

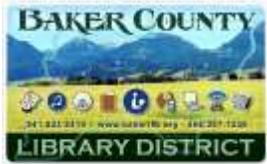
Baker County Library District

Board of Directors

Regular Meeting Minutes

December 10, 2018

<p>Call To Order</p>	<p>The meeting was held in the Riverside Meeting Room. Gary Dielman, President called the meeting to order at 6:00pm. Present at the meeting were Gary Dielman, Della Steele, and Kyra Rohner-Ingram, Directors; also present were Perry Stokes, Library Director and Christine Hawes, Business Manager. Guests included Frances Vaughan, recently appointed Director to fill vacant position; District auditors from Guyer & Associates Kent Bailey and Emily Beckett, and guest Ben Beckett.</p>
<p>Swearing In Of New Board Member</p>	<p>Dielman thanked Frances Vaughan for being willing to serve on the Library Board. He invited Frances to read the oath. Vaughan read the oath aloud in entirety, giving verbal affirmation of her accepting the position. Stokes had her also sign the written agreement for district documentation. The board welcomed the new board member with appreciation of her community service.</p>
<p>Consent Agenda</p>	<p>Dielman asked for any changes to the consent agenda. Stokes has one addition, adding an item under New Business: "c. Kanopy Trial." There were no changes to the minutes. Steele made a motion to approve the consent agenda including the Meeting Agenda as amended and the two preceding Regular Meeting Minutes dated October 8, 2018 and November 12, 2018 as presented; Dielman seconded the motion; motion passed unanimous by 3 board members present (3 yea -Dielman, Steele, and Vaughan).</p> <p>(Noted that Rohner-Ingram arrived a few minutes late, after the consent agenda was approved.)</p>
<p>Conflicts or Potential Conflicts of Interest</p>	<p>Dielman asked for any potential conflicts of interest. There were none.</p>
<p>Open Forum for general public</p>	<p>Dielman asked if there were any communications to present. Stokes said there was none. Dielman stated that guest present were attending for the agenda item of audit delivery.</p>
<p>NEW BUSINESS: Delivery of Financial Audit Report for FY2017-2018</p>	<p>Dielman welcomed Kent Bailey and asked him to introduce his guests. Bailey introduced CPA Emily Beckett who has worked for Guyer & Associates for 4 years and her husband, Ben Beckett who came to observe. Bailey stated that he appreciated the opportunity to report to the library board. He also "appreciates the opportunity to be your District auditors." He thanked Christine Hawes for pulling together the report. He appreciated working with both Hawes and Stokes on the audit.</p> <p>Emily Beckett introduced the auditor's report on page 2 titled <i>Independent Auditor's Report</i>. Beckett read part of the first paragraph and highlights of</p>



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paragraphs 3 and 4 under Auditor's Responsibility finishing with reading the Opinion paragraph stating that the financial statements are presented fairly in all material respects.

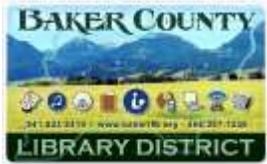
Bailey moved to page 4, the first page of the *Management Discussion and Analysis* section. Reading financial highlights in paragraphs 2 and 3, he noted that the major factor in the decrease in net position was a large increase in pension liability adjustments which he will review in more detail in his presentation.

Page 7 illustrates a comparison of net position in summary form. He read through the table giving differences between the two fiscal years and percentage change for each line. **Total Assets** decreased by about \$56,000, or 2.1% over the prior year, primarily to decrease in cash of \$30,984 whereas capital assets remained about the same with a slight increase of \$1,968 and a decrease in pension deferred outflow of \$27,410. **Total Liabilities** increased by about \$88,000 or 8.9% primarily due to an increase in pension liability. The ending **Total Net Position** decrease of \$145,057 or 8.9% with pension liability increase of \$99,060 being the largest contributing factor.

On page 8 he reviewed the General Fund table Summary of Revenues, Expenditures and Changes in Fund Balance, focusing on the changes in actual category totals with the biggest change being in Capital Outlay in the prior fiscal year.

On page 9, he read through the first paragraph to point out the anticipated pension cost increase of \$26,000 for the upcoming fiscal year. He noted more information about pensions will be provided later in the report.

