

Metropolitan Library Commission of Oklahoma County

Financial Statements

June 30, 2021 and 2020
(With Independent Auditors' Report Thereon)



**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

FINANCIAL STATEMENTS

Table of Contents

| | <u>Page</u> |
|--|-------------|
| <u>Independent Auditors' Report</u> | 1 |
| <u>Management's Discussion and Analysis</u> | I-1 |
| <u>Basic Financial Statements:</u> | |
| <i>Government-Wide Financial Statements:</i> | |
| Statements of Net Position..... | 3 |
| Statements of Activities | 4 |
| <i>Fund Financial Statements:</i> | |
| Balance Sheets—Governmental Funds..... | 6 |
| Reconciliations of the Balance Sheets—Governmental Funds to the Statements of Net Position..... | 8 |
| Statements of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds | 9 |
| Reconciliations of Net Changes in Governmental Fund Balances to Governmental Activities Changes in Net Position | 11 |
| Balance Sheets—Proprietary Fund | 12 |
| Statements of Revenues, Expenses, and Changes in Net Position—Proprietary Fund | 13 |
| Statements of Cash Flows—Proprietary Fund..... | 14 |
| Statements of Fiduciary Net Position—Fiduciary Funds | 15 |
| Statements of Changes in Fiduciary Net Position—Fiduciary Funds | 17 |
| Notes to Financial Statements..... | 19 |

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

FINANCIAL STATEMENTS

Table of Contents, Continued

| | <u>Page</u> |
|--|-------------|
| <u>Supplementary Information Required by:</u> | |
| <i>Governmental Accounting Standards Board Statement No. 34:</i> | |
| Budgetary Comparison Schedule—General Fund (Unaudited) (Schedule I) | 67 |
| <i>Governmental Accounting Standards Board Statements No. 67 and 68:</i> | |
| Schedule of Changes in Net Pension Liability— | |
| Defined Benefit Pension Plan (Schedule II) | 70 |
| Schedule of Net Pension Liability— | |
| Defined Benefit Pension Plan (Schedule III) | 71 |
| Schedule of Contributions from Employer— | |
| Defined Benefit Pension Plan (Schedule IV) | 72 |
| Schedule of Investment Returns— | |
| Defined Benefit Pension Plan (Schedule V) | 73 |
| Notes to Required Supplementary Information | 74 |
| <i>Governmental Accounting Standards Board Statement No. 75:</i> | |
| Schedule of Changes in the Total OPEB Liability and Related Ratios (Schedule VI) | 75 |
| Independent Auditors' Report on | |
| Internal Control Over Financial Reporting and | |
| on Compliance and Other Matters Based on | |
| an Audit of Financial Statements Performed in | |
| <u>Accordance with <i>Government Auditing Standards</i></u> | 76 |



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, 2021 and 2020, 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, 2021 and 2020, 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.

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, the budgetary comparison schedule—General Fund (unaudited), the schedule of changes in net pension 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, the notes to the required supplementary information, and the schedule of changes in the total OPEB liability and related ratios on page 75 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, 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.

Finley & Cook, PLLC

Shawnee, Oklahoma
November 15, 2021

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, 2021 and 2020. Readers should read this information in conjunction with the Library’s financial statements.

FINANCIAL HIGHLIGHTS

For the year ended June 30, 2021, the Library’s General Fund reported an ending balance of \$32,879,790 versus \$31,462,309 for the year ended June 30, 2020. The comparison reflects an increase of \$1,417,481, or 4.5%, of the June 30, 2020, General Fund ending fund balance. Of the June 30, 2021 and 2020, year-end totals, \$11,663,088 and \$11,243,053, 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, 2021, \$21,091,124 of the balance was assigned, with \$13,091,124 assigned to Library capital improvement projects and \$8,000,000 assigned to cash flow requirements. For the year ended June 30, 2020, \$20,091,124 of the balance was assigned, with \$11,411,124 assigned to Library capital improvement projects and \$8,680,000 assigned to cash flow requirements. Nonspendable totals for the years ended June 30, 2021 and 2020, were \$125,578 and \$128,132, 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.

In compliance with Governmental Accounting Standards Board Statement (GASB) No. 68, the Library recognized a net pension liability of approximately \$2,833,000, \$1,425,000, and \$395,000 at June 30, 2021, 2020, and 2019, respectively.

In compliance with GASB Statement No. 75, the Library recognized a net other postemployment benefit (OPEB) liability of approximately \$1,224,000, \$774,000, and \$833,000 at June 30, 2021, 2020, and 2019, 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>2021</u> | <u>2020</u> | <u>2019</u> |
|---|----------------------|-------------------|-------------------|
| <i>Statements of Net Position</i> | | | |
| Assets: | | | |
| Current | \$ 40,319,081 | 37,314,910 | 34,237,605 |
| Capital assets, net | <u>14,178,845</u> | <u>14,390,740</u> | <u>14,985,631</u> |
| Total assets | <u>54,497,926</u> | <u>51,705,650</u> | <u>49,223,236</u> |
| Deferred outflows of resources related to the pension plan and OPEB | 4,127,529 | 1,311,597 | 792,481 |
| Liabilities: | | | |
| Accounts payable and accrued expenses | 3,106,246 | 1,661,394 | 2,243,261 |
| Compensated absences payable | 946,551 | 915,490 | 741,338 |
| Net pension liability | 2,832,591 | 1,425,239 | 394,687 |
| Total OPEB liability | <u>1,223,719</u> | <u>773,893</u> | <u>833,051</u> |
| Total liabilities | <u>8,109,107</u> | <u>4,776,016</u> | <u>4,212,337</u> |
| Deferred inflows of resources related to the pension plan and OPEB | 3,056,692 | 1,995,995 | 2,558,300 |
| Net position: | | | |
| Net investment in capital assets | 14,178,845 | 14,390,740 | 14,985,631 |
| Restricted | 203,358 | 254,030 | 220,854 |
| Unrestricted | <u>33,077,453</u> | <u>31,600,466</u> | <u>28,038,595</u> |
| Total net position | <u>\$ 47,459,656</u> | <u>46,245,236</u> | <u>43,245,080</u> |
| <i>Changes in Net Position</i> | | | |
| Beginning net position | <u>\$ 46,245,236</u> | <u>43,245,080</u> | <u>40,772,054</u> |
| Revenues: | | | |
| Property taxes | 42,610,857 | 39,355,263 | 37,949,916 |
| State aid | 203,135 | 236,276 | 194,893 |
| Charges for services | 4,026,239 | 1,458,175 | 1,507,185 |
| Operating grants and contributions | 1,046,630 | 208,170 | 318,846 |
| Loss from disposals, net | (42,315) | (65,490) | (9,036) |
| Investment earnings, net | <u>(14,260)</u> | <u>471,749</u> | <u>516,751</u> |
| Total revenues | <u>47,830,286</u> | <u>41,664,143</u> | <u>40,478,555</u> |
| Expenses: | | | |
| Public library services | 29,477,660 | 18,373,990 | 18,023,375 |
| Administrative services | 11,977,258 | 15,033,264 | 14,746,399 |
| Depreciation—unallocated | <u>5,160,948</u> | <u>5,256,733</u> | <u>5,235,755</u> |
| Total expenses | <u>46,615,866</u> | <u>38,663,987</u> | <u>38,005,529</u> |
| Ending net position | <u>\$ 47,459,656</u> | <u>46,245,236</u> | <u>43,245,080</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:

| | General <u>Fund</u> | Gifts and Grants <u>Fund</u> | Total Governmental <u>Funds</u> |
|-------------------------|------------------------|---------------------------------|---------------------------------------|
| <u>2021</u> | | | |
| Revenues | \$ 42,433,043 | 1,046,630 | 43,479,673 |
| Expenditures | <u>(41,015,562)</u> | <u>(1,097,302)</u> | <u>(42,112,864)</u> |
| Net increase (decrease) | <u>\$ 1,417,481</u> | <u>(50,672)</u> | <u>1,366,809</u> |
| <u>2020</u> | | | |
| Revenues | \$ 40,706,935 | 208,169 | 40,915,104 |
| Expenditures | <u>(37,630,995)</u> | <u>(174,993)</u> | <u>(37,805,988)</u> |
| Net increase | <u>\$ 3,075,940</u> | <u>33,176</u> | <u>3,109,116</u> |
| <u>2019</u> | | | |
| Revenues | \$ 39,532,518 | 318,846 | 39,851,364 |
| Expenditures | <u>(37,257,084)</u> | <u>(329,312)</u> | <u>(37,586,396)</u> |
| Net increase (decrease) | <u>\$ 2,275,434</u> | <u>(10,466)</u> | <u>2,264,968</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS, CONTINUED

General Fund

The Library is primarily funded by a 5.2 mill ad valorem (property) tax. For the year ended June 30, 2021, the Oklahoma County's assessed property value had an increase of 4.2% versus 4.7% for the year ended June 30, 2020. Actual tax collections increased 6.3% for the year ended June 30, 2021, over the year ended June 30, 2020, as compared to a 3.9% increase in the year ended June 30, 2020, over the previous year. Investment income for the Library decreased to a net loss of \$(15,922) in the year ended June 30, 2021, from \$470,296 in investment income in the year ended June 30, 2020. The decrease was primarily due to a decrease in market interest rates during the year ended June 30, 2021.

Major expenditure categories increased in 2021 from 2020, showing an overall increase of \$3,384,567, or 9.0%. Within categories, personnel services increased 3.7% compared to the previous year's increase of 1.0%. Maintenance and operations expenses increased, totaling a 6.8% change. Capital outlays increased 29.4%.

Gifts and Grants Fund

During the years ended June 30, 2021 and 2020, \$1,046,630 and \$208,169, respectively, of gifts and grants funds were received. For the years ended June 30, 2021 and 2020, the largest contributors were the Friends of the Metropolitan Library System (the "Friends"), which gave 9 grants totaling \$1,034,303 and 6 grants totaling \$100,000, respectively. The increase in gift and grant funds is primarily due to a \$950,000 grant received by the Library and provided to the City of Oklahoma City for the purpose of the Belle Isle Library construction.

Proprietary Fund

| | <u>Insurance Fund</u> | | |
|-------------------------|-----------------------|--------------------|--------------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
| Revenues | \$ 3,742,469 | 3,790,667 | 3,373,066 |
| Expenses | <u>(4,069,353)</u> | <u>(3,136,509)</u> | <u>(3,027,659)</u> |
| Net (decrease) increase | <u>\$ (326,884)</u> | <u>654,158</u> | <u>345,407</u> |

The total insurance premium contributed by both the employer and the employees to this fund was \$3,608,727 in the year ended June 30, 2021, versus \$3,669,015 and \$3,303,739 in the years ended June 30, 2020 and 2019, respectively. Claims expense for 2021 was \$4,069,353 compared to \$3,136,509 and \$3,027,659 for 2020 and 2019, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget for the year ended June 30, 2021, was \$69,193,334, an increase of \$5,025,399, or 7.8%, over the June 30, 2020, budget of \$64,167,935. The biggest contributors to the increase in the year ended June 30, 2021, budget over the previous year was an increase in carry-over fund balances and increases in available property tax revenues for appropriation.

