

MEETING MINUTES
Olean Public Library Board of Trustees
February 19, 2015
5:30 P.M. – Conference Room

The mission of the Olean Public Library is to provide equal access to materials in various formats, programs, services, and professional staff to assist all people with their educational, informational and leisure needs.

A Certificate of Compliance and Notice of Meeting Posted was signed, notarized and made a part of these minutes along with a copy of said notice.

Call to Order at 5:30 pm by Lanna Waterman. In attendance were trustees Casey, Kasperski, McElfresh, Tenglund, Wagner, Waterman, Assistant Director Mahar and Director Chaffee.

1. Consent Agenda Items: A motion was made by McElfresh, seconded by Tenglund, to approve the consent agenda items. Motion carried unanimously.
 - A. Waive the reading of the minutes of the previous meetings and approve as mailed.
 - B. Approval of Warrant Sheets for January 15 – February 19:
Operating Fund: February #837 - \$88,940.83
Cafeteria 125 Fund: February #125-116 - \$377.94
 - C. Correspondence – NYS Comptroller – Audit Notice Letter
 - o The auditor is coming on Monday morning to give Chaffee a list of what they want to look at.
 - o The state has been auditing all entities that receive public money.
 - o At the conclusion of the audit, they will provide the audit results along with recommendations for corrective action. We will then have to respond along with whether we agree or not and what we will do about any corrections.
 - D. Director’s Report
 - o Chaffee noted a couple of things that were not on his report. One was the Community Literacy Asset Analysis.
 - o The children’s librarian went to a workshop that included this analysis. They put together a focus group that was not as fruitful as was hoped. They also surveyed parents who were coming in. The results were given in a report.
 - o Some parents noted that they would like some homework assistance. It was noted that National Honor Students have to have some service hours; these students might be good to help with homework.
 - o Family game night and reading classes were also suggestions.
 - o Board members noted that parking issues can also be a problem for evening programming. However, nights and weekends, people can generally use any space in the parking lot adjacent to the library.
 - o Chaffee reported on a visit to Senator Young’s office to advocate for library funding. There were approx. 15 people there from the system, the Western New York Library Council, academic, and school libraries. We want to get back to full funding for libraries. State law says that libraries should be receiving more aid than they are

actually getting. Libraries are an integral part of the education system. When public education gets an increase, libraries should get a similar increase. Other legislative priorities included the fact that librarians are not required in elementary schools, and they would like that to change, because statistics show that students do better academically. Senator Young has been supportive of libraries and has gotten us bullet aid in the past. She was not certain bullet aid would be available this year.

2. Review of Financial Statements - No January Financial Statement due to Audit Report.

3. Committee Reports:

Library System Board – McElfresh said that system board discussed a possible upcoming lawsuit.

Library Exhibit – McElfresh said that it did not seem that there was any interest in the exhibit idea. Possibly the historical society might do something like this in the future. Another idea was that if we wanted to do something like this, it might help to approach some people who have collections of interest.

4. Voice of the Public: None

5. Old Business: None

6. New Business:

Presentation of Library's 2014 audit by Scott Reed of Buffamante, Whipple, Buttafaro, PC.

- Page 1—the independent auditor's report—stated that the financial statements are in accordance with accounting principles generally accepted in the USA.
- Page 2—the total assets were very close to last year's.
 - Our current assets have dropped almost \$60,000 and the property and equipment accounts have gone up approx. \$50,000. There is a healthy amount of cash.
 - On the liability side, liabilities are up approx. \$28,000. The line that is up is deferred revenue that is the tax money received that is reserved for next year's budget.
 - Our net assets were \$1,470,000 at the end of 2014, which is down approx. \$36,000. That also means that we had a deficit in 2014 of \$36,000. In that Net Assets section, we carve out certain amounts. Our net assets are related to property and equipment. Unrestricted—other is the free and clear net asset fund balance that is not tied up in building or equipment. Reed noted that the property and equipment line went up and the Unrestricted—Other has gone down.
 - We have seen this happen for the last few years. We spent money on building improvements in 2014. When it comes time to talk about a tax increase, we need to remember that there is a lot of pressure on that fund balance.
- Page 3—statement of activities—
 - Our support and revenue was down by \$14,000, because of a drop in grant funding (Southern Tier West Development Foundation grant which

was used to buy computers) and contributions/gifts (because there was a one-time large donation in 2013), and slightly less in library charges, refunds and other fees.

