

**LAKELAND LIBRARY COOPERATIVE**  
**Finance Committee Meeting Minutes**  
**July 11, 2017**  
*OFFICIAL*

Members Present: Diane Kooiker (Chair), John Martin, Molly Walker, Teresa Krupar (ex-officio)

Staff Present: Sandra Wilson, Janet Cornell, Terry Cross

Guest: Joe Verlin, Gabridge & Co.

**Call to Order and Roll Call**

The meeting was called to order at 9:40 a.m. by Krupar. The roll-call sign-up sheet was circulated.

**Approval of the Agenda**

Motion by Kooiker to approve the agenda. Seconded by Walker. Motion carried.

**Approval of the June 1, 2017 Minutes**

Motion by Walker to approve the minutes of the June 1, 2017 meeting. Seconded by Kooiker. Motion carried.

**Fund Balance Revised Documents and Auditor Comments from June 1, 2017 Meeting**

**a). Joe Verlin, Auditor, Gabridge & Co.**

Joe Verlin, CPA, CGFM from Gabridge & Co. was introduced. Mr. Verlin was asked to attend the meeting to provide the Committee with clarification of fund balance definitions in order to facilitate the Committee's fund balance allocation decisions.

At 9:50 a.m., Martin arrived at the meeting and Kooiker resumed as Chair.

**b). Fund Balance Outcomes – Committed, Assigned and Unassigned Fund Balance**

Motion by Martin to recommend to the Lakeland Board the approval of the following fund balance account changes:

- i. combine the COMMITTED-Network Upgrades/IT 50% (support of ILS) and COMMITTED-Capital Replacement/ILS Upgrades accounts into a newly created COMMITTED-Technology Upgrades account,
- ii. move Network Upgrades/IT 50% (Administration) to Unassigned Fund Balance
- iii. combine the COMMITTED-Employee Sick Leave Liability and COMMITTED-Employee Vacation Leave Liability accounts into a newly created COMMITTED-Current Employee Liability account,
- iv. to pay down the FY17-18 MERS liability of \$111,215 thereby reducing the COMMITTED-Retirement Benefits (MERS unfunded) to zero and eliminating it as a Committed Fund Balance account
- v. reclassify the entire balance in the ASSIGNED-Fund Balance account to UNASSIGNED fund balance.

Seconded by Walker. Motion carried.

The recommended fund balance account change consolidates COMMITTED fund balance accounts and reduces the ASSIGNED fund balance account to zero. Non-capital routine purchases that can be planned will go into the yearly operating budget(s). Unexpected contingency items or items of an unknown nature will be placed in the UNASSIGNED fund balance. Schedules that support combined COMMITTED and UNASSIGNED fund balance totals will be maintained by Lakeland Staff.

The June 2017 MERS report projects by 2018 LLC will be 89% funded and by 2023 will be 84% funded if interest is 7.75% on investments. The unfunded liability will at some point need to be paid off and the consensus of the Committee was to pay it down with available funds that are currently

earning between 0.05 and 0.55 percent interest as compared to projected investment interest of 7.75%.

**c). Fund Balance Outcomes – Fund Balance Policy**

Motion by Walker to recommend to the Lakeland Board the approval of the following changes to AD6.3 Fund Balance Policy:

- COMMITTED FUND BALANCE – Includes...
  - ~~ILS Replacement/Upgrades~~ **Technology Upgrades** – The fund purchases items that are of interest to member libraries **and to purchase or upgrade hardware and/or software for the wide area network.** ~~and It is used....~~
  - ~~Network Upgrades~~ This fund is to purchase or upgrade hardware and/or software for the wide area network.
  - ~~Retirement Benefits~~ This fund is for anticipated liability for staff retirement accounts. **Note: this is a duplication of the “MERS Liability” below. Should not have been in policy.**
  - ~~Employee Sick Leave~~ **Employee Liability** – This fund is for current liability for accrued employee sick leave. ~~and Employee Vacation Leave~~ This fund is for ~~current liability~~ for accrued employee vacation leave.
  - ~~Employee Vacation Leave~~ This fund is for ~~current liability~~ for accrued employee vacation leave.
  - ~~MERS Liability~~ This fund is for ~~current liability~~ for staff retirement accounts.
- ASSIGNED FUND BALANCE – Includes amounts that are intended to be used for specific purposes, but do not meet the stricter definitions of restricted or committed and are determined by a formal action of the Lakeland Library Cooperative Board either before or after year end. ~~Assigned fund balance also includes any residual amounts in governmental funds other than the general fund.~~

Seconded by Martin. Motion carried.

Elimination of the last sentence in the ASSIGNED FUND BALANCE PARAGRAPH is being recommended as it relates to entities that have multiple funds – and is not applicable to Lakeland.

**d). Fund Balance Outcomes – Capital Improvement Plan**

Motion by Walker to recommend to the Lakeland Board the approval of a 7 Year (FY2017/18 thru FY2023/2024) Projection of Capital Outlay Needs Schedule and that the amounts in the COMMITTED-Building Improvements, COMMITTED-Equipment, COMMITTED-Technology Upgrades and COMMITTED-Delivery fund balance accounts are equal to the amounts in the Proposed Capital Improvement Plan for Fund Balance, 7 Year (FY2017/18 thru FY2023/2024) Projection of Capital Outlay Needs Schedule. Seconded by Martin. Motion carried.

**FY2017-2018 Budget**

**a). State Aid**

Motion by Martin to allocate 100% of the estimated \$42,757 in additional state aid to Administration. Seconded by Walker. Motion carried.

FY17-18 state aid is expected to increase by \$42,757. Current state aid in FY16-17 is 0.32696 per capita or \$423,117 and state aid in FY17-18 is estimated at 0.36 per capita or \$465,873. After CE, state aid is currently allocated 50% to Administration and 50% to Delivery; by allocating 100% of the additional state aid to Administration the Costs to Libraries will be reduced for all member libraries.

**b). CE Meeting Report**

Finance Committee members reviewed the Continuing Education Committee’s counter proposal regarding the allocation of funds to the CE Committee. The Finance Committee members agreed that, as previously proposed, the CE Committee will need to prepare and submit a CE Budget to the LLC Finance Committee then to the LLC Board for approval.

**c). CE FY17-18 Budget**

Motion by Martin to recommend to the Lakeland Board the approval to designate \$64,000 to Administration Continuing Education, of which the total will be distributed equally to all member libraries after Lakeland receives the first state aid payment and that \$20,000 be designated for Youth Services and Adult Continuing Education. Seconded by Walker. Motion carried.

**d). Cooperative Director Salary and Insurances**

As recommended from the Personnel Committee, Draft #4 of the FY17-18 Budget includes a salary of \$90,000 and family health and dental/vision insurance coverage for the new Cooperative Director. Wilson will check with MERS about defined contribution and defined benefit options.

**e). Proposed Draft #4 Budget**

The Committee reviewed Draft #4 of the FY17-18 Budget.

**f). Outstanding Budget Items**

The Committee reviewed outstanding items of which the amounts are currently unknown. Some of the items will require Finance Committee Meeting discussion and approval, and other items, such as routine increases by vendors, are implemented by the Cooperative Director.

**Next Meetings**

The next Finance Committee meeting is scheduled for August 23, 2017 at 9:30 a.m. at Lakeland.

**Adjournment**

The meeting was adjourned at 12:30 p.m.

Submitted by:

*Terry Cross*, Lakeland Business Manager