Actual results compared to budgeted results were as follows:

| | | <u>Budgeted</u> | <u>Actual on a Budgeted Basis</u> |
|--------------|-------------|----------------------|---------------------------------------|
| | <u>2021</u> | | |
| Revenues | | <u>\$ 38,093,700</u> | <u>42,077,681</u> |
| Expenditures | | <u>\$ 48,102,210</u> | <u>39,801,340</u> |
| | <u>2020</u> | | |
| Revenues | | <u>\$ 36,604,658</u> | <u>40,781,952</u> |
| Expenditures | | <u>\$ 44,076,811</u> | <u>37,630,995</u> |
| | <u>2019</u> | | |
| Revenues | | <u>\$ 35,059,599</u> | <u>39,419,148</u> |
| Expenditures | | <u>\$ 42,110,781</u> | <u>37,257,084</u> |

CAPITAL ASSETS AND LONG-TERM DEBT

The Library's investment in depreciable capital assets, net of accumulated depreciation, at June 30, 2021 and 2020, was \$13,905,719 and \$14,117,614, respectively. Of the total depreciable capital assets at June 30, 2021, 32.3% consisted of furniture, equipment, vehicles, and buildings, while the remaining 67.7% consisted of books and materials. Of the total depreciable capital assets at June 30, 2020, 37.0% consisted of furniture, equipment, vehicles, and buildings, while the remaining 63.0% consisted of books and materials. Nondepreciable assets at June 30, 2021 and 2020, represented land owned by the Library in the amount of \$273,126 and \$273,126, respectively.

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 2.6% growth in property values for the fiscal year ended June 30, 2022, as opposed to 4.2% in the year ended June 30, 2021. 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, 2022, the Board of Commissioners has approved a General Fund budget of \$71,838,691 versus \$65,102,857 for the year ended June 30, 2021. Of the total budget amount for the year ended June 30, 2022, \$46,601,747 was for operating costs, \$702,685 was for capital projects, and \$24,534,259 was for other assigned funds. Of the total budget amount for the year ended June 30, 2021, \$45,736,733 was for operating costs, \$225,000 was for capital projects, and \$19,141,124 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—GOVERNMENT-WIDE

| <i>June 30,</i> | <i>2021</i> | <i>2020</i> |
|---|---------------|-------------|
| Assets and Deferred Outflows of Resources | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 30,992,059 | 7,073,737 |
| Investments | 6,990,556 | 28,502,107 |
| Ad valorem taxes receivable, net of allowance for uncollectible taxes of \$910,309 and \$752,889 for June 30, 2021 and 2020, respectively | 2,171,126 | 1,439,268 |
| Accounts receivable | 39,762 | 92,034 |
| Accrued interest receivable | - | 79,632 |
| Prepaid expenses | 125,578 | 128,132 |
| Total current assets | 40,319,081 | 37,314,910 |
| Noncurrent assets: | | |
| Nondepreciable capital assets | 273,126 | 273,126 |
| Depreciable capital assets, net | 13,905,719 | 14,117,614 |
| Total noncurrent assets | 14,178,845 | 14,390,740 |
| Total assets | 54,497,926 | 51,705,650 |
| Deferred outflows of resources: | | |
| Deferred amounts related to the pension plan and OPEB | 4,127,529 | 1,311,597 |
| Liabilities and Deferred Inflows of Resources | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 3,106,246 | 1,661,394 |
| Compensated absences payable | 946,551 | 915,490 |
| Total current liabilities | 4,052,797 | 2,576,884 |
| Noncurrent liabilities: | | |
| Net pension liability—amount due in more than 1 year | 2,832,591 | 1,425,239 |
| Total OPEB liability—amount due in more than 1 year | 1,223,719 | 773,893 |
| Total liabilities | 8,109,107 | 4,776,016 |
| Deferred inflows of resources: | | |
| Deferred amounts related to the pension plan and OPEB | 3,056,692 | 1,995,995 |
| Net Position | | |
| Net investment in capital assets | 14,178,845 | 14,390,740 |
| Restricted | 203,358 | 254,030 |
| Unrestricted | 33,077,453 | 31,600,466 |
| Total net position | \$ 47,459,656 | 46,245,236 |

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

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

STATEMENTS OF ACTIVITIES—GOVERNMENT-WIDE

Year Ended June 30, 2021

| | | Revenues | | | |
|---|------------------------|---------------------------------|---|---|---|
| | | | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expenses) Revenues/ Changes in Net Position |
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Contributions</u> | <u>Contributions</u> | <u>Net Position</u> |
| Government activities: | | | | | |
| Public library services | \$ (29,477,660) | 241,450 | 1,046,630 | - | (28,189,580) |
| Administrative services | (11,977,258) | 3,784,789 | - | - | (8,192,469) |
| Depreciation—unallocated | (5,160,948) | - | - | - | (5,160,948) |
| | <u>\$ (46,615,866)</u> | <u>4,026,239</u> | <u>1,046,630</u> | <u>-</u> | <u>(41,542,997)</u> |
| General revenues: | | | | | |
| Property taxes, levied for general purposes | | | | | 42,610,857 |
| State aid | | | | | 203,135 |
| Loss on disposals of capital assets | | | | | (73,626) |
| Gain on disposals of investments | | | | | 31,311 |
| Investment loss, net | | | | | (14,260) |
| Total general revenues | | | | | <u>42,757,417</u> |
| Changes in net position | | | | | 1,214,420 |
| Net position, beginning of year | | | | | <u>46,245,236</u> |
| Net position, end of year | | | | | <u>\$ 47,459,656</u> |

See Independent Auditors' Report.

See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

STATEMENTS OF ACTIVITIES—GOVERNMENT-WIDE, CONTINUED

Year Ended June 30, 2020

| | | Revenues | | | |
|---|------------------------|---------------------------------|---|---|---|
| | | | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expenses) Revenues/ Changes in Net Position |
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Contributions</u> | <u>Contributions</u> | <u>Net Position</u> |
| Government activities: | | | | | |
| Public library services | \$ (18,373,990) | 464,457 | 208,170 | - | (17,701,363) |
| Administrative services | (15,033,264) | 993,718 | - | - | (14,039,546) |
| Depreciation—unallocated | (5,256,733) | - | - | - | (5,256,733) |
| | <u>\$ (38,663,987)</u> | <u>1,458,175</u> | <u>208,170</u> | <u>-</u> | <u>(36,997,642)</u> |
| General revenues: | | | | | |
| Property taxes, levied for general purposes | | | | | 39,355,263 |
| State aid | | | | | 236,276 |
| Loss from disposals of capital assets | | | | | (67,940) |
| Gain on disposals of investments | | | | | 2,450 |
| Investment earnings | | | | | <u>471,749</u> |
| Total general revenues | | | | | <u>39,997,798</u> |
| Changes in net position | | | | | 3,000,156 |
| Net position, beginning of year | | | | | <u>43,245,080</u> |
| Net position, end of year | | | | | <u>\$ 46,245,236</u> |

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

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

BALANCE SHEETS—GOVERNMENTAL FUNDS

June 30, 2021

| | General <u>Fund</u> | Gifts and <u>Grants Fund</u> | Total Governmental <u>Funds</u> |
|--|------------------------|---------------------------------|---------------------------------------|
| Assets | | | |
| Cash | \$ 27,721,242 | 239,787 | 27,961,029 |
| Investments | 6,990,556 | - | 6,990,556 |
| Ad valorem taxes receivable, net of allowance | 2,171,126 | - | 2,171,126 |
| Accounts receivable | 3,773 | 200 | 3,973 |
| Accrued interest receivable | - | - | - |
| Prepaid expenses | <u>125,578</u> | <u>-</u> | <u>125,578</u> |
| Total assets | <u>\$ 37,012,275</u> | <u>239,987</u> | <u>37,252,262</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 690,667 | 36,629 | 727,296 |
| Accrued salaries | <u>1,946,175</u> | <u>-</u> | <u>1,946,175</u> |
| Total liabilities | <u>2,636,842</u> | <u>36,629</u> | <u>2,673,471</u> |
| Deferred inflows of resources: | | | |
| Accrued property taxes not available for spending | <u>1,495,643</u> | <u>-</u> | <u>1,495,643</u> |
| Total liabilities and deferred inflows of resources | <u>4,132,485</u> | <u>36,629</u> | <u>4,169,114</u> |
| Fund balances: | | | |
| Nonspendable | 125,578 | - | 125,578 |
| Restricted | - | 203,358 | 203,358 |
| Assigned | 21,091,124 | - | 21,091,124 |
| Unassigned | <u>11,663,088</u> | <u>-</u> | <u>11,663,088</u> |
| Total fund balances | <u>32,879,790</u> | <u>203,358</u> | <u>33,083,148</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 37,012,275</u> | <u>239,987</u> | <u>37,252,262</u> |

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

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

BALANCE SHEETS—GOVERNMENTAL FUNDS, CONTINUED

June 30, 2020

| | General <u>Fund</u> | Gifts and <u>Grants Fund</u> | Total Governmental <u>Funds</u> |
|--|------------------------|---------------------------------|---------------------------------------|
| Assets | | | |
| Cash | \$ 3,732,796 | 254,030 | 3,986,826 |
| Investments | 28,502,107 | - | 28,502,107 |
| Ad valorem taxes receivable, net of allowance | 1,439,268 | - | 1,439,268 |
| Accounts receivable | 9,243 | - | 9,243 |
| Accrued interest receivable | 79,632 | - | 79,632 |
| Prepaid expenses | <u>128,132</u> | <u>-</u> | <u>128,132</u> |
| Total assets | <u>\$ 33,891,178</u> | <u>254,030</u> | <u>34,145,208</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 552,620 | - | 552,620 |
| Accrued salaries | <u>899,999</u> | <u>-</u> | <u>899,999</u> |
| Total liabilities | <u>1,452,619</u> | <u>-</u> | <u>1,452,619</u> |
| Deferred inflows of resources: | | | |
| Accrued property taxes not available for spending | <u>976,250</u> | <u>-</u> | <u>976,250</u> |
| Total liabilities and deferred inflows of resources | <u>2,428,869</u> | <u>-</u> | <u>2,428,869</u> |
| Fund balances: | | | |
| Nonspendable | 128,132 | - | 128,132 |
| Restricted | - | 254,030 | 254,030 |
| Assigned | 20,091,124 | - | 20,091,124 |
| Unassigned | <u>11,243,053</u> | <u>-</u> | <u>11,243,053</u> |
| Total fund balances | <u>31,462,309</u> | <u>254,030</u> | <u>31,716,339</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 33,891,178</u> | <u>254,030</u> | <u>34,145,208</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>2021</i> | <i>2020</i> |
|---|----------------------|--------------------|
| Reconciliation of Fund Balances to Net Position | | |
| Total fund balances—governmental funds | \$ 33,083,148 | 31,716,339 |
| Amounts reported for governmental activities in the statements of net position 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 | 14,178,845 | 14,390,740 |
| 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. | 1,495,643 | 976,250 |
| Net position of Internal Service Fund separately reported as proprietary fund. | 2,634,043 | 2,960,927 |
| Compensated absences in governmental activities are not financial expenditures and therefore are not reported as a liability in governmental funds. | (946,551) | (915,490) |
| Deferred outflows related to the pension plan and OPEB are not financial resources and therefore are not reported in the funds. | 4,127,529 | 1,311,597 |
| Deferred inflows related to the pension plan and OPEB are not due and payable in the current period and therefore are not reported in the funds. | (3,056,692) | (1,995,995) |
| The net pension liability and total OPEB liability are not due and payable in the current period and therefore are not reported in the funds. | <u>(4,056,309)</u> | <u>(2,199,132)</u> |
| Net position of governmental activities | <u>\$ 47,459,656</u> | <u>46,245,236</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, 2021

