|                      | <u>Balance at</u><br><u>June 30, 2015</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at</u><br><u>June 30, 2016</u> | <u>Amounts</u><br><u>Due</u><br><u>Within</u><br><u>1 Year</u> |
|----------------------|---|------------------|-------------------|---|--|
| Compensated absences | \$ 324,039                                | 1,072,767        | (957,028)         | 439,778                                   | 439,778  |

  

|                      | <u>Balance at</u><br><u>June 30, 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at</u><br><u>June 30, 2015</u> | <u>Amounts</u><br><u>Due</u><br><u>Within</u><br><u>1 Year</u> |
|----------------------|---|------------------|-------------------|---|--|
| Compensated absences | \$ 265,744                                | 989,339          | (931,044)         | 324,039                                   | 324,039  |

**(6) RETIREMENT PLANS**

**Defined Benefit Pension Plan**

*General Information about the Defined Benefit Pension Plan*

*Plan Description:* The Plan is a single-employer plan that covers some full-time employees of the Library. The Plan is a defined benefit plan which provides for retirement benefits based on length of service and salary. The Plan was amended effective January 1, 2008. This latest amendment lowered the vesting schedule from 5-year cliff vesting to 3 years. Death, early and late retirement, and deferred vested benefits are also available under the Plan. Assets of the Plan are held separately and may be used only for the payment of benefits to the members of the Plan. Actuarial valuations are performed annually on July 1.

The Plan's membership consisted of the following as of June 30:

|   | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|
| Retirees, disabled participants, and beneficiaries currently receiving benefits | 94          | 90          |
| Terminated vested participants  | 11          | 11          |
| Active participants   | 41          | 45          |
|   | <u>146</u>  | <u>146</u>  |

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*General Information about the Defined Benefit Pension Plan, Continued*

*Plan Description, Continued:*

Effective August 29, 2005, the Plan was frozen and no new employees are eligible to participate. A defined contribution plan was established for new employees.

Benefit payments for the Plan are as follows:

- a) The normal monthly retirement benefit will be 2.5% of an employee's average monthly earnings multiplied by years of credited service up to a maximum of 32 years. "Average monthly earnings" means the average of the employee's highest 60 consecutive completed calendar months of employment by the Library.
- b) The early retirement benefit will be the greater of the actuarial equivalent of the employee's accrued benefit at normal retirement date or the aggregate value of the employee's participant contributions plus interest credited.
- c) The late retirement benefits will be the greater of: 1) the normal retirement pension determined under the Plan, taking into account service and compensation credited after normal retirement age; or 2) the accrued benefit, determined as the later of normal retirement age or the end of the prior plan year, actuarially adjusted for late retirement.

*Contributions:* Participating employees contribute 4% of their compensation to the Plan. The Library contributes any additional amount necessary to fund normal cost and to amortize unfunded past service costs over a period of 30 years. The actuarial required contributions for 2016 and 2015 were \$767,210 and \$812,823, respectively, which equaled the annual pension cost, as currently defined, for the years then ended. The actuarial required contribution for 2017 is \$869,712.

The Plan does not issue stand-alone financial statements and related required supplementary information. The information is included within these financial statements, notes to the financial statements, and the required supplementary information.

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**METROPOLITAN LIBRARY COMMISSION OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Net Pension Liability*

The Library's net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The components of the net pension liability of the participating employer at June 30 were as follows:

|   | <u>2016</u>         | <u>2015</u>       |
|---|---------------------|-------------------|
| Total pension liability   | \$ 30,532,642       | 29,925,839        |
| Plan fiduciary net position   | <u>25,828,257</u>   | <u>26,453,816</u> |
| Library's net pension liability   | <u>\$ 4,704,385</u> | <u>3,472,023</u>  |
| Plan fiduciary net position as a percentage<br>of the total pension liability | <u>84.59%</u>       | <u>88.40%</u>     |

*Actuarial Assumptions*—The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

|                            | <u>2016</u>                                   | <u>2015</u>                           |
|----------------------------|---|---------------------------------------|
| Inflation:                 | None  | None                                  |
| Salary increases:          | 5%  | 5%                                    |
| Investment rate of return: | 7%, net of pension plan<br>investment expense | 7%, net of pension<br>plan investment |

