

DETROIT LIBRARY COMMISSION PROCEEDINGS

Special Meeting

April 24, 2018

President Thomas called the Special Meeting of the Detroit Library Commission to order at 1:50 p.m.

Present: President Thomas, Commissioners Adams, Bellant, Gray, Jackson

Administrative Staff: Mondowney, Brown, Bruni, Funchess,
Johnson, Norfolk, Powell, Simmons, Williams

Excused: Commissioners Inniss-Edwards, Taylor (Ex-Officio)

Present Also: Ron Dean, Deborah Dorsey, Christina Ladson, Carolyn Mosley,
Yvette Rice, Tiffani Simon, Gregory Terrell, Jay Wilde, Alan C.
Young

Approval of the Burton Endowment Fund Financial Audits for Fiscal Years Ending June 30, 2015, 2016, and 2017

Mr. Antonio Brown, Chief Financial Officer, reported that the government-wide financial statements, fund financial statements, fiduciary funds and notes for the financial statements have been reviewed by management for fiscal years ending June 30, 2015, 2016, and 2017.

Gregory Terrell & Company completed the audits and determined that all accounting principles have been met.

Approval is requested to accept the Burton Endowment Fund Financial Audits for Fiscal Years ending June 30, 2015, 2016, and 2017.

COMMISSION ACTION

Commissioner Bellant moved to accept the Burton Endowment Fund financial audits for fiscal years ending June 30, 2015, 2016, and 2017. Commissioner Gray supported. The motion passed unanimously.

Minutes were approved at the May 15, 2018 Regular Commission Meeting

NOTED

Mr. Gregory Terrell, CPA, introduced Mr. Ron Dean, CPA, and stated that Mr. Dean performed most of the Detroit Library Cooperative and the Burton Endowment Fund audit reports.

Approval of the Detroit Public Library Financial Audits for Fiscal Years Ending June 30, 2015, 2016, and 2017

Mr. Brown reported that the government-wide financial statements, fund financial statements, fiduciary funds and notes for the financial statements have been reviewed by management for fiscal years ending June 30, 2015, 2016, and 2017.

Alan C. Young & Associates, P.C., completed the audits and determined that all accounting principles have been met.

Fiscal Year 2015 Audit Report

In fiscal year 2015, **\$32,693,990** million was collected on behalf of the Library through billings of property taxes, other taxes, State Aid, grants, fines, and fees, and spent **\$28,007,969** million to provide services. Taxes were approximately **\$2,288,577** higher than budgeted for the fiscal year. The primary reason for the significant variance was higher prior year tax settlement received from Wayne County. Also, there was an adjustment made to the allowance for uncollectable property taxes during the current fiscal year which also contributed to the higher than anticipated tax revenue. Due to GASB 68, government agencies are required to report the net pension liability; this net liability of **\$51,672,886** is the cause of a negative Net Position for the Library of **(\$30,408,051)**.

At the close of the fiscal year, the Library's governmental funds reported a combined fund balance of **\$29,002,244**, of which, **\$17,354,978** was reported in the General Fund.

Included as a part of the audit are comments made to management on the internal controls reviewed by the auditors. One comment made by the auditors is that more segregation of duties were necessary at the branch level for cash receipting. It was noted that clerks were able to influence all aspects of the transaction cycle for cash receipting; from receipting cash, balancing cash drawers, preparing deposits slips and cash reports, and depositing cash to the bank.

The Business Office has corrected this during the FY16 year, as now deposits and cash reports are reviewed by the branch managers and delivered to the Business Office at Main Library.

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The Business office reviews the cash reports, receipts the cash, and deposits the cash in the bank. Separate people within the Business Office receipt the cash and deposit the cash in the bank.

A second management comment referenced that cash registers utilized by branches, do not identify the operator of the cash register via a log-in or operator number. Transactions cannot be traced to a particular employee. The recommendation was that the Library invest in technology to improve the cash registering policy. The Detroit Public Library made technology upgrades in May of 2015 in a new Print Management System called Envisionware. This technology identifies cash receipting operators. This technology was not fully deployed throughout all branches and main branch until after June 2015. Until then, the Library operated under the prior system. Corrective action was taken and will be reflected during the 2016 audit review.

The third and final management comment made by the auditors indicated instances where the Library received journal entries from the City of Detroit that had been posted to the Library's DRMS account without related documentation to the entries, and/or without indication that the Library had reviewed and approved entry. It was recommended that whenever the Library receives adjustments from the City, the Library should obtain necessary documentation to support the entry to ensure staff understands and agrees with its content. The City of Detroit processes accounts payables, payroll, internal billings, property taxes, central services expenses, and tax captures. This finding was communicated with the liaison between the City of Detroit Finance Department and the Library in July of 2015. It was agreed that these types of journal entries will be communicated to the Library and proper supporting documents will accompany the journal entries. These changes will be reflected in the FY16 audit.