| | General <u>Fund</u> | Gifts and <u>Grants Fund</u> | Total Governmental <u>Funds</u> |
|---|------------------------|---------------------------------|---------------------------------------|
| Revenues: | | | |
| Property taxes | \$ 41,929,087 | - | 41,929,087 |
| Collections on book fines and copy services | 241,450 | - | 241,450 |
| Gifts and grants | - | 1,046,630 | 1,046,630 |
| State revenue | 203,135 | - | 203,135 |
| Investment loss, net | (15,922) | - | (15,922) |
| Gain on disposals | 31,311 | - | 31,311 |
| Other | 43,982 | - | 43,982 |
| Total revenues | <u>42,433,043</u> | <u>1,046,630</u> | <u>43,479,673</u> |
| Expenditures: | | | |
| Personnel services | 26,029,963 | - | 26,029,963 |
| Maintenance and operations: | | | |
| Contractual services | 4,849,670 | 1,092,243 | 5,941,913 |
| Commodities | 977,497 | - | 977,497 |
| Capital outlays | 9,158,432 | 5,059 | 9,163,491 |
| Total expenditures | <u>41,015,562</u> | <u>1,097,302</u> | <u>42,112,864</u> |
| Net changes in fund balances | 1,417,481 | (50,672) | 1,366,809 |
| Fund balances, beginning of year | <u>31,462,309</u> | <u>254,030</u> | <u>31,716,339</u> |
| Fund balances, end of year | <u>\$ 32,879,790</u> | <u>203,358</u> | <u>33,083,148</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, 2020

| | General <u>Fund</u> | Gifts and <u>Grants Fund</u> | Total Governmental <u>Funds</u> |
|---|------------------------|---------------------------------|---------------------------------------|
| Revenues: | | | |
| Property taxes | \$ 39,459,366 | - | 39,459,366 |
| Collections on book fines and copy services | 464,457 | - | 464,457 |
| Gifts and grants | - | 208,169 | 208,169 |
| State revenue | 236,276 | - | 236,276 |
| Investment income, net | 470,296 | - | 470,296 |
| Gain on disposals | 2,450 | - | 2,450 |
| Other | 74,090 | - | 74,090 |
| Total revenues | <u>40,706,935</u> | <u>208,169</u> | <u>40,915,104</u> |
| Expenditures: | | | |
| Personnel services | 25,095,191 | - | 25,095,191 |
| Maintenance and operations: | | | |
| Contractual services | 4,576,969 | 174,603 | 4,751,572 |
| Commodities | 879,643 | - | 879,643 |
| Capital outlays | <u>7,079,192</u> | <u>390</u> | <u>7,079,582</u> |
| Total expenditures | <u>37,630,995</u> | <u>174,993</u> | <u>37,805,988</u> |
| Net changes in fund balances | 3,075,940 | 33,176 | 3,109,116 |
| Fund balances, beginning of year | <u>28,386,369</u> | <u>220,854</u> | <u>28,607,223</u> |
| Fund balances, end of year | <u>\$ 31,462,309</u> | <u>254,030</u> | <u>31,716,339</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>2021</i> | <i>2020</i> |
|---|---------------------|------------------|
| Net changes in fund balances—total governmental funds | \$ 1,366,809 | 3,109,116 |
| 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 | (5,160,948) | (5,256,733) |
| Capital additions | <u>5,022,680</u> | <u>4,729,781</u> |
| | <u>(138,268)</u> | <u>(526,952)</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 an overall loss in the statements of activities. | (73,626) | (67,940) |
| Compensated absences are not considered to be expenditures in the governmental funds. They are, however, recorded as expenses in the statements of activities. | (31,061) | (174,152) |
| 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. | 681,769 | 16,843 |
| Uncollectable 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. | (162,376) | (120,946) |
| The statements of activities include net activity of the Internal Service Fund, which is shown as a proprietary fund in the fund financial statements. | (326,884) | 654,158 |
| In the statements of activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as an element of pension and OPEB expense. The fund financial statements report pension and OPEB contributions as expenditures. | <u>(101,943)</u> | <u>110,029</u> |
| Changes in net position of governmental activities | <u>\$ 1,214,420</u> | <u>3,000,156</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>2021</i> | <i>2020</i> |
|------------------------------------|---|------------------|
| | <u>Governmental Activities— Internal Service Fund</u> | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,031,030 | 3,086,912 |
| Stop-loss reimbursement receivable | <u>35,789</u> | <u>82,790</u> |
| Total assets | <u>3,066,819</u> | <u>3,169,702</u> |
| Liabilities | | |
| Claims payable | <u>432,776</u> | <u>208,775</u> |
| Net Position | | |
| Unrestricted | <u>\$ 2,634,043</u> | <u>2,960,927</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>2021</i> | <i>2020</i> |
|---------------------------------|---|------------------|
| | Governmental Activities— Internal Service Fund | |
| Operating revenues: | | |
| Insurance premiums | \$ 3,608,727 | 3,669,015 |
| Refunds and miscellaneous | 132,080 | 120,201 |
| Total operating revenues | <u>3,740,807</u> | <u>3,789,216</u> |
| Operating expenses: | | |
| Claims | <u>4,069,353</u> | <u>3,136,509</u> |
| Net operating income | <u>(328,546)</u> | <u>652,707</u> |
| Non-operating revenues: | | |
| Interest income | <u>1,662</u> | <u>1,451</u> |
| Changes in net position | (326,884) | 654,158 |
| Net position, beginning of year | <u>2,960,927</u> | <u>2,306,769</u> |
| Net position, end of year | <u>\$ 2,634,043</u> | <u>2,960,927</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>2021</i> | <i>2020</i> |
|--|---|-------------|
| | Governmental Activities— Internal Service Fund | |
| Cash flows from operating activities: | | |
| Cash received from other fund for services | \$ 3,608,727 | 3,669,015 |
| Receipts from reinsurance | 755,849 | 774,383 |
| Payments of claims | (4,554,200) | (4,028,718) |
| Other receipts | 132,080 | 120,201 |
| Net cash (used in) provided by operating activities | (57,544) | 534,881 |
| Cash flows from investing activities: | | |
| Interest on investments | 1,662 | 1,451 |
| Net cash provided by investing activities | 1,662 | 1,451 |
| Net (decrease) increase in cash and cash equivalents | (55,882) | 536,332 |
| Cash and cash equivalents, beginning of year | 3,086,912 | 2,550,580 |
| Cash and cash equivalents, end of year | \$ 3,031,030 | 3,086,912 |
| Reconciliation of net operating (loss) income to net cash (used in) provided by operating activities: | | |
| Net operating (loss) income | \$ (328,546) | 652,707 |
| Adjustments to reconcile net operating (loss) income to net cash (used in) provided by operating activities: | | |
| Decrease (increase) in receivables | 47,001 | (26,873) |
| Increase (decrease) in claims payable | 224,001 | (90,953) |
| Net cash (used in) provided by operating activities | \$ (57,544) | 534,881 |

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, 2021

| | <u>Pension (and Other Employee Benefit) Trust Funds</u> | | | |
|---|---|---------------------|---------------------|-------------------|
| | <u>Pension</u> | <u>Flex Benefit</u> | <u>Defined</u> | |
| | <u>Fund</u> | <u>Fund</u> | <u>Contribution</u> | <u>Total</u> |
| | | | <u>Fund</u> | |
| Assets | | | | |
| Cash | \$ 547,421 | 68,545 | - | 615,966 |
| Receivables (unsettled trades and accrued income) | 32,515 | - | - | 32,515 |
| Investments: | | | | |
| Corporate bonds | 3,433,183 | - | - | 3,433,183 |
| Municipal bonds | 96,369 | - | - | 96,369 |
| U.S. Treasury obligations | 694,119 | - | - | 694,119 |
| Common stock | 3,706,763 | - | - | 3,706,763 |
| Equity and mutual funds | 3,740,805 | - | 28,666,821 | 32,407,626 |
| Guaranteed interest account | - | - | 5,826,367 | 5,826,367 |
| Total investments | <u>11,671,239</u> | <u>-</u> | <u>34,493,188</u> | <u>46,164,427</u> |
| Total assets | <u>12,251,175</u> | <u>68,545</u> | <u>34,493,188</u> | <u>46,812,908</u> |
| Liabilities | | | | |
| Employee benefits payable | - | 18,591 | - | 18,591 |
| Prepayment from the Library | - | 25,000 | - | 25,000 |
| Total liabilities | <u>-</u> | <u>43,591</u> | <u>-</u> | <u>43,591</u> |
| Net Position | | | | |
| Net position restricted for pensions and insurance | <u>\$ 12,251,175</u> | <u>24,954</u> | <u>34,493,188</u> | <u>46,769,317</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, 2020

| | <u>Pension (and Other Employee Benefit) Trust Funds</u> | | | |
|---|---|---------------------|---------------------|-------------------|
| | <u>Pension</u> | <u>Flex Benefit</u> | <u>Defined</u> | |
| | <u>Fund</u> | <u>Fund</u> | <u>Contribution</u> | <u>Total</u> |
| | | | <u>Fund</u> | |
| Assets | | | | |
| Cash | \$ 1,259,977 | 43,591 | - | 1,303,568 |
| Receivables (unsettled trades and accrued income) | 70,275 | - | - | 70,275 |
| Investments: | | | | |
| Corporate bonds | 5,887,280 | - | - | 5,887,280 |
| Municipal bonds | 414,672 | - | - | 414,672 |
| U.S. Treasury obligations | 1,827,993 | - | - | 1,827,993 |
| Common stock | 6,488,546 | - | - | 6,488,546 |
| Equity and mutual funds | 6,646,136 | - | 20,606,387 | 27,252,523 |
| Guaranteed interest account | - | - | 5,485,386 | 5,485,386 |
| Total investments | <u>21,264,627</u> | <u>-</u> | <u>26,091,773</u> | <u>47,356,400</u> |
| Total assets | <u>22,594,879</u> | <u>43,591</u> | <u>26,091,773</u> | <u>48,730,243</u> |
| Liabilities | | | | |
| Employee benefits payable | - | 18,591 | - | 18,591 |
| Prepayment from the Library | - | 25,000 | - | 25,000 |
| Total liabilities | <u>-</u> | <u>43,591</u> | <u>-</u> | <u>43,591</u> |
| Net Position | | | | |
| Net position restricted for pensions and insurance | <u>\$ 22,594,879</u> | <u>-</u> | <u>26,091,773</u> | <u>48,686,652</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, 2021

| | <u>Pension (and Other Employee Benefit) Trust Funds</u> | | | |
|---|---|---------------------|---------------------|-------------------|
| | <u>Pension</u> | <u>Flex Benefit</u> | <u>Defined</u> | |
| | <u>Fund</u> | <u>Fund</u> | <u>Contribution</u> | <u>Total</u> |
| | | | <u>Fund</u> | |
| Additions | | | | |
| Contributions: | | | | |
| Employer | \$ 242,915 | - | 1,425,226 | 1,668,141 |
| Employee | 28,302 | 155,409 | 810,173 | 993,884 |
| Rollover | - | - | 145,619 | 145,619 |
| Total contributions | <u>271,217</u> | <u>155,409</u> | <u>2,381,018</u> | <u>2,807,644</u> |
| Investment income: | | | | |
| Interest | 171,764 | 23 | 168,770 | 340,557 |
| Dividends | 146,370 | - | - | 146,370 |
| Net increase in fair value of investments | <u>2,973,866</u> | <u>-</u> | <u>7,299,227</u> | <u>10,273,093</u> |
| Total investment income | <u>3,292,000</u> | <u>23</u> | <u>7,467,997</u> | <u>10,760,020</u> |
| Direct investment expenses | <u>(63,355)</u> | <u>-</u> | <u>-</u> | <u>(63,355)</u> |
| Net investment income | <u>3,228,645</u> | <u>23</u> | <u>7,467,997</u> | <u>10,696,665</u> |
| Total additions | <u>3,499,862</u> | <u>155,432</u> | <u>9,849,015</u> | <u>13,504,309</u> |
| Deductions | | | | |
| Benefits paid | 1,123,438 | 130,478 | 1,433,246 | 2,687,162 |
| Purchase of annuities | 12,680,461 | - | - | 12,680,461 |
| Administrative expense | <u>39,667</u> | <u>-</u> | <u>14,354</u> | <u>54,021</u> |
| Total deductions | <u>13,843,566</u> | <u>130,478</u> | <u>1,447,600</u> | <u>15,421,644</u> |
| Net (decrease) increase in net position | (10,343,704) | 24,954 | 8,401,415 | (1,917,335) |
| Net position restricted for pensions and insurance, beginning of year | <u>22,594,879</u> | <u>-</u> | <u>26,091,773</u> | <u>48,686,652</u> |
| Net position restricted for pensions and insurance, end of year | <u>\$ 12,251,175</u> | <u>24,954</u> | <u>34,493,188</u> | <u>46,769,317</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, 2020