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**METROPOLITAN LIBRARY COMMISSION OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Net Pension Liability, Continued*

*Actuarial Assumptions, Continued*

Mortality rates were based on the RP-2015 Health Annuitant Mortality Table for males and females for July 1, 2016 and 2015, respectively. Prior to the July 1 2016 and 2015, actuarial valuation, the actuarial assumptions utilized the RP-2000 Health Annuitant Mortality Tables for pre- and post-retirement funds, as well as GASB purposes. The change in actuarial assumptions resulted in the total pension liability of \$125,003 for the year ended June 30, 2015. Prior to the July 1, 2014, actuarial valuation, the actuarial assumptions utilized the 1983 Group Annuity Mortality Tables for pre- and post-retirement funding, as well as GASB purposes. The change in actuarial assumptions resulted in an increase in the total pension liability of \$246,053 for the year ended June 30, 2014.

The actuarial assumptions used in the July 1, 2016 and 2015, valuations were based on the results of an actuarial experience study for the period July 2009 to June 2013.

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of the Plan's investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2016, (see discussion of the Plan's investment policy) are summarized in the following table:

| <u>Asset Class</u>      | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|-------------------------|---|
| Fixed income securities | 4.54%   |
| Domestic equity         | 8.84%   |
| International equity    | 8.77%   |
| Cash equivalents        | 2.25%   |

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**METROPOLITAN LIBRARY COMMISSION OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Net Pension Liability, Continued*

*Discount Rate*—The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates equal to the differences between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in the Net Pension Liability*

|   | Increase (Decrease)               |                                       |                                       |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
| <u>2016</u>   |                                   |                                       |                                       |
| Balance at June 30, 2015  | \$ 29,925,839                     | 26,453,816                            | 3,472,023                             |
| Changes for the year:   |                                   |                                       |                                       |
| Service cost  | 379,654                           | -                                     | 379,654                               |
| Interest  | 2,058,626                         | -                                     | 2,058,626                             |
| Differences between<br>expected and actual<br>experience            | (38,374)                          | -                                     | (38,374)                              |
| Contribution—employer   | -                                 | 767,210                               | (767,210)                             |
| Contribution—employee   | -                                 | 63,791                                | (63,791)                              |
| Net investment income   | -                                 | 398,368                               | (398,368)                             |
| Benefit payments, including<br>refunds of employee<br>contributions | (1,793,103)                       | (1,793,103)                           | -                                     |
| Administrative expense  | -                                 | (61,825)                              | 61,825                                |
| Other changes   | -                                 | -                                     | -                                     |
| Net changes   | <u>606,803</u>                    | <u>(625,559)</u>                      | <u>1,232,362</u>                      |
| Balance at June 30, 2016  | <u>\$ 30,532,642</u>              | <u>25,828,257</u>                     | <u>4,704,385</u>                      |

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**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Changes in the Net Pension Liability, Continued*

|   | Increase (Decrease)               |                                       |                                       |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
| <u>2015</u>   |                                   |                                       |                                       |
| Balance at June 30, 2014  | \$ 28,432,529                     | 27,376,993                            | 1,055,536                             |
| Changes for the year:   |                                   |                                       |                                       |
| Service cost  | 440,000                           | -                                     | 440,000                               |
| Interest  | 1,963,789                         | -                                     | 1,963,789                             |
| Differences between<br>expected and actual<br>experience            | 601,322                           | -                                     | 601,322                               |
| Contribution—employer   | -                                 | 812,823                               | (812,823)                             |
| Contribution—employee   | -                                 | 77,896                                | (77,896)                              |
| Net investment income   | -                                 | (119,212)                             | 119,212                               |
| Benefit payments, including<br>refunds of employee<br>contributions | (1,636,804)                       | (1,636,804)                           | -                                     |
| Administrative expense  | -                                 | (57,880)                              | 57,880                                |
| Other changes   | 125,003                           | -                                     | 125,003                               |
| Net changes   | <u>1,493,310</u>                  | <u>(923,177)</u>                      | <u>2,416,487</u>                      |
| Balance at June 30, 2015  | <u>\$ 29,925,839</u>              | <u>26,453,816</u>                     | <u>3,472,023</u>                      |