Bailey moved into the *Basic Financial Statements*, looking at Page 10 which has more detail on the *Statement of Net Position*. He read through each line, Assets are comprised of cash, taxes receivable, prepaid expenses and other items totaling \$505,366 as discussed on Page 7. Capital Assets are comprised of 5 asset categories, net of depreciation. Under Current and Noncurrent Liabilities, he read through each line, highlighting the note payable for Resort Street improvements current and long-term portions and the pension liability. On Page 11, the *Statement of Activities* table is a summary version of the income and expenses on the accrual basis. The expenses increased by \$110,000 or 11% primarily due to the \$99,000 increase in pension liability. If the pension liability was removed, the change is negligible over the prior year. Charges for services increased slightly while grant income decreased \$26,000.



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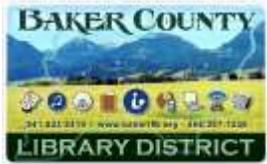
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Looking at the far right column titled “Net Revenue and Changes in Net Assets”, the net Library Services line of \$1,247,894, Bailey read through the list of general revenues noting the net loss of \$145,057 as expenses exceeded income on the accrual basis. The district’s operating reserve pool is maintained for the purpose of covering this annual excess. Bailey noted that he characterizes the Net Services line as “the net cost to the taxpayer”, meaning the amount of property taxes that will be needed to cover operations.

Bailey asked everyone to flip back to page 22, looking at **Note 2 Cash and Investments** at the end of the fiscal year. The total ending cash decreased \$29,993 over the prior year. He highlighted that interest rates are finally increasing in the pool. On the next page, looking at **Note 5 Capital Assets** specifically the Increases column, *Historic Treasures* is a new category where the district added the Persian rug and moved up other items from FF&E. In Building and Improvements the district added \$42,571 and in FF&E it added \$32,039 which totals \$74,610 assets being depreciated and \$83,180 total capital assets added this fiscal year. These additions are offset by depreciation of \$81,212 which net to an increase in capital assets of \$1,968 as is also discussed on page 7.

Bailey asked everyone to turn to page 29 for Pension information “where the fun begins” he joked. In the table, he noted the valuation date is December 31, 2015. The valuation standard data is 3 years old. He highlighted that the actuarial assumptions used to calculate the pension predictions includes the inflation rate at 2.5% and investment rate of return at 7.5%. He said it takes some time for the reports to be compiled. He also said the rate of return is about average for recent rates of return in the stock market and gave an example. On the next page, Page 30, he feels the best piece of information is under the heading Discount Rate Sensitivity. These numbers use the assumptions on the previous page. The Current Rate of 7.5% is used to calculate the liability to the Library District of \$866,334. It is an estimate or their best guess. If there is a 1% increase in the rate or 8.5%, the liability decreases to \$356,213, nearly 60% of the current liability. On the other hand, if the rate decreases 1% or 6.5%, the liability increases to \$1,476,391, nearly double of the current liability. It shows that these numbers are very volatile. Two years ago, the library liability was \$342,879 which means the liability has increased over half a million dollars in two years. He stated that he believes the numbers are so volatile that although they must be disclosed in the report, they should not be booked as a liability. However, it is a State requirement that they be booked.

Bailey moved to page 31 looking at Item “B Other Post-Employment Benefits” or OPEB. The premise is that the retirees who are able to stay on the health insurance plan change the rates for the others. The assumption is that the older



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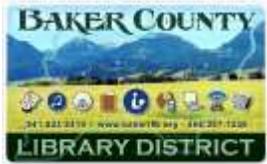
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you are, the more health issues you have. There are 12 employees on the District's health insurance, with one person over age 62. The estimated amount is immaterial and has not been booked. Page 32 exhibits the piece that relates to other benefits built into the PERS system for those who are retired. The current OPEB liability is a credit of (\$2,011). The district has not booked this in the financial statements.