| | Pension (and Other Employee Benefit) Trust Funds | | | |
|---|--|----------------|-------------------|-------------------|
| | Defined | | | |
| | Pension | Flex Benefit | Contribution | Total |
| | <u>Fund</u> | <u>Fund</u> | <u>Fund</u> | |
| Additions | | | | |
| Contributions: | | | | |
| Employer | \$ 361,946 | - | 1,384,731 | 1,746,677 |
| Employee | 31,614 | 147,795 | 792,026 | 971,435 |
| Rollover | - | - | 39,229 | 39,229 |
| Total contributions | <u>393,560</u> | <u>147,795</u> | <u>2,215,986</u> | <u>2,757,341</u> |
| Investment income: | | | | |
| Interest | 255,869 | 18 | 152,137 | 408,024 |
| Dividends | 287,106 | - | - | 287,106 |
| Net increase in fair value of investments | <u>241,015</u> | <u>-</u> | <u>648,772</u> | <u>889,787</u> |
| Total investment income | <u>783,990</u> | <u>18</u> | <u>800,909</u> | <u>1,584,917</u> |
| Direct investment expenses | <u>(112,527)</u> | <u>-</u> | <u>-</u> | <u>(112,527)</u> |
| Net investment income | <u>671,463</u> | <u>18</u> | <u>800,909</u> | <u>1,472,390</u> |
| Total additions | <u>1,065,023</u> | <u>147,813</u> | <u>3,016,895</u> | <u>4,229,731</u> |
| Deductions | | | | |
| Benefits paid | 1,269,792 | 139,989 | 962,866 | 2,372,647 |
| Purchase of annuities | 5,201,595 | - | - | 5,201,595 |
| Administrative expense | <u>57,430</u> | <u>7,824</u> | <u>9,762</u> | <u>75,016</u> |
| Total deductions | <u>6,528,817</u> | <u>147,813</u> | <u>972,628</u> | <u>7,649,258</u> |
| Net (decrease) increase in net position | (5,463,794) | - | 2,044,267 | (3,419,527) |
| Net position restricted for pensions and insurance, beginning of year | <u>28,058,673</u> | <u>-</u> | <u>24,047,506</u> | <u>52,106,179</u> |
| Net position restricted for pensions and insurance, end of year | <u>\$ 22,594,879</u> | <u>-</u> | <u>26,091,773</u> | <u>48,686,652</u> |

See Independent Auditors' Report.

See accompanying notes to financial statements.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

(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

(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 the Library's public library and administrative services. The public library and administrative services are also supported by general government revenues. The statements of activities reduce gross expenses (including depreciation) by related revenues, operating grants and contributions, and capital grants and contributions. Revenues must be directly associated with the public library and administrative services. 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 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 collectable 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

(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:

Pension (and Other 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

(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* and GASB Statement No. 75, *Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

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 collectable 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

(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, net of accumulated depreciation. 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 |

Compensated Absences

The Library accrues accumulated unpaid annual leave when it has been earned by the employee. Compensated absences are reported as current liabilities in the statements of net position. Employees can accrue up to a maximum of 240 hours of annual leave. Eligible employees who end their employment with the Library are reimbursed for each day of accumulated unpaid annual leave. Further details are provided in the Library's Employee Leave Policy.

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.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2021 and 2020, 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>2021</u> | <u>2020</u> |
|-------------------------------|--------------------|----------------|
| Interest income | \$ 61,273 | 394,763 |
| Fair market value adjustments | <u>(75,533)</u> | <u>75,533</u> |
| Investment (loss) income, net | <u>\$ (14,260)</u> | <u>470,296</u> |

Advertising Costs

All costs associated with advertising are expensed as incurred.

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.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property Taxes Receivable

Property taxes receivable by the Library include uncollected taxes assessed as of October 1, 2021 and 2020, and earlier. The Library considers prior years' experience in estimating uncollectable property taxes. The balance in the allowance account was \$910,309 and \$752,889 as of June 30, 2021 and 2020, respectively. No provision has been made in the other funds for uncollectable amounts. All property taxes earned at year-end but not yet received are included in receivables reported on the government-wide statements. During the years ended June 30, 2021 and 2020, the Library wrote-off \$164,917 and \$120,946, respectively, of property taxes receivable as an uncollectable amount which related to the property taxes receivable of 2014 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>2021</u> | <u>2020</u> |
|--|-------------------|----------------|
| Balance, beginning of year | \$ 752,889 | 728,022 |
| Provision added to allowance during the year | 317,307 | 16,792 |
| Charge-offs | (164,917) | (120,946) |
| Recoveries | <u>5,030</u> | <u>129,021</u> |
| Balance, end of year | <u>\$ 910,309</u> | <u>752,889</u> |

Deferred Inflows and Outflows of Resources

Fund Financial Statements

Deferred inflows of resources represent 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 the pension plan and other postemployment benefit (OPEB), as applicable, for differences between expected and actual experience, differences between projected and actual earnings on Pension Fund investments, and changes in assumptions. Notes 6 and 7 detail the components of these items.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

State Revenues

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

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.

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.

See Independent Auditors’ Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 plan is discussed in Notes 2 and 6.

Other Postemployment Benefits (OPEB)

The Library participates in a self-insurance health plan, which is a non-trusted single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement, provided the participant was covered by the health insurance plan before retiring. In conjunction with the adoption of GASB 75, the Library has reflected a total OPEB liability, OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB in the accompanying government-wide financial statements. See Note 7 for additional information on OPEB.

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

(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 net position—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 net position—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 Deputy Executive Director of Finance 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 Deputy Executive Director of Finance 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

(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 Deputy Executive Director of Finance 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

The Library presents its fund balance in accordance with the requirements of 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:

| | General <u>Fund</u> | Gifts and <u>Grants Fund</u> | Total Governmental <u>Funds</u> |
|--|------------------------|---------------------------------|---------------------------------------|
| <u>2021</u> | | | |
| Fund balances: | | | |
| Nonspendable: | | | |
| Prepaid expenses | \$ 125,578 | - | 125,578 |
| Restricted: | | | |
| Grants or gifts received for special programs | - | 203,358 | 203,358 |
| Assigned: | | | |
| Cash flow | 8,000,000 | - | 8,000,000 |
| Capital improvement: | | | |
| Almonte Library | 2,056,000 | - | 2,056,000 |
| Edmond Library | 150,000 | - | 150,000 |
| Edmond Library II | 1,500,000 | - | 1,500,000 |
| Midwest City Library | 600,000 | - | 600,000 |
| Northwest | 300,000 | - | 300,000 |
| Ralph Ellison Library | 1,500,000 | - | 1,500,000 |
| Service Center | 275,000 | - | 275,000 |
| Southern Oaks | 225,000 | - | 225,000 |
| Warr Acres | 100,000 | - | 100,000 |
| Future projects | 6,385,124 | - | 6,385,124 |
| Total assigned | 21,091,124 | - | 21,091,124 |
| Unassigned | 11,663,088 | - | 11,663,088 |
| Total fund balances | \$ 32,879,790 | 203,358 | 33,083,148 |

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

| | General <u>Fund</u> | Gifts and <u>Grants Fund</u> | Total Governmental <u>Funds</u> |
|--|------------------------|---------------------------------|---------------------------------------|
| <u>2020</u> | | | |
| Fund balances: | | | |
| Nonspendable: | | | |
| Prepaid expenses | \$ 128,132 | - | 128,132 |
| Restricted: | | | |
| Grants or gifts received for special programs | - | 254,030 | 254,030 |
| Assigned: | | | |
| Cash flow | 8,000,000 | - | 8,000,000 |
| Reserve for extra payday | 680,000 | - | 680,000 |
| Capital improvement: | | | |
| Almonte Library | 2,056,000 | - | 2,056,000 |
| Belle Isle Library | 2,288,332 | - | 2,288,332 |
| Choctaw Library | 60,000 | - | 60,000 |
| Del City Library | 541,479 | - | 541,479 |
| Northwest | 300,000 | - | 300,000 |
| Ralph Ellison Library | - | - | - |
| Service Center | 200,000 | - | 200,000 |
| Southern Oaks | 210,000 | - | 210,000 |
| Warr Acres | 100,000 | - | 100,000 |
| Future projects | 5,655,313 | - | 5,655,313 |
| Total assigned | 20,091,124 | - | 20,091,124 |
| Unassigned | 11,243,053 | - | 11,243,053 |
| Total fund balances | \$ 31,462,309 | 254,030 | 31,716,339 |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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, 2021 and 2020, approximately \$906,000 and \$3,100, respectively, of encumbrances were outstanding.

Recent Accounting Pronouncements

Governmental Accounting Policies Adopted During Current Year:

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. The Library adopted GASB 84 on July 1, 2020, which did not have a significant impact on the Library's financial statements.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 provides certain clarifications regarding debt as a liability and identifies additional required disclosures related to debt, including direct borrowings and direct placements of debt. The Library adopted GASB 88 on July 1, 2020, which did not have an impact on the Library's financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interest* (GASB 90). GASB 90 improves the consistency and comparability of reporting government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Library adopted GASB 90 on July 1, 2020, which did not have a significant impact on the Library's financial statements.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

Governmental Accounting Policies Adopted During Current Year, Continued:

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* (GASB 97). The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective at the date of issuance of GASB 97. The requirements of GASB 97 that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of GASB 97 that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The Library early implemented and adopted GASB 97 on July 1, 2020, which did not have a significant impact on the Library's financial statements.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

Governmental Accounting Policies for Future Adoption:

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The Library is evaluating the impact of GASB 87 on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changes previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. The Library will adopt GASB 89 on July 1, 2021, for the June 30, 2022, reporting year. The Library does not expect GASB 89 to significantly impact the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligation, and (3) related note disclosures. The Library will adopt GASB 91 effective July 1, 2022, for the June 30, 2023, reporting year. The Library does not expect GASB 91 to have a significant impact on the financial statements.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

Governmental Accounting Policies for Future Adoption, Continued:

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). GASB 92 addresses a variety of topics and includes specific provisions relating to (1) interim financial reporting requirements of GASB 87 and Implementation Guide 2019-3, (2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan, (3) the applicability of Statements 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*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits, (4) the applicability of certain requirements of GASB 84 to postemployment benefit arrangements, (5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, (6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, (7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and (8) terminology used to refer to derivative instruments. The requirements of GASB 92 are effective upon issuance in relation to the provisions impacting GASB 87 and Implementation Guide 2019-3 and are effective for periods beginning after June 15, 2021, for all other provisions. The Library is currently evaluating the impact that the adoption of GASB 92 will have on its financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates Activities* (GASB 93). GASB 93 addresses various accounting and other issues arising from the result of the replacement of an interbank offered rate (IBOR) by (1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, (3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable, (4) removing the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, (5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap, and (6) clarifying the definition of *reference rate*, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021, and the remaining requirements of GASB 93 are effective for periods beginning after June 15, 2021, for all other provisions. The Library is currently evaluating the impact that the adoption of GASB 93 will have on its financial statements.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

Governmental Accounting Policies for Future Adoption, Continued:

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 improves accounting and financial reporting by addressing various issues relating to public-private and public-public partnership arrangements (PPPs). This includes the requirement that PPPs that meet the definition of a lease apply the guidance in GASB 87 and establishes the accounting and financial reporting requirements for all other PPPs. The requirements of GASB 94 are effective for periods beginning after June 15, 2022. The Library is currently evaluating the impact that the adoption of GASB 94 will have on its financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. GASB 96 (1) defines a SBITA; (2) establishes that SBITA results in a right-to-use subscription intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA; and (4) requires note disclosures regarding SBITA. The requirements of GASB 96 are effective for periods beginning after June 15, 2022. The Library is currently evaluating the impact that the adoption of GASB 96 will have on its financial statements.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements and disclosures to conform with the current year presentation. These reclassifications had no effect on previously reported net position or change in net position.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through November 15, 2021, 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.