*Sensibility of the Net Pension Liability to Changes in the Discount Rate*—The following presents the net pension liability of the employers calculated using the discount rate of 7.0%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

|  | 1% Decrease<br>(6.0%) | Current Discount<br>Rate (7.0%) | 1% Increase<br>(8.0%) |
|--|-----------------------|---------------------------------|-----------------------|
| Net pension liability<br>June 30, 2016 | \$ <u>7,379,050</u>   | <u>4,704,385</u>                | <u>2,072,726</u>      |
| Net pension liability<br>June 30, 2015 | \$ <u>6,336,294</u>   | <u>3,472,023</u>                | <u>964,801</u>        |

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**METROPOLITAN LIBRARY COMMISSION OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Changes in the Net Pension Liability, Continued*

*The Plan's Fiduciary Net Position*—Detailed information about the Plan's fiduciary net position is available in Note 2.

*Pension Expense and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions*

For the years ended June 30, 2016 and 2015, the Library recognized pension expense of \$920,835 and \$517,522, respectively.

Pension expense for the years ended June 30, 2016 and 2015, was computed as follows:

|   | <u>2016</u>       | <u>2015</u>    |
|---|-------------------|----------------|
| Service cost                                      | \$ 379,654        | 440,000        |
| Interest on total pension liability               | 2,058,626         | 1,963,789      |
| Differences in expected and actual experiences    | (29,537)          | (24,475)       |
| Changes in assumptions                            | 52,491            | 52,491         |
| Employee contributions                            | (63,791)          | (77,896)       |
| Projected earnings on investments                 | (1,815,929)       | (1,888,251)    |
| Differences between projected earnings and actual | 277,496           | (6,016)        |
| Pension plan administrative expense               | 61,825            | 57,880         |
|   | <u>\$ 920,835</u> | <u>517,522</u> |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Pension Expense and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions, Continued*

At June 30, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>2016</u>                               |  |
|--|---|--|
|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
| Differences between expected and actual experience                               | \$ 432,378                                | 473,891                                  |
| Changes of assumptions   | 231,143                                   | -  |
| Net difference between projected and actual earnings on pension plan investments | <u>2,338,526</u>                          | <u>815,019</u>                           |
|  | <u>\$ 3,002,047</u>                       | <u>1,288,910</u>                         |
|  | <u>2015</u>                               |  |
|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
| Differences between expected and actual experience                               | \$ 516,850                                | 549,526                                  |
| Changes of assumptions   | 283,634                                   | -  |
| Net difference between projected and actual earnings on pension plan investments | <u>1,605,970</u>                          | <u>1,222,528</u>                         |
|  | <u>\$ 2,406,454</u>                       | <u>1,772,054</u>                         |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) RETIREMENT PLANS, CONTINUED**

**Defined Benefit Pension Plan, Continued**

*Pension Expense and Deferred Outflows of Resources and  
Deferred Inflows of Resources to Related Pensions, Continued*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, 2016: |    |         |
|---------------------------|----|---------|
| 2017                      | \$ | 300,450 |
| 2018                      |    | 300,449 |
| 2019                      |    | 707,957 |
| 2020                      |    | 306,466 |
| 2021                      |    | 93,715  |
| Thereafter                |    | 4,100   |

**Defined Contribution Plan**

Effective August 29, 2005, the Metropolitan Library System Defined Contribution Plan (the "Contribution Plan") was established. The Contribution Plan is intended to be a governmental plan as defined in Internal Revenue Code Section 414(d), and is to be approved and qualified by the Internal Revenue Service as satisfying the governmental plan requirements of Sections 401(a) and 501(a) and other pertinent provisions of the Internal Revenue Code of 1986. Under the Contribution Plan, the employer's contribution shall be discretionary, to be determined by the employer, and is available to all participants. During 2016 and 2015, the Library contributed 10% of each participant's compensation. Participants are fully vested in the employer's contributions after 3 years. Participants may make voluntary contributions of 4% or 6% of compensation before tax. Participants are fully vested in the voluntary contributions. Participants may direct the Contribution Plan's trustee in the investment of their individual account balances. Normal retirement age is the latter of a participant's 65<sup>th</sup> birthday or the 5<sup>th</sup> anniversary of the first day of the plan year in which participation in the Contribution Plan commenced. For the years ended June 30, 2016 and 2015, the Library's contribution to the Contribution Plan was \$1,077,951 and \$989,375, respectively.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(6) RETIREMENT PLANS, CONTINUED**

