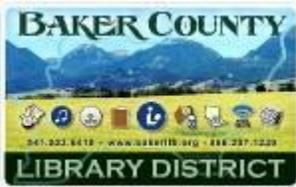


Baker County Library District
 Board of Directors
Regular Meeting Minutes
 Monday, Jan 13, 2014, 6:00 – 8:00 pm

Call To Order	<p>Gary Dielman, President called the meeting to order at 6:02pm. The meeting was held in the Riverside Meeting Room at the Baker County Public Library, 2400 Resort Street, Baker City, Oregon. Present were: Gary Dielman, Nellie Forrester, Kyra Rohner-Ingram, Della Steele, and Betty Palmer, Directors. Also present were Perry Stokes, Library Director; and Christine Hawes, Business Manager. Guest speaker Kent Bailey, the District’s auditor, was present to deliver the audit report.</p>
Agenda Approved	<p>Dielman asked for additions or changes to the agenda. None were given.</p>
Conflicts of Interest	<p>Dielman asked if there were any potential conflicts of interest to be declared. None were stated.</p>
Minutes Approved	<p>Dielman asked for corrections to minutes. No changes were noted. Palmer made a motion to approve the Agenda as presented and the December 9, 2013 Regular Meeting Minutes as corrected; Forrester seconded; motion passed unanimously.</p>
Public Comment	<p>Dielman stated for the record that there were no other members of the public present for comments with the exception of Mr. Bailey who is present for the audit. Stokes had no correspondence.</p>
Annual/Recurring Business: FY 2012-2013 Audit Report	<p>Dielman asked Kent Bailey to proceed. Bailey started by thanking the Directors for the opportunity to do the District’s audit. He also thanked Perry Stokes, Director, and Christine Hawes, Business Manager, for working with his office through the audit process. He told the Director’s that he felt Stokes and Hawes had done an outstanding job of managing the District’s resources and that the District’s well-prepared financial statements make the audit process go smoothly. Copies of the bound Audited Financial Statements were distributed; beginning on page 1 Bailey read aloud most of the first page of the Independent Auditor’s Report. Of the final opinion paragraph, he read “In our opinion, the financial statements ... present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Baker County Library District, as of June 30, 2013...”</p> <p>Moving on to page 4, Bailey reviewed the first sentence of the Management’s Discussion and Analysis and portions of the financial highlights section. The increase in the District’s net position was primarily due to the bequest the District received. On page 9, he read the last part of the first paragraph highlighting the slight 1% decrease in the Materials & Services budget, and the Book budget remaining steady at 8% of the budget for three consecutive years.</p> <p>On page 10, the Statement of Net Position, Bailey said his office had added a comparative column for the prior fiscal year ended 2012 at Hawes’ request. Again, cash increased mainly due to receiving the bequest. Most categories of</p>



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Capital Assets decreased this year due to depreciation in excess of a few asset purchases; the one area that increased was the Library Collection which he will cover in more detail later in the report. Combined, Total Assets increased by \$18,090. Reviewing the Liabilities, Accounts Payable decreased \$5,769 while Payroll liabilities and Compensated Absences increased this year by \$1,696 and \$12,547, respectively. The total increase in Liabilities was \$8,474 over the prior year. At the bottom of the page, the District's Total Net Position increased by \$9,616.

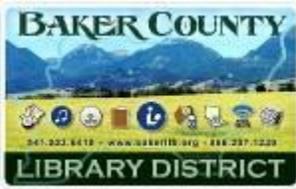
On page 11, the Statement of Activities is a condensed summary of operations. Total operating expenses increased 3.1% over the prior year. This increase is in line with the inflation rate. The report includes a newly added comparative column as requested for the prior year on the far right of this page. For fiscal year ending 2013, expense net of charges for services and contributions was \$907,700; this is the amount that Baker County citizens pay for through property taxes. General revenues include the property taxes citizens pay to support the Library, funds received from the State Ready-To-Read grant, interest income and other miscellaneous revenues. The Net Change in Assets was \$9,616 added to the beginning net position the Library District ended with a Net Position of \$2,424,950.