(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.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

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:

Level 1—Unadjusted quoted prices in active markets for identical assets.

Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

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, 2021 and 2020, 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, 2021 and 2020.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

| | | Fair Value Measurements at Reporting Date Using | | |
|---|--------------------------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | Amounts Measured at Fair Value | | | |
| <i>June 30, 2021</i> | | | | |
| <u>Investments by Fair Value Level</u> | | | | |
| <i>The Library</i> | | | | |
| Fixed income: | | | | |
| Government money market fund | \$ 6,990,556 | 6,990,556 | - | - |
| Total fixed income | <u>6,990,556</u> | <u>6,990,556</u> | <u>-</u> | <u>-</u> |
| Total investments measured at fair value | <u>\$ 6,990,556</u> | <u>6,990,556</u> | <u>-</u> | <u>-</u> |
| <i>Fiduciary Funds</i> | | | | |
| Fixed income: | | | | |
| U.S. treasury obligations | \$ 694,119 | 694,119 | - | - |
| Corporate bonds | 3,433,183 | - | 3,433,183 | - |
| Municipal bonds | <u>96,369</u> | <u>-</u> | <u>96,369</u> | <u>-</u> |
| Total fixed income | <u>4,223,671</u> | <u>694,119</u> | <u>3,529,552</u> | <u>-</u> |
| Equities: | | | | |
| Common stock | 3,706,763 | 3,706,763 | - | - |
| Equity and mutual funds | <u>32,407,626</u> | <u>32,407,626</u> | <u>-</u> | <u>-</u> |
| Total equities | <u>36,114,389</u> | <u>36,114,389</u> | <u>-</u> | <u>-</u> |
| Guaranteed investments: | | | | |
| Guaranteed interest account* | <u>5,826,367</u> | <u>-</u> | <u>-</u> | <u>5,826,367</u> |
| Total guaranteed investments | <u>5,826,367</u> | <u>-</u> | <u>-</u> | <u>5,826,367</u> |
| Total investments measured at fair value | <u>\$ 46,164,427</u> | <u>36,808,508</u> | <u>3,529,552</u> | <u>5,826,367</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.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

| | | Fair Value Measurements at Reporting Date Using | | |
|---|--------------------------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | Amounts Measured at Fair Value | | | |
| <i>June 30, 2020</i> | | | | |
| <u>Investments by Fair Value Level</u> | | | | |
| <i>The Library</i> | | | | |
| Fixed income: | | | | |
| U.S. treasury obligations | \$ 16,016,608 | 16,016,608 | - | - |
| Government money market fund | 12,485,499 | 12,485,499 | - | - |
| Total fixed income | <u>28,502,107</u> | <u>28,502,107</u> | <u>-</u> | <u>-</u> |
| Total investments measured at fair value | <u>\$ 28,502,107</u> | <u>28,502,107</u> | <u>-</u> | <u>-</u> |
| <i>Fiduciary Funds</i> | | | | |
| Fixed income: | | | | |
| U.S. treasury obligations | \$ 1,827,993 | 1,827,993 | - | - |
| Corporate bonds | 5,887,280 | - | 5,887,280 | - |
| Municipal bonds | 414,672 | - | 414,672 | - |
| Total fixed income | <u>8,129,945</u> | <u>1,827,993</u> | <u>6,301,952</u> | <u>-</u> |
| Equities: | | | | |
| Common stock | 6,488,546 | 6,488,546 | - | - |
| Equity funds | 27,252,523 | 27,252,523 | - | - |
| Total equities | <u>33,741,069</u> | <u>33,741,069</u> | <u>-</u> | <u>-</u> |
| Guaranteed investments: | | | | |
| Guaranteed interest account* | 5,485,386 | - | - | 5,485,386 |
| Total guaranteed investments | <u>5,485,386</u> | <u>-</u> | <u>-</u> | <u>5,485,386</u> |
| Total investments measured at fair value | <u>\$ 47,356,400</u> | <u>35,569,062</u> | <u>6,301,952</u> | <u>5,485,386</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.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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, 2021 and 2020, the carrying amounts of the Library's cash and cash equivalents were \$30,992,059 and \$7,073,737, respectively, and the bank balances were \$31,111,972, and \$7,130,200, respectively. The difference in balances was primarily due to uncleared outstanding checks.

The fair value of investments pledged to secure deposits was approximately \$6,787,000 and \$7,112,000 at June 30, 2021 and 2020, respectively. Approximately \$13,000 and \$18,000 of the deposits were uninsured and uncollateralized as of June 30, 2021 and 2020, respectively.

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.

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 table provides information concerning credit risk.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Interest Rate Risk and Credit Risk, Continued

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

| Investment Type | Moody's Credit Rating | Fair Value | Investment Maturities (In Years) | | | % |
|---------------------------------|-----------------------------|---------------------|-------------------------------------|-------------|-----------|-------------|
| | | | Less than 1 | 1 or More, | | |
| | | | | Less than 5 | 5 or More | |
| <u>2021</u> | | | | | | |
| Government money market fund | Aaa | \$ 6,990,556 | 6,990,556 ⁽¹⁾ | - | - | 100% |
| | | <u>\$ 6,990,556</u> | <u>6,990,556</u> | <u>-</u> | <u>-</u> | <u>100%</u> |
| <u>2020</u> | | | | | | |
| U.S. Treasury obligations | Aaa | \$ 16,016,608 | 16,016,608 | - | - | 56% |
| Government money market fund | Aaa | <u>12,485,499</u> | <u>12,485,499</u> ⁽¹⁾ | - | - | <u>44%</u> |
| | | \$ 28,502,107 | 28,502,107 | - | - | 100% |

⁽¹⁾ The funds weighted average maturity (WAM) is an average of the effective maturity of all securities held in the portfolio, weighted by each security's percentage of net assets. As of June 30, 2021 and 2020, the fund WAM was 25 days and 53 days, respectively.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH, CASH EQUIVALENTS, 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:

| | <u>2021</u> | | <u>2020</u> | |
|--|----------------------|---|----------------------|---|
| | <u>Fair Value</u> | <u>Exposure as a Percentage of Total Investment</u> | <u>Fair Value</u> | <u>Exposure as a Percentage of Total Investment</u> |
| Cash | <u>\$ 547,421</u> | 3% | <u>\$ 1,259,977</u> | 5% |
| Fixed income: | | | | |
| U.S. Treasury obligations | 694,119 | 6% | 1,827,993 | 8% |
| Corporate bonds | 3,433,183 | 28% | 5,887,280 | 26% |
| Municipal bonds | <u>96,369</u> | 1% | <u>414,672</u> | 2% |
| | <u>4,223,671</u> | | <u>8,129,945</u> | |
| Equities: | | | | |
| Common stock | 3,706,763 | 30% | 6,488,546 | 29% |
| Equity funds | <u>3,740,805</u> | 31% | <u>6,646,136</u> | 29% |
| | <u>7,447,568</u> | | <u>13,134,682</u> | |
| Receivables: | | | | |
| Unsettled trades and accrued income | <u>32,515</u> | <u>1%</u> | <u>70,275</u> | <u>1%</u> |
| | <u>\$ 12,251,175</u> | <u>100%</u> | <u>\$ 22,594,879</u> | <u>100%</u> |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH, CASH EQUIVALENTS, 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, 2021 and 2020, the Pension Fund held \$12,251,175 and \$22,594,879, 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, 2021 and 2020, 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.

See Independent Auditors’ Report.

METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH, CASH EQUIVALENTS, 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, 2021 and 2020, the annual money-weighted rate of return on the Pension Fund's investments, net of the Pension Fund's investment expense, was 20.57% and 2.45%, 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>Shares Held</u> | <u>Cost</u> | <u>Fair Value</u> |
|---|--|------------------------|--------------|-------------------|
| <u>2021</u> | | | | |
| Equity fund | Vanguard 500 Index Fund Admiral Class | 4,915 | \$ 971,001 | 1,949,724 |
| <u>2020</u> | | | | |
| Equity fund | Vanguard 500 Index Fund Admiral Class | 12,230 | \$ 2,410,223 | 3,498,900 |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Pension Fund, Continued

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, 2021 or 2020. 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 tables provide information as of June 30 concerning credit risk:

| <u>S&P 500 Rating</u> | <u>Fair Value</u> | Percentage of Total Fixed-Income Investments at <u>Fair Value</u> |
|---------------------------|---------------------|---|
| <u>2021</u> | | |
| AAA | \$ 20,608 | 0% |
| AA+ | 694,119 | 16% |
| AA | 154,353 | 4% |
| AA- | 167,963 | 4% |
| A+ | 145,457 | 3% |
| A | 250,120 | 6% |
| A- | 541,237 | 13% |
| BBB+ | 707,583 | 17% |
| BBB | 1,098,366 | 26% |
| BBB- | <u>443,865</u> | <u>11%</u> |
| | <u>\$ 4,223,671</u> | <u>100%</u> |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Pension Fund, Continued

Credit Risk—Continued:

| <u>S&P 500 Rating</u> | <u>Fair Value</u> | Percentage of Total Fixed-Income Investments at <u>Fair Value</u> |
|---------------------------|---------------------|---|
| <u>2020</u> | | |
| AAA | \$ 60,210 | 1% |
| AA+ | 2,104,564 | 26% |
| AA | 135,296 | 2% |
| AA- | 275,066 | 3% |
| A+ | 248,409 | 3% |
| A | 468,938 | 6% |
| A- | 1,436,869 | 18% |
| BBB+ | 1,581,943 | 19% |
| BBB | 1,292,795 | 16% |
| BBB- | <u>525,855</u> | <u>6%</u> |
| | <u>\$ 8,129,945</u> | <u>100%</u> |

At both June 30, 2021 and 2020, the Pension Fund did not hold any pooled fixed income funds.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Pension Fund, Continued

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:

| Investment Type | Investment Maturities at Fair Value (in Years) | | | Total Fair Value |
|---------------------------|--|---------------------------|----------------------------|---------------------|
| | Less than 1 | 1 or More, Less than 5 | 5 or More, Less than 10 | |
| 2021 | | | | |
| U.S. Treasury obligations | \$ 183,911 | 510,208 | - | 694,119 |
| Corporate bonds | 1,759,322 | 1,571,064 | 102,797 | 3,433,183 |
| Municipal bonds | - | 53,561 | 42,808 | 96,369 |
| | <u>\$ 1,943,233</u> | <u>2,134,833</u> | <u>145,605</u> | <u>4,223,671</u> |
| 2020 | | | | |
| U.S. Treasury obligations | \$ 893,287 | 934,706 | - | 1,827,993 |
| Corporate bonds | 1,329,035 | 4,330,690 | 227,555 | 5,887,280 |
| Municipal bonds | 255,687 | - | 158,985 | 414,672 |
| | <u>\$ 2,478,009</u> | <u>5,265,396</u> | <u>386,540</u> | <u>8,129,945</u> |

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>2021</u> | <u>2020</u> |
| Guaranteed interest account | \$ 5,826,367 | 5,485,386 |
| Mutual funds | <u>28,666,821</u> | <u>20,606,387</u> |
| | <u>\$ 34,493,188</u> | <u>26,091,773</u> |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH, CASH EQUIVALENTS, 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:

| Classification of <u>Investment</u> <u>2021</u> | Name of <u>Investment</u> | Fair <u>Value</u> |
|---|--|----------------------|
| Mutual fund | MM RetireSmart 2030 | \$ 1,858,802 |
| Mutual fund | American Century Equity Growth Fund | 4,447,398 |
| Mutual fund | MM RetireSmart 2040 | 2,020,834 |
| Mutual fund | MM Growth Opportunities | 2,069,974 |
| Mutual fund | Calvert Equity Fnd | 1,785,208 |
| Mutual fund | Thornburg International Equity Fund | 1,728,024 |
| Guaranteed interest account | MM Guaranteed interest account | 5,826,367 |
| <u>2020</u> | | |
| Mutual fund | MM RetireSmart 2030 | \$ 1,805,775 |
| Mutual fund | American Century Equity Growth Fund | 3,186,864 |
| Mutual fund | MM RetireSmart 2040 | 1,318,441 |
| Mutual fund | MM Growth Opportunities | 1,384,618 |
| Guaranteed interest account | MM Guaranteed interest account | 5,485,386 |

See Independent Auditors' Report.