- On the expense side, our total expenses were very close to last year's. Our expenses are fairly flat, which shows good control. Reed looked at our budget and our actual expenses were less than we budgeted. Nonetheless, we were \$37,308 in the hole before temporarily restricted amounts are taken into consideration.
- The decrease in net assets for the year was \$36,282. It looks like our loss was a little bigger than in FY 2013, but that can be traced to the lack of a computer grant and one-time donation from FY 2013.
- More importantly, we need to ask ourselves if we can weather a \$36,000 loss year after year. We have a healthy fund balance, which is good, but we cannot do that forever. It is good that the board is looking at raising tax rates and/or reducing expenses.
- Page 4, Cash Flow
 - Cash flows are presented in cash flows from operations, from investing activities, and from financing activities. We are in a good position because we do not have any bank debt, so there is no financing section
 - Our cash flows from operations generated almost \$71,000 in cash. It starts with the deficit but adds back things like depreciation of \$63,000, and it reports the change in receivables from the beginning to the end of the year—the convert your accrual basis to cash basis. When this is done, it shows that operations generated \$71,000 in cash.
 - We spent \$115,000 on building improvements, sidewalk and curb work, remodeling bathroom and offices, new doors
 - When you net your cash from operations from your cash flow from investing, the net decrease in cash was \$44,500.
 - Your cash is impacted by your property and equipment.
 - Operations does generate positive cash flow.
- Page 5 detailed the expenses in 2014 compared to 2013.
 - Expenses were divided by program services vs. management and general. The small increase in Management and General was good.
 - Looking at the detail of the different expense lines, there was no change in salaries, which was impressive. Payroll did not go up but benefits did, due to retirement costs, which is not in our control. Library materials cost a little less than in 2013.
 - In the operation and maintenance categories, the utilities line changed and was the one that had the biggest change of all of them. Insurance costs stayed basically the same.
 - In Miscellaneous, nothing stood out as remarkably different.
 - The only other expense to make mention of is the professional fee line which was \$34,000 in 2014, compared to \$31,000 in 2013—this relates mostly to the NYS Council on the Arts grant—we got more money from this council and spent more money as well.
- The next few pages are footnotes.
 - Note 3, p. 7, on Cash and Investments—our cash funds have to be collateralized. The ones in Community Bank are insured by FDIC and the bank pledged security as well. We also have money at Morgan Stanley that does not carry FDIC insurance but it does have SICP

insurance. Reed's understanding was that the investment policy complies with NYS Education Law.

- Note 5, pt. 7, pension plans—this explains the retirement costs. At least the rates have stabilized somewhat.
- The financial statements are the quantitative part. Reed then distributed a management letter that talks about the qualitative aspects of the audit, including accounting policies, accounting estimates, footnote presentation, etc.
 - Accounting policies: your choices have been generally accepted. You do not use any unusual policies. Our policies are consistent year after year. Reed said that we get a grade A for that.
 - Accounting estimates: we do not have that here. We have some estimates involved in how long we will depreciate building and equipment. Our estimates are reasonable.
 - Disclosures: We make them as understandable as they can be. Reed said that they thought that our financial statements were complete and thorough and everything that is required to be disclosed is. Our statements tell the right story.
 - Corrected and Uncorrected misstatements: Every year certain adjustments are needed. We do things mostly on a cash basis which then has to be converted to an accrual basis. The largest adjustments this last year were to capitalize current year equipment additions and record depreciation expense. This is not unusual.
 - We could change how we do our bookkeeping but Reed did not recommend it. It is fine to have these adjustments at the end of the year. But the board needs to recognize that these adjustments are made.
 - Disagreements with management: There were none
 - Management misrepresentations: They requested and received certain representations.
 - Management consultations with other independent accountants: None
 - Other audit findings: None
 - Reed said that this was a clean letter. It is a required communication given to all audit clients.
- Reed mentioned that if they had comments that were internal control related, they would put those in a second letter. There was no need for a second letter because they found that the processes were consistent, the board oversight is good, the board treasurer signs all of the checks. There were no findings to worry about.
- Regarding the upcoming state audit, the state's objectives are different than Reed's. Reed talked about our internal controls and process. The state's process is more procedural, looks at policies, etc. He predicted that we would do well.
- The 990 is due in May.
- **MOTION (Kasperski, Wagner):** To accept the audit report as presented by Scott Reed. Motion carried unanimously.

