

**PUEBLO CITY-COUNTY LIBRARY DISTRICT BOARD OF TRUSTEES**  
**AUDIT COMMITTEE MEETING**  
**March 27, 2014**

**I. CALL TO ORDER**

The Audit Committee meeting was called to order at 4:30 p.m. at the Lamb Library.

Board Members Present: Marlene Bregar, Committee Chair; Philip Mancha

Absent: Roy Miltner

Staff Present: Jon Walker, Executive Director; Chris Brogan, Chief Financial Officer; Jane Carlsen, Board Secretary

Auditors Present: Austin Bump

**II. DISCUSSION ITEMS**

Ms. Bregar turned the discussion over to Ms. Brogan. Ms. Brogan introduced Austin Bump and said the auditors have been in her office all week and were still working and expect to finish tomorrow.

Mr. Bump explained his purpose was to report to the Audit Committee how the audit is going, and he commented on the value of the Audit Committee. Mr. Bump said the auditors will finish their work in the office tomorrow. Mr. Bump said the audit has been consistent with previous years; however, they are auditing the Foundation for the first time which has brought on a little more work

Mr. Bump reviewed that the auditors make a determination that the financial reports are free from any material misstatement, and they look at internal controls and make recommendations if there are any weaknesses. RFID is an issue the library has been working on for a couple of years, and the auditors also have a consultant that works with IT to review how those systems are working. The auditors review processes such as cash handling, kiosks, etc.

Mr. Bump reported that the audit is going very well with no red flags to report. There was discussion of the benefits of having experience with the client which allow them to review more, and he credited the Finance team with being well prepared for the audit.

The one item for discussion was the need to more accurately separate journal entries between the library and the Foundation, and he met with representatives from the Foundation. It was understood that the library would be covering certain expenses of the Foundation, such as the salary for the Fundraising Manager, but there will be an effort to provide a more accurate report of those expenses.

Mr. Walker explained that the library provides a good deal of in-kind support for the Foundation in terms of public relations, photocopying, etc., which he considers a subsidy; however, it is important to track how much the library has provided so it can be included on the balance sheet with the amount that the Foundation has been able to raise in cash and commitments. Ms. Bregar used the Black Tie Ball as an example of the complication involved with the library paying for an author to make a presentation as part of a fundraiser for the Foundation as well as for a free public program offered by the library, and there was discussion of publicity for the Foundation which is included with public programming.

It was noted that Amber Pepin keeps records of the funds raised, but turns the checks over to Finance, Ms. Brogan serves in an ex-officio CFO role, and Michael Voute is the Treasurer of the Foundation. Mr. Walker explained that this was really the first year the Foundation has been moving along at a quick pace, and the auditors need additional detail in order to issue their opinion so the library will be gathering the information the auditors need.

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Mr. Bump noted that the Foundation is considered a component unit of the Library District, and in that respect the two are intertwined.

Dr. Mancha said he is not surprised since this was not something we had experience with, and Mr. Walker said it is solvable and they will be able to do a better job going forward. Ms. Bregar emphasized that it will be good information to have as the Foundation makes plans for future fundraising events because it is important to determine all the expenses when evaluating the amount raised.

Dr. Mancha asked if the auditor has guidelines for Ms. Brogan, and Mr. Bump explained that the Library District must follow governmental accounting guidelines, while the Foundation follows different guidelines. They are two legally separate entities. The good news is the Foundation is doing very well, and this is just behind the scenes work to be done.

Mr. Bump wanted to discuss two issues that will change future audits.

There is a new accounting standard the library will have to adopt in reporting which require new terms to show deferred inflows and outflows. Mr. Bump explained that benefits or costs that will occur over a long period have to be shown as deferred classifications. Mr. Bump said long-term debt is an example of deferred outflow, and property tax is an example of deferred inflow.

Dr. Mancha asked the knowledge that will be gained by adopting these standards, and Mr. Bump said it will not bring any benefit to the library, but the standard was actually aimed at municipalities that carry variable rate debt. Mr. Bump believes it will be confusing; however, the library really does not have a choice. Mr. Bump commented that by completing the debt refunding last year, it will not impact the library as much.

Mr. Bump said the second change coming is GASB 67 and 68. The Library District is in PERA, and how PERA does will trickle down, and each entity in PERA will be getting a share of the pension liability not funded by PERA. That unfunded liability will show up on the books. At this point, PERA is 68% funded, so the library will have to show the remaining percentage as a liability that had not been reported before. Unfortunately it is out of the library's control, and it will distort the library's position. Mr. Bump did not want the Board to be surprised when the new standards come out.

There was discussion how this will complicate matters for the library as well as other groups such as the school district.

Mr. Bump said the last part of the audit will be the presentation at the Board meeting in May or June, and he asked if the Audit Committee would like to review the audit prior to the presentation. Dr. Mancha said he would like the auditors to meet with the Audit Committee. Mr. Bump appreciates being able to review the audit with the Audit Committee, and Dr. Mancha said he finds the audit review instructive.

**III. ADJOURNMENT** There being no further discussion, Ms. Bregar thanked the auditors and adjourned the meeting at 5:00 p.m.

Respectfully submitted,

Jane Carlsen/  
Secretary