

PUEBLO CITY-COUNTY LIBRARY DISTRICT BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING
June 28, 2012

I. CALL TO ORDER

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

Board Members Present: Sherri Baca, Committee Chair; Marlene Bregar

Committee Member Absent: Roy Miltner

Staff Present: Jon Walker, Executive Director; Chris Brogan, Chief Financial Officer

II. DISCUSSION ITEMS

Ms. Brogan said everything went very well this year, and the auditors were very accommodating in allowing her sufficient time. The auditors met with the committee in March. A new GASB (Governmental Accounting Standards Board) standard was added to present fund balances.

Ms. Swanhorst referred to the management letter distributed by Ms. Brogan, noting it is the auditors' communication to the Board. Ms. Swanhorst said the numbers from the CAFR (Comprehensive Annual Financial Report) were fairly represented, and they were able to report a clean opinion. If the auditors identify deficiencies, they are required to report those, but they had not identified anything. On the second page, there were no significant audit adjustments. Ms. Swanhorst said last year there had been significant adjustments required due to the system conversion. On the third page, Ms. Swanhorst pointed out the Information Technology consultant's recommendation to continue to improve its systems and processes for cash handling. Ms. Swanhorst explained the IT consultant provides a detailed audit of the IT Department.

There was significant discussion of the continuous improvement that had resulted over the last several years as a result of the auditor's IT recommendations. Mr. Walker explained how RFID self-checkout and its integration with point of sale software will improve the library's cash handling, and Ms. Brogan pointed out procedures that had been implemented to tighten controls such as blind counts and daily counts. Mr. Walker acknowledged that although the amounts were small, the library is taking steps to address the risk.

Mr. Walker said IT had made a lot of progress which was reflected in the scoring. Mr. Walker said the IT audit has been an advantage of working with Swanhorst & Company, and Ms. Baca agreed that IT can be an area of vulnerability.

Ms. Swanhorst referred to page 31 which shows the inclusion of the Library Replacement Plan in compliance with the new GASB standard. Ms. Swanhorst explained the purpose of the new standard is to insure that governments are not hiding money, because committed fund balances had not been reported, the institution could change its mind and use the money in a different way. Ms. Swanhorst said the Library's Replacement Plan had not previously been included as a separate line on the Balance Sheet. Ms. Swanhorst explained the difference between Restricted funds, which means there is an outside restriction, and Committed funds, which have formally been committed for specific spending purposes by the Board of Trustees. The new fund balance presentation was really the only significant change to the CAFR, and there is a footnote about it.

Ms. Swanhorst said there is a new GASB standard coming soon that will address how governmental agencies report pensions which will require the library to report its share of the liability for PERA pensions. There was a detailed discussion of the potential impact of this change to the library and school districts, and how the liability might be calculated. Ms. Swanhorst said the ruling just came out this week, so she did not yet have all the

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details or know exactly when the effective date would be. The committee also discussed recent changes made by PERA to address its underfunding, e.g., calculating the highest average salary based on the most recent five years rather than the most recent three years and increases on the employer side.

Ms. Baca asked if there is a bell curve of potential retirees. Mr. Walker said the library staff is younger since the retirement incentive offered in 2010, but he had not looked at an analysis recently. The library had a lot of long-time employees, and as they retired, the new employees were assumed to be on average younger.

Ms. Baca asked how this might affect the library's COPs. Mr. Walker expects the COPs to be issued before the new standard is implemented. However, the potential ratings firms are probably aware that the library is a PERA participant. Ms. Baca asked if it will affect the library's rating. Mr. Walker said the library has an S&P (Standard & Poor's) rating of A-, and they are trying to see if that can be improved. It would be to the library's advantage to have a higher rating. A higher rating could remove some of the obligations in terms of a reserve fund. Mr. Walker said the new GASB standard would not be reflected on paper, but a rating agency might take that into consideration. Although the underwriters are probably aware of that potential liability, if the COPs are issued beforehand, the rating would be locked in for the duration of the bond, and if the rating changed later it would not change the terms. There was a discussion that S&P is changing their rating standards, but much of how ratings are calculated is beyond the library's control.

Ms. Swanhorst reiterated that this year's audit opinion letter reflects an unqualified opinion and everything looked good. Ms. Brogan pointed out the management letter statement, "We proposed no significant adjustments to the financial statements as a result of our audit procedures." Ms. Baca said she would present the committee's report at the board meeting. Ms. Brogan will be distributing copies of the CAFR and the management letter to the Board members. Mr. Walker noted the significant change is the change resulting from GASB 54 with the library's replacement plan now reflected separately on the balance sheet on page 31.

Mr. Walker concluded that the library's financial position remains strong.

III. ADJOURNMENT There being no further discussion, Ms. Baca thanked Ms. Swanhorst and the Board Audit Committee, and the meeting adjourned at approximately 5:10 p.m.

Respectfully submitted,

Jane Carlsen
Secretary