Bailey moved into the *Required Supplementary Information*. Page 33 shows the detail of the budget and actual for General Fund on the modified accrual basis. The category Personal Services was under budget by \$12,000 whereas Materials & Services was over budget by \$9,300. In total therefore, expenditures were under budget. The Other Uses Fund, exhibited on page 34, had no over expenditures. Moving to Page 35, he noted the schedule is required to disclose 10 years but only 5 years are disclosed at this time. The top line shows this year's liability of \$866,334. He pointed out that in 2014, the District started with a liability of \$290,929. He finds it interesting that the District has paid in over \$290,000 in the last 5 years. His comment was that even though the District has made all of the required contributions, the total now owed to PERS has grown to \$866,334, which doesn't make sense. However, the board should note, he said, that the State of Oregon is 83% funded which is the good news. He said other states are in much worse shape. For example, Kentucky is 11% funded (the worst one) and Illinois is 16% funded. Oregon is solvent compared to other States. "We certainly have problems, but it's funded." Dielman said he read an editorial in the Herald with complaints about pension costs. Bailey replied that he had read the same and feels many people don't understand the system.

Bailey went on to explain how the State has attempted to repair the problem and discussed future pension activity. The State terminated Tier 1 and 2 with defined benefits. The pension plan now has the OPSRP portion that calculates retirement based on what you put into it. He recited statistics, that at age 30, if a person contributes 10% until age 65 when they retire, they will have adequate funding. If you wait until age 40 to start saving, you have to contribute 20% to be adequately funded for retirement. There was some discussion on future PERS costs. Bailey predicted that PERS increases will continue for the next 20 years as the rest of the Tier 1 and 2 people retire. After that it will begin to improve.

And finally, Bailey moved to the last section titled *Audit Comments* page 38, looking at the Independent Auditor's Report. They are required to put this report in the audit. It says that they perform procedures to test legal compliance. He read through the list of laws to which the District is subject, as stated in the report. The District was found to be in compliance with three exceptions. First, the District reported an over expenditure of \$9,300 in General Fund Materials &



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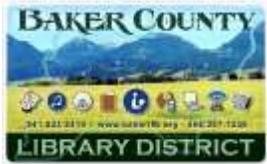
Services (as we discussed on review of page 33). Second, the amended budget was adjusted by 18.83% of the original budget which requires a hearing and local publication if over 10% from the original. These procedures were not followed. Stokes asked if Bailey could stop there. He wished to register an objection to this finding. He said he reviewed the 10% rule and believes that Materials & Services are classifications within the fund. The 10% rule applies to a change from the total fund budget rather than to a particular classification. Bailey said he will check on that, adding that you “may be right”. The third exception was a bidding issue. There was one element of the soffit repair project that exceeded the \$5,000 threshold which requires an agency to get three informal quotes. He explained that in such cases an agency should contact three vendors and log informal quotes or note the attempt if they decline to give a quote, which satisfies the requirement. The three quotes were not obtained. On the next page, Bailey read most of the first paragraph. He said overall, the District was in “substantial compliance.” Dielman commented that he didn’t like the double negatives. It feels wrong from his background in English. Although he agrees, Bailey said this is the boiler-plate-report auditors are required to use.

With no further comments, Bailey closed with thanking the board for the opportunity to work with the Library and with Stokes and Hawes. He gave Hawes the State filing fee due by the end of the month. He added that he has been the District auditor for many years. He talked a little about the first few years when funds were tight and Aletha Bonebrake (the Director at that time) would budget to the penny. The Library District runs a very efficient, lean budget and is a model for fiscal responsibility. He feels the Library District is good stewards of the taxpayer’s money and they are supported at election time because of the faith people have in the Library. He also added that he is looking to retire in a couple years. This year he brought Bechtold to observe. Next year he plans to have her deliver the audit and he will observe. The three guests left the meeting.

Addendum to the minutes: Over the next two days, Stokes communicated with Kent Bailey and Emily Bechtold, coming to the conclusion that the Library District did not exceed the supplemental budget 10% rule. A corrected Page 38, Independent Auditor’s Report, removing the statement of noncompliance with budget law. The page was corrected in the original and re-sent to the State of Oregon for filing.

Holiday Closure Schedule

Dielman asked Stokes to present the Holiday Closure agenda item. Stokes said annually he asks for the Holiday closure list to be approved. For the most part they are all the same with one change. In 2018, the library remained open on Indigenous People’s Day (aka Columbus Day) and held the regular scheduled board meeting, then closed the following Monday for the all staff training day.