Page 12 offers a little more detail than page 10. Bailey reviewed the Fund Balances section; General fund unrestricted funds and Special Uses "committed" funds combined total \$215,302. The District uses this cash to get through the first four months of the fiscal year to November until the first property taxes are received. The amount borrowed decreased fiscal year ending 2013.

On Page 14 reviewing Revenues, Property Taxes increased \$21,137 over the prior year and Contributions increased by \$64,441, again due to the bequest. Total Revenues increased significantly at 10% over the prior year while Expenditures increased a slight \$3,697 on the modified accrual basis.

The summary of capital assets is found on page 22. The District added \$5,807 to the Library Collection with additions of \$10,058 and removing \$4,251. The Buildings & Improvements and Equipment additions totaled \$9,232 with \$6,500 removed of old items. The total depreciation this year was \$82,786. Bailey pointed out that in the Building & Improvements category there was \$5,232 in additions less the depreciation of \$64,987; he commented that this could be an indicator that buildings are wearing out faster than improvements compensate. He recommended taking a look at this to see if the depreciation, or estimated decline in the building condition, is accurate.

Turning the page to highlighting the Short-Term Debt paragraph on page 23. The District needed \$33,318 to meet its obligations during fiscal year ended June 30, 2013 whereas in the previous year it needed \$76,200. With the decline of about \$43,000 needed in cash and the bequest donation of \$64,000,



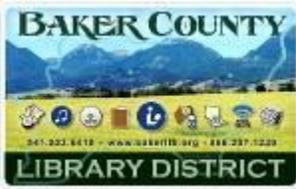
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the District probably won't need to borrow funds during the current fiscal year. Stokes confirmed that the District did operate on its own funds and did not need to borrow operating funds this fiscal year.

Page 25 is the footnote on PERS. Reading from the middle of paragraph one, he highlighted the District's PERS contributions for the past three years. Bailey handed out a "*PERS Facts*" sheet to everyone present stating that he is going to make a prediction that will help with budgeting. Looking at the bottom of the fact sheet under "System Funding" the Funding Status in 2007 was overfunded at 112%, with the market crash the following year, 2008 is underfunded at 80% , but one can see that in 2012 the funded status has come up to 91%. Below this the Unfunded Actuarial Liability in 2007 was overfunded by \$6 billion, dropping to underfunded by \$11 billion in 2008, and more recently in 2012 underfunded by \$5.6 billion. In 2012, there were 12% returns in the market. In 2013, there were 27% returns on investments. He is willing to predict that in 2013 PERS will be fully funded or even overfunded. There should be no increase in the contribution percentage for the next year; there may even be a decrease. He explained that overfunded amounts are amortized over 30 years and given back as a credit to the District's on their monthly statements. PERS reports are issued every two years, with a new one due to be issued for December 31, 2013. He anticipates there won't be a big hit coming from PERS this year. There was discussion on the current 2014 market. The market is selling at 17-times earnings (with the average about 15-times earnings); there is usually trouble when it gets over 20. This year has been at 6-7% moderate returns, so he felt that the District is probably okay at this point. Bailey went on to explain that the market corrects itself about 10% every 18-months or so, adding that it hasn't corrected in a while. Another point of interest looking at the "Funding Sources" box in the lower right corner of the *PERS Facts* shows that for every dollar spent on benefit payments, 6.4 cents comes from the PERS members, 21.4 cents comes from the PERS employers and 72.2 cents comes from investment earnings. In light of the general misconception that public employee retirees are overcompensated, he thought this information was interesting.

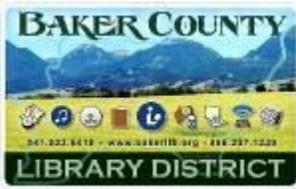
Stokes asked if the same could be said of social security funding. Bailey replied no, that the return on invested assets is about 2%. He gave a brief explanation of the social security funding shortage.

