

**Meeting Minutes**  
Olean Public Library Board of Trustees  
February 17, 2016  
**5:30 P.M. – Conference Room**

*The mission of the Olean Public Library is to provide equal access to materials in various formats, programs, services, and professional staff to assist all people with their educational, informational and leisure needs.*

A Certificate of Compliance and Notice of Meeting Posted was signed, notarized and made a part of these minutes along with a copy of said notice.

**Call to Order at 5:30 p.m.** by Lanna Waterman. In attendance were trustees Wolfram, Casey, McElfresh, Wagner, Tenglund, Waterman, Kasperski, Assistant Director Mahar, and Director Chaffee.

1. Consent Agenda Items: A motion was made by McElfresh, seconded by Wolfram, to approve the consent agenda items. Motion carried unanimously.
  - A. Waive the reading of the minutes of the previous meetings and approve as mailed.
  - B. Approval of Warrant Sheets for January 21- February 17:
    - Operating Fund: #849 - \$71,506.48
    - Cafeteria 125 Fund: #125-126 - \$54.02
  - C. Correspondence – Dicerbo Morgan PLLC re Will of John J Mansour.
    - The bequest of \$1,000 was not specified for anything in particular.
    - Mr. Mansour was a former teacher. He volunteered at the Library for over 25 years. He worked at the Circulation Desk two days a week and would fill in any time when we asked. John was a great Library Advocate and he provided excellent Readers Advisory Service to customers as they checked out their books.
  - D. Director's Report
    - Trustee training is being offered at the library system.
    - We received a notice of our materials grant plan. This year it will be \$13,774.56. The library system used to hold this money for us to purchase materials against. Now they pay us a quarterly payment of that money. It is down slightly over \$400 from last year; it is allocated by a formula.
    - There was a question as to whether the system was aware of our audit. They could request a copy of it, but all of the numbers are reported in a slightly different manner in required system and state reports. All of the libraries fill out the same report.
    - Petitions for the trustee election will be available on March 3.
    - Trustee Handbook—trustees were asked to return their signed forms to indicate that they have read through the handbook.
    - Conflict of Interest forms are due from trustees.
2. Review of Financial Statements - No January Financial Statement due to Audit Report

3. Committee Reports:

Library System Board – McElfresh said that the board was meeting tonight, so he did not have a report.

4. Voice of the Public: None

5. Old Business: None

6. New Business:

Presentation by Scott Reed of Buffamante, Whipple, Buttafaro, PC of Library's 2015 Audit

- Reed said that there was a twist this year. When he went over the statements in detail with Chaffee and Mahar, they discussed whether we are a non-profit or a governmental entity. In the last year, a new accounting standard pronouncement came out that applied to employers that have interest in the NYS retirement system. Our employees are in this system. We do levy taxes. Our budget is approved by the public, as are our board members. And we were just audited by the NYS comptrollers office. So weighing both sides, they came to the conclusion that we have characteristics of a governmental entity, and therefore our financial statements should be set up for a governmental entity. We see this in this year's statements.
- There are changes to how we report and record transactions with the NYS retirement system.
- Pages 3-6 are management's discussion and analysis, which is typical for a government financial statement. Page 3, ii, is financial highlights of the year. Page 4 provides more detail on revenues and expenses compared to last year. There are a couple of graphs and charts on page 5. Page 6 contains a section in the right column about how the public can contact management at the library. There is nothing contentious or sensitive.
- Page 7 is the balance sheet or statement of financial position. There is a subtotal of \$2,644,000 compared to \$2,506,000 at the end of 2014. Our biggest asset is cash; approximately \$1,000,000 of that is the property taxes that were collected for next year's budget. Our second biggest asset is our building and equipment. We record depreciation each year. \$802,248 was the value at the end of 2015. That goes up for new things we buy, and we spent about \$28,000 on new capital equipment (lighting project, new fire alarm system, new server, defibrillator). Deprecation expense was about \$60,000.
- Liabilities: our current liabilities are \$1,055,000, which is not a lot different than the previous year. The biggest liability is the money that comes in for next year's budget. The rest of the liabilities are pretty typical. In the long-term liability, there is a new pension liability line—this is the effect of the new pronouncement. The retirement system gives us reports to quantify this. The system has more liability paths than it has assets—our share of this liability path is .0015282 percent. Take that percentage multiplied by the the total unfunded liability of the system to arrive at our figure of \$51,000. We are required to record this \$51,000 on our books. It takes the system awhile to calculate this, so they used a valuation date of 3/31/15. However, we paid our pension contribution in December. That is after their measurement date, so that contribution is an asset on our balance sheet now, and it is included in deferred outflows. In addition, pension expense now is calculated by actuaries who apply assumptions as to what earnings of the plan will be, etc. There is always a process of looking at the assumptions and comparing it to actual. We will see this year after year.

