

**MINUTES OF THE SPECIAL MEETING OF THE
FINANCE COMMITTEE OF THE BOARD OF LIBRARY TRUSTEES
OF THE VILLAGE OF CAROL STREAM**

DATE: January 5, 2012

TIME: 6:30 p.m.

PLACE: Discovery Room

1. Call to Order

Trustee Arends called the Special Meeting of the Finance Committee to order at 6:30 p.m.

2. Roll Call

The roll was taken by recognition.

Present: Trustees Arends, Hudspeath, Wade and Douglas (Ex-officio)

Also Present: Trustees Bailey and Jeffrey, Library Director Ann Kennedy

Trustee Arends reviewed the Agenda for the evening and thanked everyone for coming.

3. Approval of Minutes of the Finance Committee Meeting of December 13, 2011

The minutes of the December 13, 2011 meeting of the Finance Committee were approved by consensus as presented.

4. Discussion, Re: Proposals for Audit Services

Director Kennedy distributed to Committee Members the responses received from other libraries when asked for recommendations on auditors. The responses were all favorable.

A proposal for audit services was received from Lauterbach and Amen. President Douglas asked Director Kennedy if the Library had not done business with Lauterbach and Amen in the past. Director Kennedy reported that Lauterbach and Amen used to be the bookkeepers for the Library. The Library was not happy with their responsiveness and sought other proposals. Director Kennedy stated that Sherry Lauterbach handles the bookkeeping side of the business and Ron Amen handles the auditing side of the business so future experiences may be different. Trustee Arends asked if the Library is carrying over any methodology from Lauterbach and Amen that should be of concern. President Douglas stated that the Library has a new bookkeeping system since going with McClure Inserra.

Trustee Arends asked about the hours listed on page 18 of the Lauterbach proposal. Director Kennedy stated she believed those numbers reflected an estimate in the number of hours Lauterbach felt it would take to do the audit. Trustee Arends asked what would happen if that number of hours was exceeded. Director Kennedy stated that a contract

would be signed for a flat fee and that is what the Library would pay. Trustee Wade asked what was meant in the proposal by “single audit” versus “Library audit”. Director Kennedy stated that she was unclear on that and it is an issue to be clarified with the firm. Trustee Arends asked if GASB charges are included. Director Kennedy said that the question of GASB charges was put to all of the firms and they all stated that work on GASB compliance is included in the quote.

Director Kennedy reported that John Deland of Wolf & Co. responded to the follow up questions that the Committee had at the December meeting. His response was distributed to Committee members. Director Kennedy also reported that a verbal response had been received from Kathy Hays of Knutte Associates and a written response is expected. Director Kennedy distributed a comparison chart of fees as proposed by each firm. The chart also listed the libraries contacted for references.

Trustee Arends stated that the fee proposal from Wolf & Co. at \$42,000 is a little high and that there is not a great difference between the fees proposed by the other firms. Trustee Arends stated that he feels that Sikich is still a good firm and as long as we are changing partners then he would be comfortable staying with Sikich. Trustee Arends asked if all four firms should come in for interviews. President Douglas proposed that only the bottom three firms be invited in for interviews. The rest of the Committee concurred with President Douglas.

Director Kennedy asked about possible questions to be asked. Suggestions included:

- Learn more about the procedures for the audit and how much staff time is required
- What is a single audit and if one firm has included it, why not the others?
- Ask Sikich for what type of GASB 54 assistance would the Library be charged.
- What needs to be done to comply with GASB 54?
- What do they see on the horizon in regards to GASB compliance and how would they assist with compliance? Would this assistance be included in the scope of work?

If Trustees have other questions they should forward them to Director Kennedy.

The firms will be given the questions before hand but will be told that there could be other questions at the interview.

Trustee Wade asked why we are considering Sikich. President Douglas explained that the recommendation is to change auditors but not necessarily to change firms. Trustee Arends stated that legal counsel recommended that the individual auditor changes if not the firm. Trustee Arends reiterated that there is no reason to consider changes other than it is a good idea to have a new set of eyes. Trustee Wade asked if there would be a conflict of interest if an auditor finds a problem with the work of an auditor from the same firm. President Douglas stated that ethically they would be obligated to report it.

Director Kennedy pointed out that the St. Charles Public Library District and the Warrenville Public Library District have both had Sikich for many years but that they change auditors within the firm every few years.

Interviews will be conducted on January 18 starting at 6:00 and scheduled 20 minutes apart. The decision will be made at the Board meeting as a committee of the whole.

5. Discussion, Re: proposed Fund Balance Policy

Director Kennedy distributed the proposed policy with mark-up from legal counsel. Director Kennedy explained that the policy is based on policies sent by Sikich which she then adapted to match the practices of the Carol Stream Public Library.

Director Kennedy recommended that the target numbers for all funds be between 4 and 7 months of operating expenditures. Director Kennedy stated that she feels the Library is in a secure financial position and that the County of DuPage pays its bills in a timely enough fashion that a greater cushion isn't necessary. Director Kennedy also stated that she feels the Library can bring all funds into compliance within three to four fiscal year cycles. Director Kennedy distributed a spread sheet showing how this fund balance could be achieved.

Trustee Arends pointed out that on the day the policy is adopted the Library won't be in compliance. Director Kennedy drew the Board's attention to the paragraph which states it may take three levy cycles to bring the funds into compliance. President Douglas explained that taking the fund balance down over three years is a balanced approach as opposed to doing it quickly.

Trustee Wade explained that he would be more comfortable changing the wording in the first paragraph under General Fund to state that "Balances above the maximum may be transferred to Capital Maintenance and Repair..." Director Kennedy stated that she would like to leave in "to other funds" so funds could be transferred as needed to funds other than Capital Maintenance and Repair. The question was raised about the ability to transfer from the Capital Maintenance & Repair fund to the General Fund. Director Kennedy stated that it was her understanding that such a transfer could be made at the Board's discretion. President Douglas stated that the Library cannot build up the Capital Maintenance & Repair fund without a purpose, that the funds need to be designated for specific purposes such as catastrophic losses. President Douglas explained that the Library cannot use the Capital Maintenance & Repair fund to build up an ever increasing fund that is then transferred back to the General Fund. Director Kennedy will direct the questions to legal counsel for clarification.

Trustee Arends requested clarification about the final paragraph and whether the policy can only be reviewed annually. President Douglas stated that he read the paragraph as stating that it must be done annually but does not restrict it to annually.

Trustee Arends requested clarification on the term “dividend” in the tax rate objection paragraph. Director Kennedy explained that it is being used as a math term for the division operation described in the paragraph.

The proposed Fund Balance Policy with revisions will be brought to the Board for approval on January 18.

6. Adjournment

There being no further business to come before the Finance Committee, the Meeting was adjourned at 7:15 p.m.

Approved (date)

Ann Kennedy, Library Director
For the Finance Committee