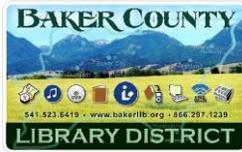


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Call To Order	<p>Gary Dielman, President called the meeting to order at 6:02pm. The meeting was held in the Riverside meeting room. All five Directors were present including: Gary Dielman, Nellie Forrester, Della Steele and Kyra Rohner-Ingram, and Betty Palmer. Others present were Perry Stokes, Library Director, Christine Hawes, Business Manager, and guest speaker Kent Bailey from Guyer & Associates.</p>
Agenda Approved	<p>Dielman asked for additions or changes to the agenda. None were proposed.</p>
Conflicts of interest	<p>Dielman asked if there were any potential conflicts of interest to be declared. There were none.</p>
Minutes Approved	<p>Dielman asked about the minutes as they were not included in the board packets. Stokes said he missed getting them included in the board packet. They can be approved at the next meeting. All agreed that the approval of the December Meeting Minutes is tabled to the next meeting.</p>
Public Comment	<p>Dielman noted that no members of the public were present with the exception of the guest speaker on tonight's agenda. He asked Stokes if there was correspondence. Stokes replied there was none.</p>
Previous Business: Board Governance Policy	<p>Dielman asked Stokes to review the policy. Stokes said this is the second reading of the policy. Dielman had a few comments on the policy and one point he thought overly strict. The issue is a reference to a state statute. Stokes looked it up again, it is recited verbatim in the policy to the ORS. The majority of the changes noted were discussed last month. A new proposed change is to replace the word "present" on page 5, paragraph L. Palmer suggested replacing "present" with "in attendance." All agreed. On page 4, paragraph J, replace the word "feasible" with simply "as required". All agreed. As there were no further changes or discussion, Dielman called for a vote. Rohner-Ingram made a motion to approve Resolution No. 2015-16.006 Amending the Board Governance Policy as corrected here tonight; Palmer seconded; motion passed unanimous. Dielman signed the resolution.</p>
Annual/Recurring Business: 2014-15 Audit Report	<p>Dielman acknowledged Kent Bailey asking him to present the audit report.</p> <p>Bailey started by saying thank you for the opportunity to be the District auditors. He appreciates working with Stokes and Hawes. He has enjoyed working with the district over the years. He said he feels that the district manages its resources well. The community has an outstanding facility here in Baker City and libraries throughout the County in smaller towns. He has had many visitors comment on what a nice library Baker has.</p>



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Turning to the report, he said that he was not going to go over everything tonight as his time will primarily be focused on the GASB 68 changes. First, looking at the Independent Auditor's Report, a 2-page letter starting on page 4 in the report. Bailey said this is really the only part that is not "your report." The contracted auditor has the job of giving an opinion on its client's financial statements. He read through the entire first paragraph, highlighted statements under the Auditor's Responsibility, and read through the Opinion paragraph. The last paragraph titled Emphasis of Matter, addresses GASB 68 changes which are the major changes this year. **The District received a clean opinion.**

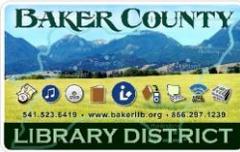
The Statement of Net Position, on page 10, is where significant changes caused by GASB 68 in pension accounting are evident. Starting with Assets, he reviewed each item under the Current Assets, stating these are up by \$93,938 primarily due to an increase in cash.

The next item is totally new on the report this year, *Net Pension Asset*. Bailey explained that if the district looked at all employees who were going to retire, it would have enough to pay the retirements. The law was adopted after the numbers were published. The Oregon Supreme Court ruled in favor of Morrow County who challenged the presentation of this number in the reports. Next year, this same item will be listed as a liability.

He reviewed Capital Assets in entirety, noting a decrease primarily due to depreciation expense. The next item is another pension number, *Deferred Outflows of Resources Related to Pensions*. This liability number represents the liability at fiscal year-end in 2013. These payments were made in 2014-15 so they can't be charged against a prior number. He said this was a timing issue and again, next year this this will reverse. Total Assets are \$2,425,913, with an increase of \$147,990 over the prior year total assets primarily due to the pension accounting.

Under the Liabilities heading, he reviewed each line under Current Liabilities noting there was an increase of \$51,965 due to increases in payroll related accruals. The next line, *Net Pension Liability*, the \$290,929 is a restated 6/30/2014 number. Again, this was before the Senate Bill that changed how PERS was calculated and because of the Supreme Court ruling, it will change next year.