- Our net position or assets is \$1,536,000 (equity). At the end of 2014, our net position was \$1,470,000. It has gone up, which is good. There is a new line for retirement system assets, of \$64,000. You cannot touch that \$64,000—it is important that the board understands what this is.
- Page 8: this page has statement of activities. Our state aid went up on the second line, but went down on the third line because of capital grant money that ended in 2014. Our revenue is \$1,148,000 and expenses are \$1,120,000, which gave us a \$27,000 surplus. Here is a change—this new accounting pronouncement now makes us calculate our expense using an actuarial method. It used to be that our expense was what was paid. Our actuarially computed retirement expense was \$53,000, while we funded \$78,000. Had the old rules applied, we would have been closer to break even.
- Page 10: shows expenses 2015 compared to 2014. Our salaries were up (2% increase), employee benefits and payroll taxes showed a drop because of the accounting change. Reed went over it line by line. We need to budget what we think we are going to pay.
- Pages 11-14 are the footnotes. These are not a whole lot different. Page 12 showed pension and funding the last two years.
- Other notes: Note 8, page 15, talks about net assets. Everything was quite positive.
- Discussion: It is more complicated when you move from strict cash in/cash out, but this is how the rules are written. The \$388 for the tax cap levy is in deferred revenue.
- The management letter: There are no issues or problems. The middle of the first page is talking about accounting policies, accounting estimates, and the disclosures in your statements. This is talking about the qualitative part. Our accounting policies are generally accepted, etc. There was one new policy, as discussed earlier. We do not have a lot of accounting estimates, other than standard depreciation and the numbers that the state put forward for retirement. The disclosures (footnotes) are clear, concise, and in accordance with professional standards. That is all a positive, as it has been in previous years. There is a section on corrected and uncorrected statements—the adjustments made during the audit were minor. There were no disagreements with management. This letter is important for what it doesn't say—there are no negatives.
- The audit came together well, as it normally does. There were no internal control issues or findings.
- Discussion after Reed left: Most libraries probably file as a non-profit. Legally, we are a 501-C3. The issue is that we are one of the few libraries that have the ability to tax, so once we do that, we cross over the line more to a governmental entity. In spite of these new standards, we should continue to budget based on what we actually expect to pay, as Reed had said.

Discuss changing the date of the April 20, 2016 Library Board Meeting to April 27, 2016.

- The change was approved by consensus.

Discuss 2017 Budget

- There was a question about the two proposed budgets. How was \$1,500 chosen? That was Chaffee's best guess on what our tax cap would be. We won't have all of the numbers we will need in time, but he went back and looked at previous years to come up with a good guestimate. He also looked at the increased property value number. If we ask for more than that, we would be exceeding our tax cap.
- We have to decide if we want to ask for an increase in the tax cap by our March meeting.
- Kasperski recommended, in the last column, to drop it below \$1,000,000.