Looking at page 30, the Schedule of Property Tax collections, this is the information that he believes is a good economic indicator. When the economy is bad, people don't pay their taxes as well; when things are good, they pay their taxes. The collection ratio in the prior year was 93.27%; two years ago it was 90%; and the current year it is 95.61% which means "that things got better." He added that the historic collection level is about 95% for Baker County. Reviewing the report, the District's current tax levy was \$913,474 with \$852,215 collected. The Taxes Receivable at June 30, 2013 totaled \$83,693 as compared to last year's total of \$83,185; it was interesting



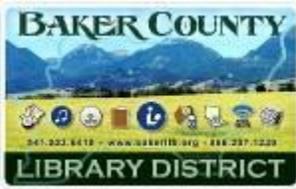
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	<p>that the District is in the same position there.</p> <p>The Auditor’s Compliance Report is found at the back of the financial statements on page 31. There are seven bullet items listing State laws that the District has to comply with. Page 32 states there were no compliance issues. The Auditor’s Management Letter is tucked in behind the Compliance Report. Bailey stated that there was “not really anything to report.” This was a good year for the District. The bequest helped give you the push over the hump to operating on the District’s own funds this year. People don’t give money to organizations that they don’t believe are stable. The Library is stable. He added that he wouldn’t be surprised to see the District be the recipient of more large donations.</p> <p>Bailey asked if there were questions. Palmer asked about the increase in compensated absences liability of \$12,000. Bailey answered that the increase is due to increasing vacation accumulation and no retirees this year. The District usually has someone retire or use up a large chunk of accumulated hours; there was none of that in this fiscal year. Another factor is pay increases will bump up the amount due. Stokes asked if there was a target contingency fund percentage an organization should have in reserve to cover liabilities. Bailey said that the ideal would be to have an amount in reserve to cover the payable in full. Looking back at page 10, if you look at the current assets of \$450,000 less the liabilities of \$116,000, the District has over \$300,000 to pay liabilities. If you had to pay the Compensated Absences Payable all at one, it would be a hardship but you would be able to do that. Hawes added that the District does have a contingency of \$38,900 in the Special Uses fund, Severance Liability Department. The District has projected retirements and has budgeted \$10,000 a year to fund the upcoming retirements. The last three retirements were paid from the Severance contingency.</p> <p>Bailey went on to say that the Library District is in a good position. The Library District is a good example of an organization that’s not too big to be well managed. The retired Director, Aletha Bonebrake, in the first years would budget to the penny. There are not many organizations that budget that tight, he said. The District has continued to manage finances “extremely well”. Baker County has one of the nicest libraries he has seen and this community supports it. Stokes added that in the past 5-6 years circulation has increased by 50%. It is amazing to look at the statistics; this District circulates 7,000 items per month.</p> <p>Bailey again thanked the Board for the opportunity to prepare the audit as he departed.</p>
	<p>The group took a short break to celebrate Nellie Forrester’s upcoming 90th birthday.</p>
<p>Administrative</p>	<p>Stokes began administrative reports with an update on the Sage Fiscal Agent.</p>