Giving a little history, he said that 2 years ago the legislature decided that the state can't continue to run PERS the way it is or it will go broke, so the legislature fixed it by adjusting earnings rates. In Oregon, he believes they have done a good job of funding the liability. If you look on the website, Oregon is 95% funded. In comparison, Illinois is 43% funded which means they have a problem. The City of Chicago is required by the State to pay a billion dollars a



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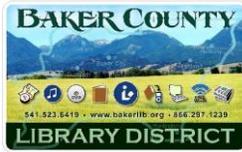
year to fund their liability. This is a lot of what caused the new GASB rule.

He went on to explain that he believes that the next 15 years will be tough as more of the Baby Boomer generation will be retiring. There is a very large pool of retirees approaching. Once we get past those years, the problem will begin to fix itself. Overall, he feels Oregon has done a good job.

Some discussion ensued. Stokes asked if this was the amount that is due. Bailey replied yes, this would be due over 30 years. If you have read articles in the Oregonian on PERS, he feels the paper overstated the problem for which he gave a detailed explanation. Stokes asked about governments selling bonds to cover these liabilities. Bailey replied that the school district did sell bonds about 15 years ago and was a good idea at the time with strong interest rates. But that was soon followed by the interest rates falling so it ended up hurting the District.

Rohner-Ingram asked what the difference is between the liability of \$290,929 and the asset of \$129,225. Bailey said the \$290,929 liability existed before they calculated the changes (prior assumptions included 8% ROI and 3% inflation rate he recalled). The law changed the rates by small amounts. The district went from owing \$290,929 to having an asset of \$129,225; that's a \$420,154 increase in the district's position. Morrow County challenged the legislature, the premises of their challenge was that you can't modify a contract. Essentially there were contracts made with the unions that cannot now be changed. The state made a contract so must pay according to the terms. So again, next year, these numbers will change.

The Note Payable is the amount due to Baker City for the street. The next number, *Deferred Inflows of Resources Related to Pensions*, is essentially a hedge account. He said there have been some really good years in the market. What the state has done is hold money out of earnings while the market is low, then when the market increases they will put the money back in. If the hedge account were eliminated, it would increase the asset of \$129,225 plus the \$253,861 shown here – so nearly \$400,000 asset (\$383,086). Bailey gave an explanation of the stock market last year, and went on to state that the stock market average over history is 11% increase. Pensions accumulate over 40 years when a person is in the workforce. The stock market shows what is happening today and can sometimes be misunderstood. Discussion ensued. Rohner-Ingram asked why the \$253,861 is a liability rather than an asset. Bailey explained why this happens using the accounting method. This number is not really an asset, but also not yet a liability; a hedge account is used to keep the earnings level. The Government Accounting Standards Board (GASB) created this. He believes this happened for states like Illinois. We are used to having this information in the notes. This rule will make those states deal with the



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problem and forcing them to report in in the financial statements.

Bailey said that next year he has a possible solution for the district. Adding the GASB 68 changes, he feels confuses BCLD's financial report. In discussing the idea with another partner, the district can choose to remove this information and add a paragraph in the notes that says it is in accordance with GAAP with the exception of GASB 68. So the district would state that it has deviated from reporting in this area. That can be discussed during preparation work on next year's audit.

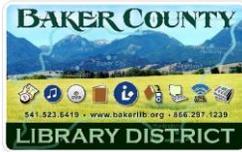
Moving on to the Statements of Activities on page 11. Revenues were up \$43,593. Bailey skipped expenses as he feels they are invaluable with the GASB 68 changes included. The Net Change in Assets is an increase of \$134,722 so "you had a good year," he said. The current ending net position is \$1,983,685. Bailey noted that the prior year fund balance was restated with GASB 68 changes, reducing the ending position to \$1,848,963. That's all he wished to cover on this page.

The Balance Sheet on page 12 is a clean report meaning that this report does not include GASB 68. This is really what happened in the District last fiscal year. The cash increased by \$58,187 with the majority of that increase in the General fund. The fund balance at the bottom of the page shows General Fund has a restricted balance of \$16,976. This was cash belonging to the Sage Fund that was transferred in July. The unrestricted General Fund balance of \$174,085 increased \$15,961 over the prior year. This is about a 10% increase of spendable fund balance. The fund can operate about two-and-a-quarter months without other money coming in based on average monthly expenditures. The District did not need to borrow operating funds again this year.

The Statement of Revenues and Expenditures on page 14 is also does not include GASB 68 modifications. The income and expenses are what really happened. The General fund revenues were up by \$34,518, most of that was in property taxes. The expenses dropped about \$46,000. The largest factor in the decrease in expenses was last year the amount of \$24,500 related to the street improvements was included. The district also benefited by the delay in hiring the catalog specialist, \$16,000 and the fact that no one retired so there was no outlay for severance pay this year.