- Chaffee pointed out other aspects, such as depreciation (Reed's estimate was \$54,000, but that did not include any new equipment that might be purchased, so Chaffee put in a slightly higher number; we are reaching a point where the public computers need to be replaced so we are looking at possible purchases), retirement costs (the most recent estimate was \$77,000, so \$80,000 was included in the budget). Salary increases were estimated at 2%.
- Kasperski brought up the issue of how to deal with what is reported for retirement versus what we actually paid. What we paid is what we owed according to what we were billed. Actuarial calculations from the state were what the audit retirement contribution was based on. The \$27,000 surplus shown in the audit really is not there, even though it shows up in the change in fund balance. It had to be included that way in the audit though, according to the new rules.
  - As a board, do we need to track this? Maybe we need to reserve the difference between the amount shown and the payment each year. Chaffee noted that the cash in/cash out method has worked well for us. Whatever is going to happen with the pension payments, we are currently budgeting for what we believe we will need to pay, not for a future liability. Reed had recommended continuation of our current practice of budgeting what we owe. However, Kasperski noted that the board needs to understand what is in the fund balance and what is allocated toward the retirement fund. Each year, this could multiply. For example, this year it was \$27,000, and next year we might be adding another \$27,000 to that.
  - There was a question of whether this would just make the fund balance look better than it really was.
  - We need to see how this goes and how the actuarial numbers work out. Board members need to be aware of these issues and think about it.
- Wagner noted that he was not in favor of increasing the tax burden. Chaffee does an excellent job of working with the resources we have. Others spoke in favor of going with the 2% tax increase because of inflation in resource costs.
  - Discussion ensued on the value of the fund balance.
  - Municipalities are limited in their fund balances. Will the new governmental accounting standard invite scrutiny of the fund balance? Kasperski said no—we do not fall under municipal law for this.
  - \$1,500 is a nominal number. If we wanted to increase it, we would need to take a public stance to exceed the tax cap.
  - Would it be harder for the voters to accept if we did not raise it for years and then got to a point where we needed to ask for more?
  - Our library taxes are nominal. For example, for most people, the tax is under \$100. But for those on social security as their only income, a tax increase is a hardship. Some board members felt that an increase was not needed because the library could continue along. The pension issue will need to be addressed by the state. Olean in 30 years will be very different from what it is today.
  - One board member noted that we had a much larger fund balance three years ago than we have now. Kasperski said that we took \$55,000 out in 2014; \$55,000 in 2013, and we appropriated \$100,000 for a reserve. We also made capital improvements for a roof, etc.
  - Based on our current spend rate, the fund balance will last for only another 7-10 years. At some point, we will need to raise taxes and we will probably need to vote to exceed the cap at that point. We can wait until that happens or increase it incrementally.

- The cap is based on the previous year's rate of inflation and there is another figure that is the increase in the value of the property in your tax area.
- Others noted that we could avoid raising taxes by cutting expenses. But there is only so much that can be cut. It might also be inevitable that we are going to have to give up some things. Property values in Olean barely rise, and part of the reason is that the property tax burden is so high. If we keep raising the taxes, property taxes will degrade. Others noted that the problem that we have in this city is not the library tax, but the other taxes.
- It is our responsibility to preserve the library so that it is here for the residents of the future. We cannot fund the library at this level for the indefinite future. Others felt that if the price of property continued to fall, at some point the city would become attractive again. But others noted that the state as a whole has a high tax burden.
- We had a break-even year this year. The library is very well managed.
- MOTION (Wagner, McElfresh): To adopt a 2017 proposed budget with a 0% tax increase as presented by Chaffee. Motion failed 2: 5: 0 (2 in favor (Wagner, Kasperski); 5 opposed (Wolfram, Tenglund, Waterman, McElfresh, Casey); 0 abstaining).
- MOTION (McElfresh, Waterman): To adopt the 2017 proposed budget with an increase of \$1225. Motion passed 6: 1: 0 (6 in favor (Wolfram, Kasperski, Tenglund, Waterman, Casey, McElfresh); 1 opposed (Wagner); 0 abstaining).
  - Using a figure of \$1225 will keep our tax levy under \$1 million.

7. Adjournment. A motion to adjourn was made by Wolfram, seconded by Wagner, to adjourn at 7:20 p.m. Motion carried unanimously.

**Reminders:** Next Board Meeting is Wednesday, March 16, 2016 at 5:30 p.m. in the Conference Room

Copies of the library's financial statements and director's report are available upon request.

Respectfully submitted,

Ann M. Tenglund