**Deferred Compensation Plan**

The Library offers its employees a Deferred Compensation Plan as authorized by Section 457 of the Internal Revenue Code, as amended by the Tax Reform Act of 1986, and in accordance with the provisions of Sections 1701 through 1706 of Title 74 of the Oklahoma Statutes.

The Deferred Compensation Plan is available to all Library employees. Employees may direct the investment of their contributions in available investment options offered by the Deferred Compensation Plan. All interest, dividends, and investment fees are allocated to employees' accounts. For the years ended June 30, 2016 and 2015, employee contributions to the Deferred Compensation Plan totaled \$115,998 and \$139,511, respectively.

**(7) SELF-INSURANCE RISK OF LOSS**

The Library operates a self-insurance plan to fund its employee health benefits. The Library purchased insurance policies to limit its maximum possible benefit cost on both an employee basis and an aggregate basis. The Library has a contract with a third-party administrator to operate the self-insurance plan. For the years ended June 30, 2016 and 2015, the Library has limited its risk of loss by purchasing insurance to pay an individual's claim in excess of \$85,000.

The carrying amount of liabilities for unpaid claims is equal to the amount of claims unpaid but due at year-end. This amount has been determined by the third-party administrator.

Changes in the claims liability amounts for the years ended June 30 were:

|                            | <u>2016</u>        | <u>2015</u>        | <u>2014</u>        |
|----------------------------|--------------------|--------------------|--------------------|
| Balance, beginning of year | \$ 303,715         | 138,302            | 117,662            |
| Current year claims        | 3,262,352          | 2,548,606          | 2,238,107          |
| Claim payments             | <u>(3,182,013)</u> | <u>(2,383,193)</u> | <u>(2,217,467)</u> |
| Balance, end of year       | <u>\$ 384,054</u>  | <u>303,715</u>     | <u>138,302</u>     |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(8) RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; or natural disasters for which the Library carries commercial insurance. There have been no significant reductions in coverage from the prior year, and settlements have not exceeded coverage in the past 3 years.

**(9) COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

On an ongoing basis, the Library leases 19 branch library buildings from the area cities and Oklahoma City. All of the branch buildings, except for the Del City library building and the Almonte Shopping Center library building, are leased for \$1 per year. The terms of the leases are for a period of 1 year and automatically renew each year for a total term of 10 years unless written notice is given by either party of its intent not to renew. The Library provides for all maintenance, utilities, repairs, and liability insurance for all leased buildings. The Del City library building is leased for \$400 per month. The Almonte Shopping Center library building is leased for approximately \$7,000 per month. The City of Oklahoma City reimburses the Library for this expense, and the reimbursement is included in other income. On occasion, the Library makes contributions towards the construction of a new library building. The purpose of the contribution is for the Library to have partial say in the design of the building since the design and construction of the building can affect the operations of the Library. During the years ended June 30, 2016 and 2015, the Library made no such contribution.

Total lease and equipment rental expense for the years ended June 30, 2016 and 2015, was \$93,754 and \$92,010, respectively.