Looking at the Net Change in Fund Balance, the District had a surplus of \$32,937 increasing the fund balance from \$158,124 to \$191,061. For the fiscal year as a whole, the District was able to further improve financial stability going forward.

The Agency Fund report on page 16 shows the July 1 balances, with columns for



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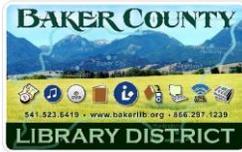
total revenues and total money spent and ending balances in the last column. These numbers are not included in the district numbers so they don't skew the district's position. Referring to page 33; this is the detail of the income and expenses. The Sage Council also wanted, and is paying for, a review that is in progress. He anticipates having that done next week.

Cash balances for each fund were reviewed on page 21 in the notes to the financial statements. Notes payable is shown on page 24; the district has one debt owed to the City of Baker City on the street improvements that is being paid over 13 remaining years. In the pension note, on page 28, looking at the chart in the middle of the page. He highlighted the pension valuation date of December 31, 2012 – that's four years ago – rolled forward to June 30, 2014. This means that someone made an estimate. This number also has not been audited. On the next line, the experience report was published in 2013; which is over 2 years old. This is what he believes is the problem with this new reporting requirement, the data is outdated and doesn't show a true picture of where the district is today. One of the more interesting pieces is the Discount Rate Sensitivity, at the bottom of the page. The Current Rate of 7.75% or \$129,225 is the asset number on the balance sheet. The chart shows that a 1% change in the rate of return, either direction, makes a huge difference in these numbers. This shows the exposure that the District really has. On the next page, page 29, the last section titled Changes in Plan Provisions Subsequent to Measurement Date, this explains the Supreme Court Ruling discussed earlier.

The general operating fund breakdown of actual income and expenses are on page 31. The property taxes collected by Baker County of behalf of the Library District are on page 34. The current levy went up because of the change in compression. Appraisals increased which increased the amount collected. An increased amount will also be collected over time as the taxes receivable also increased. He highlighted the collection rate, comparing the current year collections of 95.3% to last year at 96.24% and two years ago of 95.61%; so the last few years have been very close. He gave an explanation of the economy and its effect on the collection rates.

And finally, the 2-page Independent Auditor's Report on page 35 lists 8 things that the District is required to comply with; **there was no non-compliance found**. The District has a clean report. He anticipates that GASB 68 reporting will reverse next year because of the Supreme Court ruling – after that is an unknown. The hedge account is effectively saving for a rainy day. This is real earnings in an account that represents deferred earnings. Oregon PERS is substantially stronger than what is stated in the newspaper. Again, he believes it is fairly well funded.

With no further discussion. Bailey thanked the board and left the meeting.



