

**PUEBLO CITY-COUNTY LIBRARY DISTRICT BOARD OF TRUSTEES
JUNE 16, 2020 AUDIT COMMITTEE MEETING MINUTES**

A. CALL TO ORDER AND ROLL CALL

PCCLD facility closures, due to COVID-19, caused the Audit Committee of the Pueblo City-County Library District Board of Trustees audit meeting to be held via teleconference. Jon Walker, Executive Director; Sherri Baca, Associate Executive Director; Gloria Madrill, Board Secretary; and Alexandria Romero, Controller attended via teleconference. Fredrick Quintana called the meeting to order at 12:32 p.m. Trustees in attendance via teleconference included Marlene Bregar, Phil Mancha and Fredrick Quintana. Guests from the audit firm CliftonLarsonAllen (CLA), Allison Slife and John-Paul LeChevallier, attended via teleconference.

B. CURRENT ITEMS

- **CLA REPORT ON 2019 AUDIT AND CAFER**
- **QUESTIONS AND ANSWERS**

Ms. Slife said the audit was done remotely this year due to COVID-19. Mr. LeChevallier started reviewing sections of the Comprehensive Annual Financial Report (CAFR). Mr. LeChevallier began with page nine of the Introductory Section which lists accomplishments and major initiatives of the district. It includes quantitative information on what the library is doing and how it is serving patrons. The next section (starting on page 21) is the Independent Auditors' Report. The Independent Auditors' Report states their opinion. CLA reviewed internal controls and did sampling of specific transactions and believe with reasonable assurance that the amounts presented are materially correct.

The next section, Management's Discussion and Analysis, provides additional context for management to discuss why things were treated the way they were and it provides a comparative analysis from last year to this year. Next, pages 33 through 37 are fund statements showing the fund balance for each fund in the district. The income statement shows revenue and expenditures of each fund. It should look similar to monthly financial statements and match the budget closely. Governments are required to present two types of financial statements. The first statement mirrors the budgetary basis and the other is only prepared annually and is the government-wide statement (on page 33 and 34). For the government-wide statement both the governmental funds in the budget get combined into one column and another column with Foundation information. The Government-wide financial statements also include capital assets and long term liabilities. Pension information is included in the liabilities. If there is a change in actuarial assumptions instead of showing in expenses it gets added in deferred inflows and outflows section. This way it slowly goes into expense over time so there aren't large swings in expenses year to year. Government-wide financials also have a wider perspective looking at 30-50 years in liabilities of the district.

Mr. Quintana asked if have been any other major changes from last year. Mr. LeChevallier answered no; there are no significant changes besides the calculation in net pension liability. Mr. LeChevallier added the unrestricted net position is negative \$2.8 million. Negative unrestrictive equity would normally be a concern but it is negative because of that pension information. Ms. Baca added it is negative because it shows what would happen if the library district needs to pay the district's portion if we disaffiliated from PERA.

Next Mr. LeChevallier reviewed the Statement of Activities Report which factors in pension items. The layout of the report lists expenses first. It begins with expenses first because it is a measure of service provided to patrons. Next is Program Revenues, which is what the district charged for services and then grants received. Most of the charges for services include copier fees and usage of conference rooms. Reading from left to right

if the district was only able to charge grant programming it would have a \$8.9 million loss. With property tax this district has a breakeven budget. There is a \$1.3 million offset including pension information (which was one million dollar change). Next, Mr. LeChevallier discussed the footnote section (starting on page 39). The easiest way to get more information is viewing the related section in the footnotes. Pension information take up about 15 pages of the foot note section (page 52) and is mostly information from PERA. It is information required to be copied in the district's financial statement. Mr. LeChevallier noted page 58 shows sensitivity table and what would happen if net pension liability was calculated using a different discount rate.

Ms. Baca asked Mr. LeChevallier to review changes we are making to the fund financials. Mr. LeChevallier said the fund financial statements we are looking at (on page 35) right now are presented as two funds (General Fund and Capital Project Fund). In previous years there was also a Special Revenue Fund and Fiduciary Fund. As part of one of the changes in Government Accounting Standards, what was previously presented separately was combined into the General Fund. Based on dollar amount it was determined the Special Revenue Fund would make for a better presentation if was included in the General Fund. We are not specifically required but the change streamlines the two columns. Now the two previous funds are represented as line items in the restricted fund balance. Ms. Bregar asked, regarding page 63, what should be the heading on the right column. Ms. Baca answered it should be one column that said "Cost for Members Without Medicare Part A". Mr. LeChevallier added page 68 provides an explanation of the impact to the General Fund with the change.

Page 70 shows what portion of the total liability the district shares (less than 6%) and how the net pension liability has changed over the last ten years. Contributions the district has made on the employer side paid into PERA is on the next page. Pages 74 and 77 show a Budgetary Comparison Schedule comparing 2019 to the budget. The district spent less than budgeted. Actual expenditures have to be less than final budget amount since board sets the budget. Page 79 is the Statistical Section. Most schedules are a 10-year comparison. It is a good place to see what trends are happening with the district and how the financial position has changed over the last 10 years. It can provide a lot of context that is otherwise missed if we just focus on one year.

Mr. Walker added, when reviewing the 10-year spread, the unrestricted line starts out positive and then becomes negative in 2015. The district issued GASB 68 and the unrestricted fund balance became negative after implementing that standard. Mr. Walker commented you can see the effect on the statements although it is fair to show it as such because it is a shared PERA liability causing this. It is an important public policy issue for the state of Colorado. Ms. Bregar added it will be interesting to see what the effect will be since the legislature decreased the annual contribution to PERA for 2020. Mr. Walker said the library has increased the contributions in the employers and employee side. Mr. LeChevallier commented that the impact on PERA of the one year time out will most likely affect school districts rather than libraries.

Ms. Slife concluded the report by reviewing the engagement letter and other items of note. There is a summary of GASB 84 change over fiduciary responsibilities. There are accounting estimates on the useful life of capital assets. Ms. Slife said there were no difficulties in terms of performing audit responsibilities. There were also no adjustments or uncorrected misstatements to report and no disagreements with management about accounting treatment. There were no adjustments or findings that needed to be provided in written form. Mr. Walker commented it was a very clean audit and gave compliments to Ms. Baca and Ms. Romero for their work. Ms. Baca added we were pleased with the outcome and appreciates work of the library staff and CLA. The board of trustee audit committee members echoed those sentiments.

Mr. Quintana adjourned the meeting at 1:25 p.m.