While the 2015 fiscal year ended on a positive note with an increase of the general fund balance, the Library faces considerable challenges with the results of the bankruptcy proceedings. The Library administration will continue to follow a corrective plan of action to address the audit concerns.

Fiscal Year 2016 Audit Report

In fiscal year 2016, **\$35,301,909** was collected on behalf of the Library through billings of property taxes, other taxes, State Aid, grants, fines, and fees, and spent **\$29,159,908** to provide services. Taxes were approximately **\$4,901,346** higher than budgeted for the fiscal year. The primary reason for the significant variance was higher prior year tax settlement received from Wayne County. Also, there was an adjustment made to the allowance for uncollectable property taxes during the current fiscal year which also contributed to the higher than anticipated tax revenue. Due to GASB 68, government agencies are required to report the net pension liability; this net liability of **\$29,665,040** is the cause of a negative Net Position for the Library of **(\$22,360,398)**. The Library's total net position **(\$22,360,398)** was an increase of **\$8,047,653**, over the total net position at the end of the previous fiscal year. This increase in overall net position is primarily due to the positive change in fund balance of **\$7,952,381**.

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At the close of the fiscal year, the Library's governmental funds reported a combined fund balance of **36,937,553**, of which, **\$25,261,803** was reported in the General Fund.

Included as a part of the audit are comments made to management on the internal controls. There was one comment which addressed the delinquency of the FY16 financial statements. As stated within the management comment, the Library relies on the City of Detroit's Finance Department provided information required to complete the financial statements such as Pension Actuarial Reports from the General Retirement System, Long-Term Debt Disclosures, and Property Tax Schedules. In FY16, the Pension information required to complete the pension liability disclosure was not finalized until February 2017, approximately 2 months after the original December 31st due date. This along with several other items, outside the control of the Library staff and administration caused delays in financial reporting. The Library staff continues to work with the City of Detroit Finance Office to meet required deadlines.

While the 2016 fiscal year ended on a positive note with an increase in the general fund balance, the Library faces considerable challenges with aging infrastructure needs and relative uncertain future pension obligations.

Fiscal Year 2017 Audit Report

In fiscal year 2017, **\$36,609,519** was collected on behalf of the Library through billings of property taxes, other taxes, State Aid, grants, fines, and fees, and spent **\$31,646,733** to provide services. Taxes were **\$2,804,399** higher than budgeted for the fiscal year. The primary reason for the significant variance was higher prior year tax settlement received from Wayne County. Also, there was an adjustment made to the allowance for uncollectable property taxes during the current fiscal year which also contributed to the higher than anticipated tax revenue. Due to GASB 68, government agencies are required to report the net pension liability; this net liability of **\$20,851,802**. The Library's total net position of **\$31,812,262** was an increase of **\$10,587,450**, over the total net position at the end of the previous fiscal year. This increase in overall net position is primarily due to the reduction in pension liability of **\$5,833,839** and in increase in fund balance of **\$2,379,195**.

At the close of the fiscal year, the Library's governmental funds reported a combined fund balance of **\$39,967,779**, of which, **\$27,640,998** was reported in the General Fund.

Included as a part of the audit are comments made to management on the internal controls. There was one comment which addressed the delinquency of the FY2017 financial statements. As stated within the management comment, the Library relies on the City of Detroit's Finance Department provided information required to complete the financial statements such as, Pension Actuarial Reports from the General Retirement System, Long-Term Debt Disclosures, and Property Tax Schedules.

In FY2017, the City of Detroit had not finalized adjustments to long-term debt schedules and property tax receivables until February 2018, approximately 2 months after the original December 31st due date.

This along with several other items, outside the control of the Library staff and administration caused delays in financial reporting. The Library staff continues to work with the City of Detroit Finance Office to meet required deadlines.

While the 2017 fiscal year ended on a positive note with an increase in the general fund balance, the Library faces considerable challenges with aging infrastructure needs and relative uncertain future pension obligations.

Approval is requested to accept the Detroit Public Library Financial Audits for Fiscal Years ending June 30, 2015, 2016, and 2017.

DISCUSSION

Mr. Alan C. Young, CPA, Alan C. Young and Associates, P.C., stated that his company performed the Detroit Public Library audit reports for FY2015, FY 2016 and FY 2017 and the results were as follows:

- ❖ Received complete cooperation from management.
- ❖ They issued an unmodified opinion on the June 30, 2015, 2016 and 2017 financial statements.
- ❖ No significant adjustments were identified as a result of their audits.
- ❖ The Library's accounting policies were consistent in their application and the information as presented in the financial statements.

COMMISSION ACTION

Commissioner Gray moved to accept the Detroit Public Library financial audits for fiscal years ending June 30, 2015, 2016, and 2017. Commissioner Bellant supported. The motion passed unanimously.