**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 asset activity for the years ended June 30 was as follows:

| | Balance at June 30, 2020 | Increases | Decreases | Balance at June 30, 2021 |
|---|-----------------------------|-----------|-------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 273,126 | - | - | 273,126 |
| Capital assets being depreciated: | | | | |
| Library materials | 29,911,292 | 4,047,208 | (3,680,756) | 30,277,744 |
| Furniture and fixtures | 4,978,276 | 281,533 | (1,158,816) | 4,100,993 |
| Computer equipment | 4,567,719 | 693,939 | (836,849) | 4,424,809 |
| Vehicles | 591,057 | - | (77,117) | 513,940 |
| Buildings and improvements | 5,412,400 | - | - | 5,412,400 |
| Total capital assets being depreciated | 45,460,744 | 5,022,680 | (5,753,538) | 44,729,886 |
| Less accumulated depreciation: | | | | |
| Library materials | 21,056,737 | 4,366,701 | (3,680,755) | 21,742,683 |
| Furniture and fixtures | 4,100,182 | 217,849 | (1,149,305) | 3,168,726 |
| Computer equipment | 3,522,694 | 387,290 | (772,735) | 3,137,249 |
| Vehicles | 524,996 | 21,217 | (77,117) | 469,096 |
| Buildings and improvements | 2,138,522 | 167,891 | - | 2,306,413 |
| Total accumulated depreciation | 31,343,131 | 5,160,948 | (5,679,912) | 30,824,167 |
| Total capital assets being depreciated, net | 14,117,613 | (138,268) | (73,626) | 13,905,719 |
| Capital assets, net | \$ 14,390,739 | (138,268) | (73,626) | 14,178,845 |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CAPITAL ASSETS, CONTINUED

| | Balance at June 30, 2019 | Increases | Decreases | Balance at June 30, 2020 |
|---|-----------------------------|-----------|-------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 273,126 | - | - | 273,126 |
| Capital assets being depreciated: | | | | |
| Library materials | 28,505,619 | 3,906,104 | (2,500,431) | 29,911,292 |
| Furniture and fixtures | 4,952,334 | 299,843 | (273,901) | 4,978,276 |
| Computer equipment | 4,299,813 | 469,074 | (201,168) | 4,567,719 |
| Vehicles | 557,391 | 54,760 | (21,094) | 591,057 |
| Buildings and improvements | 5,412,400 | - | - | 5,412,400 |
| Total capital assets being depreciated | 43,727,557 | 4,729,781 | (2,996,594) | 45,460,744 |
| Less accumulated depreciation: | | | | |
| Library materials | 19,135,279 | 4,421,889 | (2,500,431) | 21,056,737 |
| Furniture and fixtures | 4,127,232 | 218,503 | (245,553) | 4,100,182 |
| Computer equipment | 3,251,381 | 432,889 | (161,576) | 3,522,694 |
| Vehicles | 530,529 | 15,561 | (21,094) | 524,996 |
| Buildings and improvements | 1,970,631 | 167,891 | - | 2,138,522 |
| Total accumulated depreciation | 29,015,052 | 5,256,733 | (2,928,654) | 31,343,131 |
| Total capital assets being depreciated, net | 14,712,505 | (526,952) | (67,940) | 14,117,613 |
| Capital assets, net | \$ 14,985,631 | (526,952) | (67,940) | 14,390,739 |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) COMPENSATED ABSENCES

Compensated absences are liquidated through the General Fund. Employees can accrue up to a maximum of 240 hours of annual leave. Compensated absences are reported as current liabilities in the statements of net position. Compensated absences activity for the years ended June 30 was as follows.

| | Balance at June 30, 2020 | Additions | Reductions | Balance at June 30, 2021 | Amounts Due Within 1 Year |
|----------------------|-----------------------------|-----------|-------------|-----------------------------|------------------------------------|
| Compensated absences | \$ 915,490 | 1,153,999 | (1,122,938) | 946,551 | 946,551 |

| | Balance at June 30, 2019 | Additions | Reductions | Balance at June 30, 2020 | Amounts Due Within 1 Year |
|----------------------|-----------------------------|-----------|------------|-----------------------------|------------------------------------|
| Compensated absences | \$ 741,338 | 1,124,534 | (950,382) | 915,490 | 915,490 |

(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>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Retirees, disabled participants, and beneficiaries | | |
| currently receiving benefits | 11 | 46 |
| Terminated vested participants | 7 | 6 |
| Active participants | 21 | 23 |
| | <u>39</u> | <u>75</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

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.

Allocated Insurance Contracts—During 2021 and 2020, the Plan purchased group annuity contracts in the amounts of \$12,740,632 and \$5,201,595, respectively, for certain participants who were classified as a retiree, disabled participant, or beneficiary, and were currently receiving pension benefits under a life only, or a joint and survivor with a 100% or 50% surviving beneficiary arrangement. Upon purchase of the group annuity contracts, the obligation for the payment of pension annuities was transferred without recourse to the respective insurance companies issuing the group annuity contracts.

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 2021 and 2020 were \$242,915 and \$361,946, respectively.

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.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

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, 2021 and 2020, 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 Library's net pension liability of the participating employer at June 30 were as follows:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|-------------------|
| Total pension liability | \$ 15,083,766 | 24,020,118 |
| Plan fiduciary net position | <u>12,251,175</u> | <u>22,594,879</u> |
| Library's net pension liability | <u>\$ 2,832,591</u> | <u>1,425,239</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>81.22%</u> | <u>94.07%</u> |

Actuarial Assumptions—The total pension liability was determined by an actuarial valuation as of July 1, 2020 and 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|----------------------------|---------------------------------------|
| Inflation: | None |
| Salary increases: | 5% |
| Investment rate of return: | 7%, net of pension plan investment |

See Independent Auditors' Report.

METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) **RETIREMENT PLANS, CONTINUED**

Defined Benefit Pension Plan, Continued

Net Pension Liability, Continued

Actuarial Assumptions—Continued

Mortality rates were based on the Society of Actuaries Generational Tables Mortality Improvement Scales MP-2020 and MP-2019 for males and females for July 1, 2021 and 2020, respectively.

The actuarial assumptions used in the July 1, 2021 and 2020, 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 (see discussion of the Plan's investment policy) are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> | |
|-------------------------|---|-------------|
| | <u>2021</u> | <u>2020</u> |
| Fixed-income securities | 2.75% | 3.44% |
| Domestic equity | 5.73% | 7.34% |
| International equity | 7.80% | 7.55% |
| Cash equivalents | 1.10% | 1.90% |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

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 Liability (a) | Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at June 30, 2020 | \$ 24,020,118 | 22,594,879 | 1,425,239 |
| Changes for the year: | | | |
| Service cost | 156,600 | - | 156,600 |
| Interest | 1,034,745 | - | 1,034,745 |
| Differences between expected and actual experience | 3,792,905 | - | 3,792,905 |
| Changes in assumptions | (56,532) | - | (56,532) |
| Contribution—employer | - | 242,915 | (242,915) |
| Contribution—employee | - | 28,302 | (28,302) |
| Net investment income | - | 3,288,815 | (3,288,815) |
| Benefit payments, including refunds of employee contributions | (1,123,438) | (1,123,438) | - |
| Purchase of annuities | (12,740,632) | (12,740,632) | - |
| Administrative expense | - | (39,666) | 39,666 |
| Net changes | (8,936,352) | (10,343,704) | 1,407,352 |
| Balance at June 30, 2021 | \$ 15,083,766 | 12,251,175 | 2,832,591 |

See Independent Auditors' Report.

**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 Liability (a) | Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at June 30, 2019 | \$ 28,453,360 | 28,058,673 | 394,687 |
| Changes for the year: | | | |
| Service cost | 172,005 | - | 172,005 |
| Interest | 1,765,237 | - | 1,765,237 |
| Differences between expected and actual experience | 164,347 | - | 164,347 |
| Changes in assumptions | (63,444) | - | (63,444) |
| Contribution—employer | - | 361,946 | (361,946) |
| Contribution—employee | - | 31,614 | (31,614) |
| Net investment income | - | 671,463 | (671,463) |
| Benefit payments, including refunds of employee contributions | (1,269,792) | (1,269,792) | - |
| Purchase of annuities | (5,201,595) | (5,201,595) | - |
| Administrative expense | - | (57,430) | 57,430 |
| Net changes | (4,433,242) | (5,463,794) | 1,030,552 |
| Balance at June 30, 2020 | \$ 24,020,118 | 22,594,879 | 1,425,239 |

See Independent Auditors' Report.

**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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the net pension liability of the Library 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 (6.0%) | Current Discount Rate (7.0%) | 1% Increase (8.0%) |
|-------------------------------|-----------------------|---------------------------------|-----------------------|
| <u>June 30, 2021</u> | | | |
| Net pension liability | \$ <u>4,286,372</u> | <u>2,832,591</u> | <u>1,569,898</u> |
| <u>June 30, 2020</u> | | | |
| Net pension liability (asset) | \$ <u>3,695,220</u> | <u>1,425,239</u> | <u>(537,679)</u> |

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

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

For the years ended June 30, 2021 and 2020, the Library recognized pension expense of \$146,836 and \$119,320, respectively.

Pension expense was computed as follows for the years ended June 30:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|----------------|
| Service cost | \$ 156,600 | 172,005 |
| Interest on total pension liability | 1,034,745 | 1,765,237 |
| Differences in expected and actual experiences | 435,970 | (472,790) |
| Changes in assumptions | (15,336) | 30,051 |
| Employee contributions | (28,302) | (31,614) |
| Projected earnings on investments | (1,104,505) | (1,749,372) |
| Differences between projected earnings and actual | (372,002) | 348,373 |
| Pension plan administrative expense | <u>39,666</u> | <u>57,430</u> |
| | <u>\$ 146,836</u> | <u>119,320</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, 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| <u>2021</u> | | |
| Differences between expected and actual experience | \$ 3,102,664 | 911,045 |
| Changes of assumptions | 2,083 | 111,759 |
| Net difference between projected and actual earnings on Pension Fund investments | <u>740,158</u> | <u>1,778,175</u> |
| | <u>\$ 3,844,905</u> | <u>2,800,979</u> |
| <u>2020</u> | | |
| Differences between expected and actual experience | \$ 228,836 | 1,394,152 |
| Changes of assumptions | 21,179 | 89,658 |
| Net difference between projected and actual earnings on Pension Fund investments | <u>1,002,447</u> | <u>228,157</u> |
| | <u>\$ 1,252,462</u> | <u>1,711,967</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, Deferred Outflows of Resources, and
Deferred Inflows of Resources Related to Pensions, Continued*

As of June 30, 2021, amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|---------------------|
| 2022 | \$ 128,658 |
| 2023 | 229,375 |
| 2024 | 548,023 |
| 2025 | <u>137,870</u> |
| | <u>\$ 1,043,926</u> |

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 2021 and 2020, the Library contributed 10% of each participant's compensation. Participants are fully vested in the employer's contributions after 3 years of credited service. 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 65th birthday or the 5th anniversary of the first day of the plan year in which participation in the Contribution Plan commenced. For the years ended June 30, 2021 and 2020, the Library's contribution to the Contribution Plan was \$1,425,226 and \$1,384,731, 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, 2021 and 2020, employee contributions to the Deferred Compensation Plan totaled approximately \$147,000 and \$158,000, respectively.