**Legal**

From time to time, the Library is involved in certain legal proceedings arising in the normal course of business. In the opinion of management and counsel, the ultimate disposition of such proceedings will not have a material effect on the Library's financial statements.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SUPPLEMENTARY INFORMATION REQUIRED BY  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
STATEMENT NO. 34**

DRAFT



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**Schedule I**

**BUDGETARY COMPARISON SCHEDULE—GENERAL FUND (UNAUDITED)**

*Year Ended June 30, 2016*

|   | Budgeted<br>Amounts—<br><u>Original</u> | Budgeted<br>Amounts—<br><u>Final</u> | Actual<br>Amounts—<br>Modified<br><u>Accrual Basis</u> | Modified<br>Accrual to<br>Budgetary<br>Basis<br><u>Adjustments</u> | Actual<br>Amounts—<br>Budgetary<br><u>Basis</u> | Variance with<br>Final Budget—<br>Positive<br><u>(Negative)</u> |
|---|---|--------------------------------------|--|--|---|---|
| Budgetary fund balance, beginning of year:  |   |                                      |  |  |   |   |
| Carryover funds                             | \$ 12,889,284                           | 12,889,284                           | 14,655,400   | 556,221  | 14,099,179                                      | 1,209,895   |
| Capital reserve                             | 13,865,015                              | 13,865,015                           | 13,865,015   | -  | 13,865,015                                      | -   |
|   | <u>26,754,299</u>                       | <u>26,754,299</u>                    | <u>28,520,415</u>                                      | <u>556,221</u>   | <u>27,964,194</u>                               | <u>1,209,895</u>  |
| Resources (inflows):                        |   |                                      |  |  |   |   |
| Property taxes                              | 30,934,657                              | 30,934,657                           | 34,132,935   | (64,952)   | 34,197,887                                      | 3,263,230   |
| Collections on book fines and copy services | 495,000                                 | 495,000                              | 752,236  | -  | 752,236   | 257,236   |
| State revenue                               | 253,347                                 | 253,347                              | 265,727  | -  | 265,727   | 12,380  |
| Investment earnings                         | -                                       | -                                    | 666,457  | 464,731  | 201,726   | 201,726   |
| Other                                       | -                                       | -                                    | 381,901  | (402,694)  | 784,595   | 784,595   |
| Total resources (inflows)                   | <u>31,683,004</u>                       | <u>31,683,004</u>                    | <u>36,199,256</u>                                      | <u>(2,915)</u> <sup>(1)</sup>                                      | <u>36,202,171</u>                               | <u>4,519,167</u>  |
| Charges to appropriations (outflows):       |   |                                      |  |  |   |   |
| Personal services                           | 25,843,352                              | 25,843,352                           | 23,336,314   | 116,842  | 23,219,472                                      | 2,623,880   |
| Maintenance and operations:                 |   |                                      |  |  |   |   |
| Contractual services                        | 5,613,209                               | 5,613,209                            | 4,682,575  | 28,944   | 4,653,631                                       | 959,578   |
| Commodities                                 | 1,304,615                               | 1,304,615                            | 1,232,990  | 397  | 1,232,593                                       | 72,022  |
| Capital outlays—operations                  | 11,444,106                              | 11,444,106                           | 7,937,984  | 676,963  | 7,261,021                                       | 4,183,085   |
| Total charges to appropriations (outflows)  | <u>44,205,282</u>                       | <u>44,205,282</u>                    | <u>37,189,863</u>                                      | <u>823,146</u> <sup>(2)</sup>                                      | <u>36,366,717</u>                               | <u>7,838,565</u>  |
| Net changes in budgetary fund balance       | (12,522,278)                            | (12,522,278)                         | (990,607)  | (826,061)  | (164,546)                                       | 12,357,732  |
| Budgetary fund balance, end of year:        |   |                                      |  |  |   |   |
| Carryover funds                             | -                                       | -                                    | 13,297,787   | (269,840)  | 13,567,627                                      | 13,567,627  |
| Capital reserve                             | 14,232,021                              | 14,232,021                           | 14,232,021   | -  | 14,232,021                                      | -   |
|   | <u>\$ 14,232,021</u>                    | <u>14,232,021</u>                    | <u>27,529,808</u>                                      | <u>(269,840)</u>   | <u>27,799,648</u>                               | <u>13,567,627</u>   |

See Independent Auditors' Report.