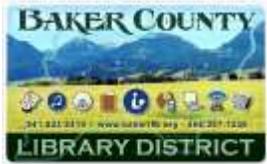
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	<p>This was done to separate the two significant administrative events. In 2019, he proposes to do the reverse by closing the library on Indigenous People’s Day and having the all staff training day, but moving the board meeting to the third Monday of the month. Despite advance public notice, he said, a good number of patrons were surprised by and confused about the closure. Everyone agreed. Rohner-Ingram made a motion to approve the 2019 Holiday Closures list as presented; Vaughan seconded; motion passed unanimous.</p>
<p>Canopy Program Trial Update</p>	<p>Stokes said that about several staff explored the Kanopy service via trial access. Kanopy is a trending service among public libraries in the country. It offers streaming movies for patrons to access remotely, primarily independent, educational, and art films. The district would be charged \$2 per movie a patron views. The program usage and potential was discussed. Dielman wanted to know if there would be a cap on the cost. Stokes responded that we will have a cap on usage the first year of around \$1,500. This budget could be expanded to meet demand if funds are available. Stokes said that this Netflix type of media delivery is the way of the future.</p>
<p>OLD BUSINESS: Report on OLA Public Library Standards</p>	<p>Stokes said this is a self-assessment of how the district meets Public Library Standards. He completes it every 2 years and finds it to be a good tool. He asked if the board wanted him to review the report by section. Dielman asked if anyone other than himself had read through it. No one had. Dielman asked Stokes to review highlights of the standards. Dielman said that the district scores lowest on diversity staffing and services, although we do have an excellent Spanish language picture book collection. Stokes said that in anticipation of future demographic changes, the formerly named Spanish collection was renamed World Languages and is being developed with additional language materials. Dielman asked about providing diversity training to staff and what kinds of issues have we seen. Stokes said we occasionally get someone who struggles with speaking English. When hiring, he scores applicants fluent in other languages higher to help with that. Unfortunately, the Baker staff who was fluent in Spanish recently moved on. Halfway has a native Spanish speaker. Dielman said he felt that the library scored well on the standards. Stokes said it is a great resource for the board or anyone to develop an understanding of what we do and to what we should be aspiring.</p> <p>Rohner-Ingram expressed that she hopes he will look at including diversity training and programming in the future. There was some discussion on goals along those lines.</p>
<p>Film & Photography</p>	<p>Stokes reported that he had received ideas of phrasing to add from Special District’s legal counsel. Kevin Bell, District insurance agent really liked the draft.</p>



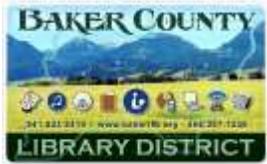
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<p>Policy Update</p>	<p>He is working on the draft and wants to revise it down from the original draft so it's not too restrictive. This was a progress report and didn't require action tonight.</p>
<p>REPORTS: Director Report</p>	<p>Stokes gave the Director's report.</p> <p>Friends & Foundation – the Friends approved the expense of \$600 for display shelving to go alongside the fireplace. The shelving has been ordered. It will give more display room in the area.</p> <p>Facilities & Vehicles – The Bookmobile is out for repairs. Ed reports that the glow plugs which help pre-heat the diesel engine needed replacement. The motor on the generator that runs the heater also likely needs to be replaced. Ed estimated the generator motor at \$2,000-\$3,000. Both are critical issues that must be addressed.</p> <p>Ed has been investigating a possible warranty on the carpet at the Baker Library. Stokes said he doesn't anticipate that anything will come of the idea since the required documentation is not available. The manufacturer wants the original invoice, which may have been only provided to the contractor rather than the district. New carpeting will likely be needed in the next 5 years.</p> <p>Grants – the Ready-To-Read grant funds were received of \$7,582. Stokes received notice of a \$10,000 grant request approval from the Leo Adler Grant for roof repair. That is a portion of the \$30,000 he had requested.</p> <p>Evergreen – The Evergreen catalog system had a major upgrade to version 3.1. The new version is built to run through an Internet browser, but it is still in beta version and working out bugs.</p> <p>Programs & Services – He recently met with two Jehovah Witness group representatives for a property tour and discussion on policy. The policy says one must be 15 feet away from the entrance for "demonstration" activity such as petitioning, soliciting, or protesting. He will present a proposal to make it 20 feet which is just past the step down to the sidewalk in front. He feels that is safer and more simple to communicate and enforce.</p> <p>Personnel – He was going to report that our IT manager was back from medical leave, however, he is still out and will likely be on extended leave for some time.</p> <p>Safety & Security – The lock on the staff entrance door needs to be replaced due to worn out gears. Stokes will have the lock upgraded to a combination punch</p>