(7) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Description

The Library participates in a self-insurance health plan (see Note 8), which is a non-trusted single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement, provided the participant was covered by the self-insurance health plan before retiring.

In conjunction with providing the postretirement medical benefits through the self-insurance health plan, the Library determined that an OPEB liability existed. The Library calculated the self-insurance health plan OPEB liability at June 30, 2021 and 2020, and it is reflected in the accompanying financial statements.

The self-insurance health plan provides members with postretirement medical benefits if the retiree and spouse pay the full active premium. Participants in the self-insurance health plan can elect to enroll in special coverage, and surviving spouses may continue in the Plan. Contributions to the self-insurance health plan are made by both the participant and the Library on a "pay as you go" basis.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

**OPEB Liability, OPEB Expense, Deferred Outflows of Resources, and
Deferred Inflows of Resources Related to OPEB**

At June 30, 2021 and 2020, the Library reported a liability for the self-insurance health plan OPEB. The Library used a measurement date and valuation date of July 1, 2020, and July 1, 2019, to calculate the total self-insurance health plan OPEB liability at June 30, 2021 and 2020, respectively.

For the years ended June 30, 2021 and 2020, the Library recognized OPEB expense of \$198,022 and \$132,599, respectively. At June 30, the Library reported deferred outflows of resources and deferred inflows of resources related to the self-insurance health plan OPEB liability from the following sources:

| | <u>2021</u> | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-------------|-----------------------------------|----------------------------------|
| Changes of assumptions | | \$ 217,478 | 132,437 |
| Differences between expected and actual experience | | <u>65,146</u> | <u>123,276</u> |
| | | <u>\$ 282,624</u> | <u>255,713</u> |
| | <u>2020</u> | | |
| Changes of assumptions | | \$ - | 151,552 |
| Differences between expected and actual experience | | <u>59,135</u> | <u>132,474</u> |
| | | <u>\$ 59,135</u> | <u>284,026</u> |

As of June 30, 2021, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,

| | |
|------------|------------------|
| 2022 | \$ (488) |
| 2023 | (488) |
| 2024 | (488) |
| 2025 | (488) |
| 2026 | (438) |
| Thereafter | <u>29,301</u> |
| | <u>\$ 26,911</u> |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

Actuarial Methods and Assumptions

The total self-insurance health plan OPEB liability June 30, 2021 and 2020 was determined based on actuarial valuations prepared using a July 1, 2020, and July 1, 2019, measurement date, respectively, using the following actuarial assumptions:

- Investment return—Not applicable, as the self-insurance health plan is unfunded, and benefits are not paid from a qualifying trust
- Mortality rates—RP-2000 Healthy Annuitant Mortality Table for males or females, as appropriate with adjustments for mortality improvements based on Scale AA
- Salary scale—3% per year
- Plan participation—30% of retired employees are assumed to participate in the self-insurance health plan.
- Marital assumptions—None
- Plan entry date is the date of hire
- Actuarial cost method—Entry age normal based upon salary
- Healthcare trend rate—A level 4.00%

At June 30, 2021, the self-insurance health plan had total participants of 292 consisting of 273 active participants and 19 retirees or surviving spouses. At June 30, 2020, the self-insurance health plan had total participants of 293 consisting of 274 active participants and 19 retirees or surviving spouses.

Discount Rate

The discount rate used to measure the total OPEB liability 2.21% and 3.50% for June 30, 2021 and 2020, respectively. The discount rate was determined using a 20-year Municipal Bond AA rate.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and
Healthcare Trend Rate**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate—The following presents the total self-insurance health plan OPEB liability of the Library calculated using the discount rate of 2.21% and 3.50% for 2021 and 2020 respectively, as well as what the Library's total self-insurance health plan OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease (1.21%) | Current Discount Rate (2.21%) | 1% Increase (3.21%) |
|----------------------|------------------------|----------------------------------|------------------------|
| <u>June 30, 2021</u> | | | |
| Total OPEB liability | \$ 1,325,984 | 1,223,719 | 1,144,665 |
| | | | |
| | 1% Decrease (2.50%) | Current Discount Rate (3.50%) | 1% Increase (4.50%) |
| <u>June 30, 2020</u> | | | |
| Total OPEB liability | \$ 838,566 | 773,893 | 723,898 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate—The following presents the total OPEB liability calculated using the healthcare trend rate of 4.00% for both 2021 and 2020, as well as what the liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease in Healthcare Trend Rate (3.00%) | Current Healthcare Trend Rate (4.00%) | 1% Increase in Healthcare Trend Rate (5.00%) |
|----------------------|---|--|---|
| <u>June 30, 2021</u> | | | |
| Total OPEB liability | \$ 1,145,600 | 1,223,719 | 1,322,205 |
| | | | |
| <u>June 30, 2020</u> | | | |
| Total OPEB liability | \$ 724,489 | 773,893 | 836,177 |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) 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, 2021 and 2020, the Library has limited its risk of loss by purchasing insurance to pay an individual's claim in excess of \$105,000 and \$100,000, respectively.

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>2021</u> | <u>2020</u> | <u>2019</u> |
|----------------------------|--------------------|--------------------|--------------------|
| Balance, beginning of year | \$ 208,775 | 299,728 | 220,326 |
| Current year claims | 4,293,354 | 3,045,556 | 3,107,061 |
| Claim payments | <u>(4,069,353)</u> | <u>(3,136,509)</u> | <u>(3,027,659)</u> |
| Balance, end of year | <u>\$ 432,776</u> | <u>208,775</u> | <u>299,728</u> |

(9) 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.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) 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, the temporary Belle Isle location, 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 temporary Belle Isle location is leased for \$17,000 per month. The Almonte Shopping Center library building is leased for approximately \$8,000 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 year ended June 30, 2021, the Library paid \$950,000 to the City of Oklahoma City for the construction of the Belle Isle library building. During the year ended June 30, 2020, the Library paid \$650,000 to the City of Edmond for HVAC renovations and upgrades made to the Edmond library building.

Total lease and equipment rental expense for the years ended June 30, 2021 and 2020, was approximately \$207,000 and \$124,000, 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.

COVID-19

The novel coronavirus ("COVID-19"), which was declared a global health emergency in January 2020 and a pandemic in March 2020, has caused significant changes in political and economic conditions around the world, including disruptions and volatility in the global capital markets. In response, the State of Oklahoma and local municipalities have taken various preventative or protective actions, such as imposing restrictions on business operations and advising or requiring individuals to limit or forgo their time outside of their homes. The Library's management has considered the economic implications of the COVID-19 pandemic in making critical and significant accounting estimates included in the June 30, 2021 and 2020, financial statements.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) COMMITMENTS AND CONTINGENCIES, CONTINUED

COVID-19, Continued

The extent to which the COVID-19 pandemic may impact the Library will depend on future developments which are uncertain, such as the duration of the outbreak, additional governmental mandates issued to mitigate the spread of the disease, business closures, economic disruptions, and the effectiveness of actions taken to contain and treat the virus. Accordingly, the COVID-19 pandemic may have a negative impact on the Library's future operations, the size and duration of which is difficult to predict. The Library's management will continue to actively monitor the situation and may take further actions altering operations that the Library's management determines are in the best interests of its employees and stakeholders, or as required by federal, state, or local authorities.

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

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

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

Schedule I

BUDGETARY COMPARISON SCHEDULE—GENERAL FUND (UNAUDITED)

Year Ended June 30, 2021

| | Budgeted Amounts— <u>Original</u> | Budgeted Amounts— <u>Final</u> | Actual Amounts— Modified <u>Accrual Basis</u> | Modified Accrual to Budgetary Basis <u>Adjustments</u> | Actual Amounts— Budgetary Basis | Variance with Final Budget— Positive <u>(Negative)</u> |
|---|---|--------------------------------------|--|--|--|---|
| Budgetary fund balance, beginning of year: | | | | | | |
| Carryover funds | \$ 8,453,435 | 11,008,510 | 11,371,185 | (973,148) | 12,344,333 | 1,335,823 |
| Capital reserve | 20,091,124 | 20,091,124 | 20,091,124 | - | 20,091,124 | - |
| | <u>28,544,559</u> | <u>31,099,634</u> | <u>31,462,309</u> | <u>(973,148)</u> | <u>32,435,457</u> | <u>1,335,823</u> |
| Resources (inflows): | | | | | | |
| Property taxes | 36,141,044 | 37,676,447 | 41,929,087 | 360,832 | 41,568,255 | 3,891,808 |
| Collections on book fines and copy services | 259,390 | 259,390 | 241,450 | (5,470) | 246,920 | (12,470) |
| State revenue | 157,863 | 157,863 | 203,135 | - | 203,135 | 45,272 |
| Investment earnings | - | - | (15,922) | - | (15,922) | (15,922) |
| Other | - | - | 75,293 | - | 75,293 | 75,293 |
| Total resources (inflows) | <u>36,558,297</u> | <u>38,093,700</u> | <u>42,433,043</u> | <u>355,362</u> ⁽¹⁾ | <u>42,077,681</u> | <u>3,983,981</u> |
| Charges to appropriations: | | | | | | |
| Personnel services | 28,439,146 | 28,351,071 | 26,029,963 | 1,046,175 | 24,983,788 | 3,367,283 |
| Maintenance and operations: | | | | | | |
| Contractual services | 6,700,013 | 7,052,139 | 4,849,670 | 142,840 | 4,706,830 | 2,345,309 |
| Commodities | 1,035,259 | 1,075,414 | 977,497 | 25,207 | 952,290 | 123,124 |
| Capital outlays—operations | <u>9,787,314</u> | <u>11,623,586</u> | <u>9,158,432</u> | <u>-</u> | <u>9,158,432</u> | <u>2,465,154</u> |
| Total charges to appropriations | <u>45,961,732</u> | <u>48,102,210</u> | <u>41,015,562</u> | <u>1,214,222</u> ⁽²⁾ | <u>39,801,340</u> | <u>8,300,870</u> |
| Net changes in budgetary fund balance | (9,403,435) | (10,008,510) | 1,417,481 | (858,860) | 2,276,341 | 12,284,851 |
| Budgetary fund balance, end of year: | | | | | | |
| Carryover funds | - | - | 12,788,666 | (1,832,008) | 14,620,674 | 14,620,674 |
| Capital reserve | <u>19,141,124</u> | <u>21,091,124</u> | <u>20,091,124</u> | <u>-</u> | <u>20,091,124</u> | <u>(1,000,000)</u> |
| | <u>\$ 19,141,124</u> | <u>21,091,124</u> | <u>32,879,790</u> | <u>(1,832,008)</u> | <u>34,711,798</u> | <u>13,620,674</u> |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