See accompanying notes to Required Supplemental Information.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**Schedule I, Continued**

**BUDGETARY COMPARISON SCHEDULE—GENERAL FUND (UNAUDITED), CONTINUED**

*Year Ended June 30, 2015*

|   | Budgeted<br>Amounts—<br><u>Original</u> | Budgeted<br>Amounts—<br><u>Final</u> | Actual<br>Amounts—<br>Modified<br><u>Accrual Basis</u> | Modified<br>Accrual to<br>Budgetary<br>Basis<br><u>Adjustments</u> | Actual<br>Amounts—<br>Budgetary<br><u>Basis</u> | Variance with<br>Final Budget—<br>Positive<br><u>(Negative)</u> |
|---|---|--------------------------------------|--|--|---|---|
| Budgetary fund balance, beginning of year:  |   |                                      |  |  |   |   |
| Carryover funds                             | \$ 9,715,729                            | 9,715,729                            | 13,772,549   | 1,519,140  | 12,253,409                                      | 2,537,680   |
| Capital reserve                             | 14,930,398                              | 14,930,398                           | 14,930,398   | -  | 14,930,398                                      | -   |
|   | <u>24,646,127</u>                       | <u>24,646,127</u>                    | <u>28,702,947</u>                                      | <u>1,519,140</u>   | <u>27,183,807</u>                               | <u>2,537,680</u>  |
| Resources (inflows):                        |   |                                      |  |  |   |   |
| Property taxes                              | 29,513,267                              | 29,513,267                           | 32,598,393   | (936,009)  | 33,534,402                                      | 4,021,135   |
| Collections on book fines and copy services | 495,000                                 | 495,000                              | 745,528  | 1  | 745,527   | 250,527   |
| State revenue                               | 260,595                                 | 260,595                              | 281,497  | -  | 281,497   | 20,902  |
| Investment earnings                         | -                                       | -                                    | 387,000  | 169,909  | 217,091   | 217,091   |
| Other                                       | -                                       | -                                    | 198,941  | (461,470)  | 660,411   | 660,411   |
| Total resources (inflows)                   | <u>30,268,862</u>                       | <u>30,268,862</u>                    | <u>34,211,359</u>                                      | <u>(1,227,569)</u> <sup>(1)</sup>                                  | <u>35,438,928</u>                               | <u>5,170,066</u>  |
| Charges to appropriations (outflows):       |   |                                      |  |  |   |   |
| Personal services                           | 24,587,601                              | 24,587,601                           | 22,634,023   | 60,664   | 22,573,359                                      | 2,014,242   |
| Maintenance and operations:                 |   |                                      |  |  |   |   |
| Contractual services                        | 5,177,405                               | 5,177,405                            | 4,175,014  | (112,141)  | 4,287,155                                       | 890,250   |
| Commodities                                 | 1,418,145                               | 1,418,145                            | 1,144,894  | (8,445)  | 1,153,339                                       | 264,806   |
| Capital outlays—operations                  | 9,866,823                               | 9,866,823                            | 6,439,960  | (204,728)  | 6,644,688                                       | 3,222,135   |
| Total charges to appropriations (outflows)  | <u>41,049,974</u>                       | <u>41,049,974</u>                    | <u>34,393,891</u>                                      | <u>(264,650)</u> <sup>(2)</sup>                                    | <u>34,658,541</u>                               | <u>6,391,433</u>  |
| Net changes in budgetary fund balance       | (10,781,112)                            | (10,781,112)                         | (182,532)  | (962,919)  | 780,387   | 11,561,499  |
| Budgetary fund balance, end of year:        |   |                                      |  |  |   |   |
| Carryover funds                             | -                                       | -                                    | 14,655,400   | 556,221  | 14,099,179                                      | 14,099,179  |
| Capital reserve                             | 13,865,015                              | 13,865,015                           | 13,865,015   | -  | 13,865,015                                      | -   |
|   | <u>\$ 13,865,015</u>                    | <u>13,865,015</u>                    | <u>28,520,415</u>                                      | <u>556,221</u>   | <u>27,964,194</u>                               | <u>14,099,179</u>   |

See Independent Auditors' Report.