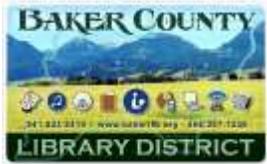
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	<p>pad and key unit which offers additional security features. In addition, two other locks will be replaced as part of the project. The Archive room is now has a high end computer for the digital lab. We need to be able to check out an exclusive key for that room. Similarly, the IT Manager’s office lock is also worn out.</p> <p>Technology – Recently the Friends of the Library were able to enjoy a trial run of the VR undersea experience. The Virtual Reality system was set up for them to try on December 7. We are getting close to offering it to the public. The last item is the liability release form. It will be offered by appointment only on select days. A couple of staff will be trained to set it up and assist patrons.</p>
<p>Finance Report</p>	<p>Hawes gave the Finance report after passing out check packets for signatures. The Financial Report had already been placed at each place.</p> <p>The General Fund received a total of three tax turnovers in November. The first two dated Nov 2 and Nov 8 were reported at the last meeting and totaled \$258,126. The third turnover received Nov 19 totaled \$567,334 and recently a turnover Dec 3 of \$189,114. The current taxes are at 97% of budget and prior taxes are at 54% of budget. Other revenues included the R2R grant Stokes mentioned earlier of \$7,582 budgeted at \$7,500. Sage grant funds of \$27,500 were deposited to the District general checking account and are being transferred by check to Sage Fund. In <i>Personnel Services</i>, wages were paid on November 30 for December 1 as it fell on a Saturday. The month expenditure column is zero but the year-to-date column is correct. In total, Personnel Services is on target with the budget at 51.9% spent. In <i>Materials & Services</i>, under the book budget, checks were written to EBSCO \$1,814 for Novelist subscriptions, Ingram \$6,881.94 for book orders, and Value Line \$1,050 for a subscription. In Buildings & Maintenance, a check was written to Heaven’s Best \$2,597 for building carpet cleaning over the weekend. The check to Visa of \$6,036.56 included 2 workstation units \$914.98 and shelving \$633.39 posted to building. In Library Service Supplies, a check was written to Quill \$900.88 to restock printer cartridges and copy paper. Also included in supplies is \$200.00 for the When-To-Work scheduling program subscription paid for on Visa. Under Utilities, the Baker Library water budget is already spent; that will be investigated. In total M&S is on target with the budget at 50% spent. Under Debt Service, a check to the City of Baker City of \$1,000 for the LID Resort Street payment has been waiting for the invoice which just arrived. This is the bi-annual payment due on November 15. Cash balances are noted on the last page.</p> <p>Other Funds was repaid for operating loans to General Fund of \$120,000 on Nov 26. Amazon book sales for November were \$456.51 with total to-date of \$2,242.13. Related expenditures include 2 checks for commissions totaling</p>



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	<p>\$111.70 and postage of visa of \$91.24. The cash balances are noted at the bottom of page 2 and have been fully restored.</p> <p>Sage Fund received LSTA Grant funds of \$27,500 that is being transferred in by check from General Fund. Sage applied for one-half of the grant at this time even though it has already spent courier funds over the \$55,000 awarded grant. Last year, the funding agency didn't like the idea of giving that much of the grant so early in the fiscal year. The major factor is that the largest vendor, Orbis Cascade Alliance, which is the backbone of the Sage System is paid annually at the beginning of the fiscal year over \$48,000. The other small vendors are paid monthly so it doesn't take long for those funds to be completely spent. Sage is now operating on its portion of the courier budget. Two noteworthy checks are OCLC \$1,621.74 for the CatExpress subscription and Visa of \$1,294.88. Visa includes GoDaddy \$699.99 for Sage domain subscription, GoToMeeting \$234.00 online meeting program, Amazon \$142.89 for courier labels, and USPS \$217.60 for postage related to the courier program. Again, the cash balances are noted at the bottom of page 2.</p>
<p>Next Meeting Date</p>	<p>The next regular Board meeting will be January 14, 2019.</p> <p>Dielman again thanked Frances for joining the library board.</p>
<p>Adjourn</p>	<p>The meeting was adjourned at 8:05 pm.</p> <p>Respectfully submitted,</p> <p>Perry Stokes, Secretary to the Board</p> <p>PS/ch</p>