

**AGENDA: PUEBLO CITY-COUNTY LIBRARY DISTRICT
SPECIAL BOARD OF TRUSTEES MEETING
AUDIT COMMITTEE
June 14, 2022– 1 p.m.–Rawlings Library**

I. ATTENDEES

Mr. Quintana called the meeting to order at 1:05 p.m.

Board Members Present: Fredrick Quintana, President
Marlene Bregar
Jacquelyn Keith

Staff & Guests Present: Jon Walker, Executive Director
Sherri Baca, Associate Executive Director
Missy Mantelli, Accountant
Rose Jubert, Executive Assistant
John-Paul LeChevallier, Audit Director – Clifton Larson Allen
Luke Gebbink, IT

II. AUDIT COMMITTEE MEETING

OVERVIEW: Trustees heard a report from representatives of the firm Clifton, Larson, Allen (CLA) concerning their work in auditing PCCLD financial statements and related activities.

Mr. LeChevallier presented the audited financial statements, this was the final review stage. The final draft was presented to the audit committee for their review. Suggestions and edits of the document were welcomed at this time.

Brief highlights of the document were reviewed. The introductory section of the report is the qualitative information. This section is not audited but typos and formatting are corrected. Financial information, if noted in this section would be compared to the information provided in the Financial Section of the report.

The Financial Section is what the report is most focused on and a summation of the Independent Auditor's Report was given. The Opinion portion of the report is the first statement on the report. A clean audit opinion is the main focus of the audit. The meaning of clean audit is making sure that the amounts presented in the financial statements are materially correct and therefore the Board can rely upon them for making decisions on moving forward in the library district, overall financial position, and what is needed for decision making. CLA does assess internal controls by reviewing structure and internal design controls, they do not necessarily issue an opinion over those internal controls. Library management is responsible for the other information that is included within the financial statements. CLA is engaged in preparing the financials, gathering all of the information from the District and then putting it all together within the statement. CLA's objective is to obtain reasonable assurance about whether the financial statements as whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes their opinion.

The last page of the Independent Auditor's Report outlines what was mentioned with the introductory section as well as the statistical section that will be reviewed at the end of the report. There are different levels of opinion that they are issuing overages of those different areas. The introductory and statistical section sections are unaudited. The required supplementary and supplementary information CLA would issue an in relation to opinion which means that in as far as the information that is included in these sections it matches to the financial statement.

The financial statements were reviewed. There are two sets of financial statements that PCCLD issues. The first set is the Statement of Net Position and the Statement of Activities. This set of statements is more of a long term view of PCCLD's financial position which includes long term debt,

capital assets, and also required information that is related to pensions and OPEB which relates to PERA participation.

The second set of statements deals with more of a budgetary view. This set includes the Balance Sheet which is on the fund level, and the Statement of Revenues, Expenditures, and Changes in Fund Balance Government Funds. These statements show what cash needs to be paid throughout the year.

The results for 2021 on the long term view, the change in net position is a little over \$2 million for the year that is a strengthening of the PCCLD's financial position. The budgetary view shows that the net changes in fund balances is a decrease in the financial position of about \$1 million, the majority of this is from the capital projects fund or the Rawlings Renovation. This moved the funds into long term assets which moved the cash into improving PCCLD's buildings.

The next report, Notes to the Basic Financial Statements, was reviewed. These notes outline the financial policies for every number shown within the financial statements. Examples of this were given. The notes are used to supplement the financial statements.

With regard to the Capital Assets, the report shows the previous years' asset balance, the change that occurred throughout the year, and the current balance with regard to all of the categories.

There are very lengthy footnote disclosures for the pension plan and OPEB. These are mainly copied from PERA.

The Required Supplementary Information was the next report that was reviewed. More pension related information was located in this section, it's the same information that was in the footnotes but in table form. It shows the positive trend over the last 10 fiscal years.

The Budgetary Comparison Schedule for the General Fund compares both the original budget and the final budget after any amendments were approved over the year. The comparison of the total final comparisons showed that PCCLD spent \$260,000 less than what was in the budget and was in compliance with what's required by Colorado statute within the Colorado budget law.

The Budgetary Comparison Schedule for the Capital Project Fund showed that the actual expenditures were less than final budgeted expenditures and the fund was in compliance.

The Statistical Section is unaudited. This section's is useful if you are trying to see how the district has performed over time. The report shows changes in net position of governmental activities over the last ten years.

It was asked when CLA anticipated providing the final report issuance. The Trustees as a full body would want to accept the report for filing. It would take approximately 1 week. The goal's to have everything completed by the Trustees' June 23rd Board meeting. In the event the final report is not completed by June 23rd the Board would need to accept the report in a special meeting at their July 19th work session meeting or regular meeting on July 28th. Another option would be for the Board to accept it at a special meeting outside of these dates.

There are legalities with regard to when the report needs to be accepted and that was discussed. July 31st is when the financial statements are due to the state auditor's office. The GFOA award application for this report is due June 30th but a request for extension can be made. Any of the mentioned options would work but the preference would be to accept the report at the June 23rd meeting. It was decided that a special meeting be called at the July 19th work session in the event the final report is not completed by June 23rd.

In summary, in 2021 PCCLD stayed within their budget, they spent under appropriated dollars, and they added \$70,000 into their general fund.

A final question was asked of the auditor with regard to GASB and if there were any upcoming or

notable changes that PCCLD should be thinking or talking about?

Mr. LeChevallier shared a letter with regard to PCCLD's audit and it showed that there were no uncorrected or corrected misstatements. This was the gold standard for a clean audit. The one change in financial statements that is coming in 2022 relates to leases, if PCCLD enters into any leases going forward the accounting for that would look as if they had gone out and borrowed money for that lease, turned around and spent it on that lease and then needed to make principle interest payments on that lease. An estimated or inferred borrowing rate would need to be used. This would require additional efforts from the finance department.

III. ADJOURNMENT

Mr. Quintana adjourned the meeting at 1:53pm.