See accompanying notes to Required Supplemental Information.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**BUDGETARY COMPARISON SCHEDULE—GENERAL FUND (UNAUDITED),  
CONTINUED**

| <i>Years Ended June 30,</i>   | <i>2016</i>         | <i>2015</i>      |
|---|---------------------|------------------|
| Budget-to-actual reconciliation:  |                     |                  |
| (1) Revenues on a budgetary basis are based on cash received rather than the modified accrual basis used for financial reporting, and the Revolving Fund is not reported as part of the General Fund for budgetary purposes.  | \$ (2,915)          | (1,227,570)      |
| (2) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting. In addition, the Revolving Fund is not reported as part of the General Fund for budgetary purposes. Reserves for future cash flow and improvement needs were included in the budgetary basis, but not in the GAAP basis. | <u>(823,146)</u>    | <u>264,651</u>   |
| Total budget-to-actual reconciliation   | <u>\$ (826,061)</u> | <u>(962,919)</u> |

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

See Independent Auditors' Report.  
See accompanying notes to Required Supplemental Information.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SUPPLEMENTARY INFORMATION REQUIRED BY  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
STATEMENTS NO. 67 AND 68**

DRAFT

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY—  
DEFINED BENEFIT PENSION PLAN**

**Last 4 Fiscal Years**

|  | <u>2016</u>          | <u>2015</u>        | <u>2014</u>        | <u>2013</u>        |
|--|----------------------|--------------------|--------------------|--------------------|
| <b>Total pension liability</b>                                 |                      |                    |                    |                    |
| Service cost   | \$ 379,654           | 440,000            | 459,906            | 523,417            |
| Interest   | 2,058,626            | 1,963,789          | 1,937,455          | 1,871,153          |
| Differences between expected<br>and actual experience          | (38,374)             | 601,322            | (767,420)          | (121,662)          |
| Changes in assumptions   | -                    | 125,003            | 246,053            | -                  |
| Benefit payments, including<br>refunds of member contributions | <u>(1,793,103)</u>   | <u>(1,636,804)</u> | <u>(1,322,954)</u> | <u>(1,201,505)</u> |
| Net change in total pension liability                          | 606,803              | 1,493,310          | 553,040            | 1,071,403          |
| Total pension liability—beginning                              | <u>29,925,839</u>    | <u>28,432,529</u>  | <u>27,879,489</u>  | <u>26,808,086</u>  |
| Total pension liability—ending <sup>(a)</sup>                  | <u>\$ 30,532,642</u> | <u>29,925,839</u>  | <u>28,432,529</u>  | <u>27,879,489</u>  |
| <b>Plan fiduciary net position</b>                             |                      |                    |                    |                    |
| Contributions—Library  | \$ 767,210           | 812,823            | 1,130,104          | 1,074,744          |
| Contributions—employees  | 63,791               | 77,896             | 98,634             | 108,805            |
| Net investment income (loss)                                   | 398,368              | (119,212)          | 3,700,555          | 2,456,234          |
| Benefit payments, including<br>refunds of member contributions | <u>(1,854,928)</u>   | <u>(1,694,684)</u> | <u>(1,390,402)</u> | <u>(1,267,896)</u> |
| Net change in plan fiduciary net position                      | (625,559)            | (923,177)          | 3,538,891          | 2,371,887          |
| Plan fiduciary net position—beginning                          | <u>26,453,816</u>    | <u>27,376,993</u>  | <u>23,838,102</u>  | <u>21,466,215</u>  |
| Plan fiduciary net position—ending <sup>(b)</sup>              | <u>\$ 25,828,257</u> | <u>26,453,816</u>  | <u>27,376,993</u>  | <u>23,838,102</u>  |
| Plan's net pension liability (a - b)                           | <u>\$ 4,704,385</u>  | <u>3,472,023</u>   | <u>1,055,536</u>   | <u>4,041,387</u>   |

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.