It was agreed that the date of the April 16, 2015 Library Board Meeting would change to April 23, 2015.

Review draft Purchasing Policy for the Library.

- Chaffee noted that the written policy is close to what they actually do.

- We never had a written amount that dictated amounts that had to go out to bid, etc.
- The policy wording matches closely what other similar institutions do.
- The policy spells out some routines as well. For example, purchase orders are required, which they already do.
- Board members felt that the policy made sense.
- **MOTION (Tenglund, McElfresh):** To approve the purchasing policy. Motion carried unanimously.

Credit Card Policy

- The board had approved the issuance of credit cards in the past. One is in Chaffee's name and one is in Pam's name.
- Having a credit card expedites purchases.
- Credit cards are kept in the building unless they are being used at a local store.
- Purchase orders are still used for credit card purchases
- **MOTION (Wagner, Kasperski):** To accept the credit card policy. Motion carried unanimously.

Petty Cash Policy

- These are procedures that are already followed.
- A lot of the procedures that we have in place were developed after audit recommendations.
- **MOTION (Kasperski, Wagner):** To approve the petty cash policy. Motion carried unanimously.

2016 Budget

- A couple of scenarios were presented—a 0% or 2% tax increase.
- Chaffee noted that scenarios 7 and 8 were business and usual, where we are not changing a lot on our expenditures. Scenarios 9 and 10 institute more of the reductions that we talked about previously. In columns 9 and 10:
 - The salary reduction was from eliminating Sunday hours.
 - There might also be some personnel changes.
 - Reductions were made in materials budgets, which would make fewer materials available for patrons.
 - Some of the reductions listed are based on a careful study of spending over the years, looking at areas where we usually did not spend everything budgeted.
- On the income side, we are looking at the possibility of investing differently and making a little more than we have been making. Chaffee and Kasperski visited Smith, Barney to discuss ideas.
- Under Other CCLS grants, this covers the materials grant plan that the library system had. The library system used to hold the money and we would spend from that account. Now, quarterly, they send the library its allocation. Typically this has been approx. \$14,000.
- At the next board meeting, we need to determine whether to ask for a tax increase, and if so, how much it would be. All of the other numbers can be adjusted throughout the year.
- Kasperski gave a recap of things to look at:
 - On page 2 of the audit, there are really two numbers to look at. In 2014 under net assets, there is unrestricted and board-designated restricted. Only \$444,575 is the unrestricted fund balance.

- With that in mind, look at the budget worksheet. Under column 5, the 2014 adopted budget is shown. This budget includes a -54,833 as a projection. This is budget, not actual. We actually came in at a -36,000., after accruals were factored in. We had adopted a budget that would appropriate \$77,500.
- Column 6 for 2015 has been passed and we are running with this. The fund balance appropriation was \$76,294. By the end of 2015, the \$444,000 fund balance will be down to \$375,000.
- Our decision is what number in column 7, 8, 9, and 10, and what philosophy on the tax increase and changes in expenses, we want. The range of impact on the fund balance is \$33,101 up to \$76,294.
- Discussion ensued on what Kasperski had said.
 - If we hit the budget on target, we will take out \$76,046 this year. Chaffee would otherwise have to do something to cause us to not spend as much as we said.
 - Others noted that depreciation expense was factored in. Kasperski said that we need to fund depreciation or else we need to put in capital expenditures. If we put in capital expenditures, it would be a bigger deficit.
 - Depreciation expenses in 2014 were \$63,000. Actual capital expenditures were \$115,439. These figures were in Reed's letter. This supports the idea that using capital expenditures in the budget would result in higher expenses.
 - The issue is the concept of a non-profit is a misnomer. Non-profits have to make money to stay in business. Non-profits, school districts, government agencies, and universities do this by making sure that expenses are fully shown.
- The board needs to decide on the budget in March.

7. Adjournment—A motion was made by Waterman, seconded by McElfresh, to adjourn at 7:01 p.m. Motion carried unanimously.

Reminders: Next Board Meeting is March 19, 2015 at 5:30 p.m. in the Conference Room

Copies of the library's financial statements and director's report are available upon request.

Respectfully submitted,

Ann M. Tenglund