Schedule I, Continued

BUDGETARY COMPARISON SCHEDULE—GENERAL FUND (UNAUDITED), CONTINUED

Year Ended June 30, 2020

| | Budgeted Amounts— <u>Original</u> | Budgeted Amounts— <u>Final</u> | Actual Amounts— Modified <u>Accrual Basis</u> | Modified Accrual to Budgetary Basis <u>Adjustments</u> | Actual Amounts— Budgetary <u>Basis</u> | Variance with Final Budget— Positive <u>(Negative)</u> |
|---|---|--------------------------------------|--|--|---|---|
| Budgetary fund balance, beginning of year: | | | | | | |
| Carryover funds | \$ 9,258,041 | 9,258,041 | 10,081,133 | (898,131) | 10,979,264 | 1,721,223 |
| Capital reserve | 18,305,236 | 18,305,236 | 18,305,236 | - | 18,305,236 | - |
| | <u>27,563,277</u> | <u>27,563,277</u> | <u>28,386,369</u> | <u>(898,131)</u> | <u>29,284,500</u> | <u>1,721,223</u> |
| Resources (inflows): | | | | | | |
| Property taxes | 36,141,044 | 36,141,044 | 39,459,366 | (219,799) | 39,679,165 | 3,538,121 |
| Collections on book fines and copy services | 288,211 | 288,211 | 464,457 | 144,782 | 319,675 | 31,464 |
| State revenue | 175,403 | 175,403 | 236,276 | - | 236,276 | 60,873 |
| Investment earnings | - | - | 470,296 | - | 470,296 | 470,296 |
| Other | - | - | 76,540 | - | 76,540 | 76,540 |
| Total resources (inflows) | <u>36,604,658</u> | <u>36,604,658</u> | <u>40,706,935</u> | <u>(75,017) ⁽¹⁾</u> | <u>40,781,952</u> | <u>4,177,294</u> |
| Charges to appropriations: | | | | | | |
| Personnel services | 27,288,798 | 27,288,798 | 25,095,191 | - | 25,095,191 | 2,193,607 |
| Maintenance and operations: | | | | | | |
| Contractual services | 6,206,301 | 6,206,301 | 4,576,969 | - | 4,576,969 | 1,629,332 |
| Commodities | 1,107,346 | 1,107,346 | 879,643 | - | 879,643 | 227,703 |
| Capital outlays—operations | <u>9,474,366</u> | <u>9,474,366</u> | <u>7,079,192</u> | <u>-</u> | <u>7,079,192</u> | <u>2,395,174</u> |
| Total charges to appropriations | <u>44,076,811</u> | <u>44,076,811</u> | <u>37,630,995</u> | <u>- ⁽²⁾</u> | <u>37,630,995</u> | <u>6,445,816</u> |
| Net changes in budgetary fund balance | <u>(7,472,153)</u> | <u>(7,472,153)</u> | <u>3,075,940</u> | <u>(75,017)</u> | <u>3,150,957</u> | <u>10,623,110</u> |
| Budgetary fund balance, end of year: | | | | | | |
| Carryover funds | - | - | 11,371,185 | (973,148) | 12,344,333 | 12,344,333 |
| Capital reserve | <u>20,091,124</u> | <u>20,091,124</u> | <u>20,091,124</u> | <u>-</u> | <u>20,091,124</u> | <u>-</u> |
| | <u>\$ 20,091,124</u> | <u>20,091,124</u> | <u>31,462,309</u> | <u>(973,148)</u> | <u>32,435,457</u> | <u>12,344,333</u> |

See Independent Auditors' Report.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

BUDGETARY COMPARISON SCHEDULE—GENERAL FUND (UNAUDITED), CONTINUED

| <i>Years Ended June 30,</i> | <i>2021</i> | <i>2020</i> |
|--|--------------|-------------|
| Budget-to-actual reconciliation: | | |
| <hr/> | | |
| (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. | \$ 355,362 | (75,017) |
| (2) Expenditures on a budgetary basis are based on cash paid rather than the modified accrual basis used for financial reporting. Under the modified accrual basis, expenditures are recorded when obligations are incurred. In addition, the Revolving Fund is not reported as part of the General Fund for budgetary purposes. | (1,214,222) | - |
| Total budget-to-actual reconciliation | \$ (858,860) | (75,017) |

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.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

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

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

Schedule II

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

| Last 9 Fiscal Years | | | | | | | | | |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Total pension liability | | | | | | | | | |
| Service cost | \$ 156,600 | 172,005 | 203,200 | 257,595 | 331,469 | 379,654 | 440,000 | 459,906 | 523,417 |
| Interest | 1,034,745 | 1,765,237 | 1,946,001 | 2,030,008 | 2,069,330 | 2,058,626 | 1,963,789 | 1,937,455 | 1,871,153 |
| Differences between expected and actual experience | 3,792,905 | 164,347 | (415,989) | (1,465,033) | (989,443) | (38,374) | 601,322 | (767,420) | (121,662) |
| Changes in assumptions | (56,532) | (63,444) | (59,513) | - | - | - | 125,003 | 246,053 | - |
| Benefit payments, including refunds of member contributions | (1,123,438) | (1,269,792) | (2,040,696) | (2,004,643) | (1,941,568) | (1,793,103) | (1,636,804) | (1,322,954) | (1,201,505) |
| Purchase of annuities | (12,740,632) | (5,201,595) | - | - | - | - | - | - | - |
| Net change in total pension liability | (8,936,352) | (4,433,242) | (366,997) | (1,182,073) | (530,212) | 606,803 | 1,493,310 | 553,040 | 1,071,403 |
| Total pension liability—beginning | <u>24,020,118</u> | <u>28,453,360</u> | <u>28,820,357</u> | <u>30,002,430</u> | <u>30,532,642</u> | <u>29,925,839</u> | <u>28,432,529</u> | <u>27,879,489</u> | <u>26,808,086</u> |
| Total pension liability—ending ^(a) | <u>\$ 15,083,766</u> | <u>24,020,118</u> | <u>28,453,360</u> | <u>28,820,357</u> | <u>30,002,430</u> | <u>30,532,642</u> | <u>29,925,839</u> | <u>28,432,529</u> | <u>27,879,489</u> |
| Plan fiduciary net position | | | | | | | | | |
| Contributions—employer | \$ 242,915 | 361,946 | 436,022 | 1,005,675 | 624,271 | 767,210 | 812,823 | 1,130,104 | 1,074,744 |
| Contributions—employees | 28,302 | 31,614 | 38,545 | 38,028 | 55,251 | 63,791 | 77,896 | 98,634 | 108,805 |
| Net investment income (loss) | 3,288,815 | 671,463 | 1,670,599 | 2,010,720 | 2,593,631 | 398,368 | (119,212) | 3,700,555 | 2,456,234 |
| Benefit payments, including refunds of member contributions and administrative expenses | (1,163,104) | (1,327,222) | (2,102,227) | (2,093,216) | (2,046,883) | (1,854,928) | (1,694,684) | (1,390,402) | (1,267,896) |
| Purchase of annuities | (12,740,632) | (5,201,595) | - | - | - | - | - | - | - |
| Net change in plan fiduciary net position | (10,343,704) | (5,463,794) | 42,939 | 961,207 | 1,226,270 | (625,559) | (923,177) | 3,538,891 | 2,371,887 |
| Plan fiduciary net position—beginning | <u>22,594,879</u> | <u>28,058,673</u> | <u>28,015,734</u> | <u>27,054,527</u> | <u>25,828,257</u> | <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 ^(b) | <u>\$ 12,251,175</u> | <u>22,594,879</u> | <u>28,058,673</u> | <u>28,015,734</u> | <u>27,054,527</u> | <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>\$ 2,832,591</u> | <u>1,425,239</u> | <u>394,687</u> | <u>804,623</u> | <u>2,947,903</u> | <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 supplementary information.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

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

| <u>Last 9 Fiscal Years</u> | | | | | | | | | |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Total pension liability | \$ 15,083,766 | 24,020,118 | 28,453,360 | 28,820,357 | 30,002,430 | 30,532,642 | 29,925,839 | 28,432,529 | 27,879,489 |
| Plan fiduciary net position | <u>12,251,175</u> | <u>22,594,879</u> | <u>28,058,673</u> | <u>28,015,734</u> | <u>27,054,527</u> | <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>\$ 2,832,591</u> | <u>1,425,239</u> | <u>394,687</u> | <u>804,623</u> | <u>2,947,903</u> | <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 of the total pension liability | <u>81.22%</u> | <u>94.07%</u> | <u>98.61%</u> | <u>97.21%</u> | <u>90.17%</u> | <u>84.59%</u> | <u>88.40%</u> | <u>96.29%</u> | <u>85.50%</u> |
| Covered payroll | <u>\$ 1,176,716</u> | <u>1,197,737</u> | <u>1,374,258</u> | <u>1,463,754</u> | <u>1,725,494</u> | <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 percentage of covered payroll | <u>240.72%</u> | <u>118.99%</u> | <u>28.72%</u> | <u>54.97%</u> | <u>170.84%</u> | <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 supplementary information.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

Schedule IV

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

| <u>Last 10 Fiscal Years</u> | | | | | | | | | | |
|---|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Actuarially determined contribution | \$ 242,915 | 361,946 | 436,022 | 1,005,675 | 624,271 | 767,210 | 812,823 | 1,130,104 | 1,074,744 | 1,114,433 |
| Contributions in relation to the actuarially determined contribution | <u>242,915</u> | <u>361,946</u> | <u>436,022</u> | <u>1,005,675</u> | <u>624,271</u> | <u>767,210</u> | <u>812,823</u> | <u>1,130,104</u> | <u>1,074,744</u> | <u>1,114,433</u> |
| Contribution excess (deficiency) | \$ <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered payroll | <u>\$ 1,176,716</u> | <u>1,197,737</u> | <u>1,374,258</u> | <u>1,463,754</u> | <u>1,725,494</u> | <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> |
| Contributions as a percentage of covered payroll | <u>20.64%</u> | <u>30.22%</u> | <u>31.73%</u> | <u>68.71%</u> | <u>36.18%</u> | <u>36.36%</u> | <u>41.28%</u> | <u>51.46%</u> | <u>41.22%</u> | <u>42.57%</u> |

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

Schedule V

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

Last 9 Fiscal Years

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 20.57% | 2.45% | 5.91% | 7.23% | 9.88% | (5.51)% | (0.65)% | 15.27% | 11.14% |

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

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

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 (Newport Group) at the dates indicated. Additional information as of the July 1, 2021, valuation follows:

| | |
|----------------------------|------------------------------|
| Actuarial cost method: | Entry age normal |
| 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.

**METROPOLITAN LIBRARY COMMISSION OF
OKLAHOMA COUNTY**

**SUPPLEMENTARY INFORMATION REQUIRED BY
GOVERNMENTAL ACCOUNTING STANDARDS BOARD
STATEMENT NO. 75**

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

Last 4 Fiscal Years

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|----------------------|-------------------|-------------------|-------------------|
| Total OPEB liability: | | | | |
| Service cost | \$ 171,424 | 118,301 | 95,942 | 68,738 |
| Interest | 27,086 | 32,239 | 30,022 | 24,011 |
| Differences between expected and actual experiences | 17,608 | (141,674) | - | 90,257 |
| Changes of assumptions | 233,708 | (68,024) | (36,236) | (91,638) |
| Estimated benefit payments | - | - | (95,271) | (95,271) |
| Net change in total OPEB liability | 449,826 | (59,158) | (5,543) | (3,903) |
| Total OPEB liability—beginning | 773,893 | 833,051 | 838,594 | 842,497 |
| Total OPEB liability—ending | <u>\$ 1,223,719</u> | <u>773,893</u> | <u>833,051</u> | <u>838,594</u> |
| Covered employee payroll | <u>\$ 14,978,245</u> | <u>14,541,985</u> | <u>14,653,807</u> | <u>13,260,741</u> |
| Total OPEB liability as a percentage of covered-employee payroll | <u>8.17%</u> | <u>5.32%</u> | <u>5.68%</u> | <u>6.32%</u> |
| Discount rate | <u>2.21%</u> | <u>3.50%</u> | <u>3.87%</u> | <u>3.58%</u> |

Note to Schedule: Only the last 4 fiscal years are presented because 10-year data is not yet available.

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, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated November 15, 2021. Our report 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") as a basis for designing 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.

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.

(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**

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Finley & Cook, PLLC

Shawnee, Oklahoma
November 15, 2021