See accompanying notes to Required Supplemental Information.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SCHEDULE OF NET PENSION LIABILITY—  
DEFINED BENEFIT PENSION PLAN**

**Last 4 Fiscal Years**

|   | <u>2016</u>         | <u>2015</u>       | <u>2014</u>       | <u>2013</u>       |
|---|---------------------|-------------------|-------------------|-------------------|
| Total pension liability   | \$ 30,532,642       | 29,925,839        | 28,432,529        | 27,879,489        |
| Plan fiduciary net position   | <u>25,828,257</u>   | <u>26,453,816</u> | <u>27,376,993</u> | <u>23,838,102</u> |
| Plan's net pension liability  | <u>\$ 4,704,385</u> | <u>3,472,023</u>  | <u>1,055,536</u>  | <u>4,041,387</u>  |
| Plan fiduciary net position as a percentage<br>of the total pension liability | <u>84.59%</u>       | <u>88.40%</u>     | <u>96.29%</u>     | <u>85.50%</u>     |
| Covered-employee payroll  | <u>\$ 2,110,020</u> | <u>1,968,884</u>  | <u>2,196,275</u>  | <u>2,607,287</u>  |
| Plan's net pension liability as a<br>percentage of covered-employee payroll   | <u>222.95%</u>      | <u>176.34%</u>    | <u>48.06%</u>     | <u>155.00%</u>    |

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.

See accompanying notes to Required Supplemental Information.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER—  
DEFINED BENEFIT PENSION PLAN**

**Last 6 Fiscal Years**

|   | <u>2016</u>         | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      | <u>2011</u>      |
|---|---------------------|------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution                                     | \$ <u>869,712</u>   | <u>812,823</u>   | <u>1,130,104</u> | <u>1,074,744</u> | <u>1,114,433</u> | <u>996,982</u>   |
| Contributions in relation to the<br>actuarially determined contribution | <u>767,210</u>      | <u>812,823</u>   | <u>1,130,104</u> | <u>1,074,744</u> | <u>1,114,433</u> | <u>996,982</u>   |
| Contribution deficiency   | \$ <u>(102,502)</u> | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| Covered-employee payroll  | \$ <u>2,110,020</u> | <u>1,968,884</u> | <u>2,196,275</u> | <u>2,607,287</u> | <u>2,617,869</u> | <u>2,857,692</u> |
| Contributions as a percentage of<br>covered-employee payroll            | <u>36.36%</u>       | <u>41.28%</u>    | <u>51.46%</u>    | <u>41.22%</u>    | <u>42.57%</u>    | <u>34.89%</u>    |

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.

See accompanying notes to Required Supplemental Information.

**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**SCHEDULE OF INVESTMENT RETURNS—DEFINED BENEFIT PENSION PLAN**

**Last 4 Fiscal Years**

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|  | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return,<br>net of investment expense | (5.51)%     | (0.65)%     | 15.27%      | 11.14%      |

Information to present a 10-year history is not readily available.

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See Independent Auditors' Report.  
See accompanying notes to Required Supplemental Information.



**METROPOLITAN LIBRARY COMMISSION OF  
OKLAHOMA COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2016**

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**DEFINED BENEFIT PENSION PLAN (SCHEDULES II THROUGH V)**

The information presented in Schedule II through Schedule V was determined as part of an actuarial valuation by an independent enrolled actuary (Daily Access Corporation) at the dates indicated. Additional information as of the July 1, 2016, valuation follows:

|                            |                              |
|----------------------------|------------------------------|
| Actuarial cost method:     | Aggregate cost method        |
| Amortization method:       | None                         |
| Asset valuation method:    | 5-year smoothed market value |
| Actuarial assumptions:     |                              |
| Investment rate of return  | 7%                           |
| Projected salary increases | 5%                           |
| Cost-of-living adjustment  | None                         |

See Independent Auditors' Report.

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

To the Commissioners  
Metropolitan Library Commission of  
Oklahoma County

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Library Commission of Oklahoma County (the "Library") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2016. Our report includes an explanatory paragraph to emphasize the adoption of Governmental Accounting Standards Board Statements No. 72 by the Library. In addition, our report also includes an explanatory paragraph disclaiming an opinion on required supplementary information.

**Internal Control Over Financial Reporting**

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

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

(Continued)

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

**Internal Control Over Financial Reporting, Continued**

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

**Compliance and Other Matters**

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

**Purpose of This Report**

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

Shawnee, Oklahoma

\_\_\_\_\_, 2016