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<p>Reports:</p> <p>Director's Report</p>	<p>The committee expects to have the Council review their report next week after which letters will be sent out to potential fiscal agent candidates.</p> <p>The Strategic Plan is tabled. He will meet with the Friends of the Library this week.</p> <p>In Building Reports, the Baker Library had a problem with its heating system. The source of the breakdown turned out to be an integral part of the compressor. Scott's Heating did a bypass so that the system will function while the parts are on order. The workman told staff that the system is antiquated; the District may want to include a HVAC system upgrade in its long-range facilities maintenance plan. There was a small roof leak in the meeting room. Small annual leaks are not uncommon. Buckets are placed above the ceiling tiles until patching can be done in a drier and warmer season.</p> <p>The Adler Grant request was denied. Stokes will seek to get feedback as to the reasoning and will pursue other funding sources.</p> <p>Stokes has been working with the State Library to develop the "Staff Area" of the District's Plinkit website. It is secured by a username and password and will serve as a digital repository for staff to access forms, manuals, meeting minutes, etc. A mobile workstation has been purchased to be used in the stacks when working on the collection. These usually cost about \$800; Stokes obtained a used one for \$300. The workstation was on display for the board during the meeting. Next week is the Annual Bowlstice staff party including pizza and bowling for all Library District employees. Calendars are given away as prizes along with some special prizes. Stokes invited the board to join in, Monday at 4:15pm.</p> <p>As stated earlier, he is working on the year-end circulation statistics report. It looks like a 3% growth this year. He is also working on delinquent accounts and items that haven't been returned in during 2013. A report on estimated uncollected losses was included in the board packets. The report shows the District materials loss at an average of \$2,300 every year. Forrester asked if this included theft. Stokes replied that it did not. Losses due to theft are difficult to identify since a full collection inventory has not yet been accomplished. Staff continue to find many "ghost records" that were input during the original automating process when the District began using a computer database. Occasionally pieces of items assumed stolen are discovered such as a page torn out. Stokes does keep track of those which is quite low at an average of around \$500 a year.</p>
<p>Business Report</p>	<p>Hawes passed out the financial report and check packets for signatures. General Fund received tax turnovers totaling \$10,022.14 and the State Ready-To-Read Grant of \$6,564 that was a \$500 more than budgeted. Notable checks in the Book budget include the Ingram book order of \$1,671.26, EBSCO Novelist annual subscription renewal of \$1,395, Gale annual e-book hosting</p>



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	<p>fee of \$150, and US Bank Visa of \$2,932.87 (with notes in the margin showing category expenditures). Under Building Maintenance, Alpine Alarm \$600 for annual alarm monitoring, Dan Sword \$125 for snow removal, Whelan Electric \$244 to convert an outside light fixture to LED. Other checks written include Payne West \$1,079 for the annual boiler insurance policy and a large check to SDAO of \$14,210 for annual liability insurance policy. This policy includes annual flood insurance of \$1,436. Stokes has signed the 2-year commitment to continue insurance through SDAO which entitles the Library District to receive a Longevity Credit refund of \$1,401.50 in January and again next year for a total of \$2,803. The Library also received an 8% Best Practices Credit on the insurance renewal for completing the online survey. A check was written to Black's Distributing for \$125.70; the amount is considerably decreased due to the Bookmobile being on a winter break for 4 weeks. In response to a Director inquiry last month, Hawes reported that Black's diesel prices were \$3.97 mid-December as compared to seven other area fuel vendors ranging from \$3.95 to \$4.00 a gallon (averaging \$3.97). However, Black's does give the Library District a 13% fuel discount for the Bookmobile that made our effective diesel price \$3.42 a gallon in December which saved \$19.96 on 36.7 gallons. (In addition, for the first six months of this fiscal year, the District has saved an average of \$38.46 a month on fuel bills ranging from \$204.28 - \$332.39 a month.) And finally a check written to Ed Staub of \$886.10 for 2 fuel deliveries to the Haines Library.</p> <p>Other Funds had revenues of Amazon book sales totaling \$466.83, a Phillip Charette payment of \$200, and \$55 for the sale of a counter being discarded out of the teen room. Checks included US Bank Visa \$59.06 for Amazon related postage, and \$155.30 in sales commission checks. The cash balances by department were included at the bottom of the page for reference.</p> <p>Checks were signed and approved by those present.</p>
<p>Next Meeting Date</p>	<p>The next regular Board meeting will be February 10, 2014 at 6:00pm.</p>
<p>Adjourn</p>	<p>The meeting was adjourned at 7:31pm.</p> <p>Respectfully submitted,</p> <p>Perry Stokes, Secretary to the Board</p> <p>PS/ch</p>