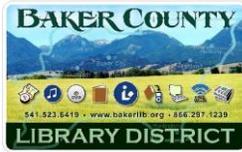
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<p>Administrative Reports</p>	<p>Stokes gave administrative reports starting with Statistics Reports included in the packets. The 2015 calendar year was just 2.8% less than total circulation in 2014. Books show steady use; they are the most loaned format. Movie checkouts have climbed dramatically but dipped a little this past year in summer; as a proportion of total loans, they are 10% under book checkouts. The Library2Go downloadable collection which began with audio books and added E-books in recent years shows a spike of e-book use recently. People are using their portable devices such as Kindles more. The pie chart showing the overall circulation by format, books are still the highest circulation at 47% with movies a close second at 38%. The smaller circulation formats include Library2Go at 5%, magazines at 3%, audio books at 5% and music 1%. Overall, 2015 circulation is the second highest circulation on record, slightly behind 2014.</p> <p>Administration - in late December, a letter was received notifying the District of an injury incident which is alleged to have occurred on district property on August 8, 2015 due to supposed unsafe condition of the sidewalk leading to the building from the north parking lot. The claimant is asking for damages to cover medical bills totaling \$10,000-\$15,000. The injury claim has been forwarded to SDAO. Photos of the area in question have been sent to SDAO. The raised sidewalk edges in that area were marked with spray paint to highlight the spot where the tree roots have pushed the sidewalk up. Palmer asked if the incident was reported directly to the district. Stokes said he can find no incident reports on file, staff have no recollection of such a report, and that area is not covered by the security cameras so no supporting evidence seems to be available. It is in the hands of SDAO at this point.</p> <p>Facilities – the Haines Branch Library will need to be re-keyed due to apparent misplacement of a key set. Building key tracking procedures clearly need improvement. He is working with Carmen Wickam to create a tracking system; the keys will be on a large key chain that can be checked in/out. He intends to do this at all of the branches, but will start with Haines.</p> <p>Personnel – He has been pleased with the online training system offered through Special Districts. Most everyone has gotten them done with the exception of a couple branch subs. The training started with Blood Borne Pathogens and Customer Service. The staff was given two months to complete this required training. The system automatically sends reminders until the tasks are complete.</p> <p>Programs and services – The Makers Club continues to draw strong participation. A Robotics Club has also begun to meet at the library. The Club plans to approach the Friends for a possible partnership in seeking grants. New</p>
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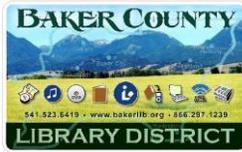
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	<p>ALA Celebrity Read posters have been ordered for all branches. He intends to obtain frames for wall display & rotation. An upgrade to the Evergreen catalog software was installed yesterday. The installation went smoother than anticipated and was ready by noon. The changes were mostly in staff functionality so probably not even noticeable to patrons.</p> <p>In other news, the district received \$2,500 grant from the Leo Adler Community Foundation for the Bookmobile graphics project. That was half of the \$5,000 requested. Bookmobile graphics are very sun and weather damaged and need replacement. He has sent out two requests to graphic signage vendors for bids. The annual team building event is scheduled for February 1. The participation in the bowling event has declined over the years, so this year the “Bowlstice” will be a fun night with dinner and a game. Chili and salad will be served. We will have a mock Battle-of-the-Books game for staff to enjoy. The board was invited to join the “Chili Bowlstice” on February 1 from 5:00-7:30.</p>
<p>Business Manager’s Report</p>	<p>Hawes passed out check packets. Referencing the financial report already before them, the General Fund received tax turnovers of \$57,550.47 (bringing the current collections up to 92.7% of budget). She will be posting funding requests for the E-Rate program for the first six-months of the fiscal year this month. In Personal Services, Hawes wanted to highlight group health insurance this time. The total monthly bill is for \$10,604.74; of this amount, General Fund pays \$9,402.24 (10 staff are covered) and Sage Fund pays \$1,202.50 (2 staff are covered). Sage fund writes a check directly to SDAO for its part. Also, the general fund withholds \$1,724.94 a month for family or spouse coverage which reduces the \$9,402.24 monthly liability to \$7,677.30. These bills are paid on the first in conjunction with payroll. The file with those invoices is present if anyone wants to look at them. A check was written for \$865 to Hawes for medical deductible reimbursement. Hawes explained the medical incident. Overall, personal services is 57.7% spent at this time which is a little below the anticipated 58.3%, so payroll is on target with budget. Moving on to Materials & Services, under the book budget, there were checks for Ingram \$7939.58 a large book order, plus other reference renewals including Value Line \$1000 for Investment Survey, Oregon Career Information System (CIS) subscription \$250, Gale/Cengage \$150 for the annual E-book hosting, and a check to the University of Oregon \$225 for microfilm shipments of the Baker City Herald. Expense highlights in the building budget include snow removal for Halfway \$285 (Doug Miller), Baker Library \$535 (Dan Sword) and Haines \$40 (Brian Fuller); there also was a check to PayneWest for boiler insurance \$1,198.99 and Alpine Alarm \$600 for the annual alarm inspections. Bookmobile expenses include Mike Bork Auto \$200 for a service call for a dead battery and Baker Valley Auto Parts \$148.56 that includes one new battery.</p> <p>Other Funds received \$2,500 Adler Grant for the bookmobile graphics program,</p>



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	<p>as Stokes had already mentioned, and Amazon book sales of \$302.54 in December and \$597.84 in November. The corresponding expenses for the book sales included postage \$96.37 and commissions totaling \$53.52.</p> <p>Sage Fund made one deposit for a membership renewal of \$11,340. Checks written included SDAO group health insurance \$1,202.50 and OCLC CatExpress subscription renewal \$1,012.70.</p> <p>In other news, Hawes reported cash balances in all three funds and that 2015 W-2's were early this year. She distributed them last week. There were no questions on checks being signed.</p> <p>Checks were signed and returned to Hawes along with three Approved Bills Lists that had been initialed by those present.</p>
<p>Next Meeting Date</p>	<p>The next regular board meeting will be February 8, 2016. The main topic will be the Personnel Policy on unpaid leave.</p>
<p>Adjourn</p>	<p>The meeting was adjourned at 7:38 pm.</p> <p>Respectfully submitted,</p> <p>Perry Stokes, Secretary to the Board</p> <p>PS/ch</p>