NOTED

Commissioner Gray thanked Mrs. Mondowney and her management team for their cooperation with the auditors.

The auditors also thanked Maria Norfolk, Asst. Director for Business & Financial Operations, for providing all the necessary documents to complete the audits and making sure the audits ran smoothly.

Minutes were approved at the May 15, 2018 Regular Commission Meeting

Ratification of the Committee of the Whole Actions of April 17, 2018

Approval of the Regular Meeting Minutes of March 20, 2018

The minutes were approved as recorded.

Approval of the Routine Human Resources Report

The Human Resources Department Report provides information regarding personnel actions taken from March 1, 2018 through March 31, 2018. These actions have been approved by Administration.

APPOINTMENTS (0)

RETIREMENTS (0)

SICK LEAVE PAYOUTS (0)

TOTAL PAYOUTS = \$0

POTENTIAL RETIREMENTS (0) Pending COD Approval

SEPARATIONS (1)

Employee Name	Title	Last Day Worked
Kieron Bonner	Customer Service Representative	March 28, 2018

<u>EMPLOYEE HEADCOUNT*</u>			
Headcount	March 2018	Headcount	March 2017
**Budgeted Positions =	325	Budgeted Positions =	334
Active Employees =	304	Active Employees =	293

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Vacant Positions =	21	Vacant Positions =	41
*Headcount Process based on Actual Headcount not Budgeted Numbers as in the past			
**The budgeted positions total has been adjusted as reflected on the City of Detroit Position Control Report			
<u>VACANT POSITIONS</u>			
POSITION	# OF BUDGETED POSITIONS	# OF FILLED POSITIONS	VACANT POSITIONS
Manager	25	21	4
Librarian I & II	24	21	3
Librarian III	29	28	1
Pre-Professional Librarian In-Training	3	2	1
Senior Clerk	9	7	2
Custodian	13	8	5
**Customer Service Representative	91	89	2
Facilities	17	16	1
Senior Accountant	2	1	1
Security Officer	14	14	0
Publications Specialist	1	0	1
Total			21
Only Position Titles with vacancies are listed.			
**Customer Service Representative are Part-time 20 hours/week			

Approval is requested to accept the Human Resources Report as presented.

COMMISSION ACTION

Commissioner Adams moved approval. Commissioner Bellant supported. The motion passed unanimously.

Minutes were approved at the May 15, 2018 Regular Commission Meeting

Approval of the Routine Report on Finance

The following accounts have been examined and found correct by the staff of Business and Financial Operations and ratification of payment is recommended.

<u>Summary of Expenditures</u>			
<u>PUBLIC FUNDS</u>			
<u>PAYMENTS PROCESSED BY THE CITY OF DETROIT</u>			
1	Total Payroll	March 2018	\$926,514.81
2	Total Vouchers – Processed on Fusion	527 – 586	\$612,758.32
3	FY 2018 Benefits Plan		\$0.00
4	FY 2018 General Retirement System (GRS)		\$0.00
5	FY 2018 Central Staffing Services		\$0.00
6	FY 2018 Hybrid Pension Plan		\$0.00
Total Processed by City of Detroit			<u>\$1,539,273.13</u>
<u>PAYMENTS PROCESSED BY DPL</u>			
1.	Public Funds/Comerica Checking	Checks 1296 & 1299	\$1,681.50
2.	Branch & Main Library Deposit Checking Account	Checks 5435 – 5521	\$140,526.87
3.	Professional Service Contracts		\$6,500.00
Total Processed by DPL			<u>\$148,708.37</u>
GRAND TOTAL			<u>\$1,687,981.50</u>
<u>Summary of Expenditures</u>			
<u>RESTRICTED/DESIGNATED FUNDS</u>			
1.	Burton Endowment Checking	Checks 8307 – 8314	\$3,380.00
2.	O'Brien Checking	Checks 4619 – 4632	\$7,961.91
3.	Programs & Gifts	Checks 2444 – 2464	\$17,671.35
GRAND TOTAL			<u>\$29,013.26</u>
<u>CREDIT CARD EXPENDITURES</u>			
1.	Executive Director		\$29.90
2.	Executive Director's Office – used for general office purpose		\$250.00
3.	Chief Financial Officer		\$730.60
4.	Human Resources Department		\$1,686.81
5.	Marketing Department		\$1,245.22
6.	Technical Services		\$6,010.81
7.	Facilities Department		\$4,185.65
9.	Information Technology		\$97.95
10.	Purchasing		\$95.48
11.	Public Services		\$6,333.41
GRAND TOTAL			<u>\$20,665.83</u>
Note: These are January 2018 Credit Card Purchases			

COMMISSION ACTION

Commissioner Jackson moved approval. Commissioner Bellant supported. The motion passed unanimously.

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The meeting was adjourned at 2:30 p.m.

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