

Village Update: September 26, 2023

As we have stated in the past, the library's biggest financial issue is a result of misreporting leading the Library Board to believe funds existed that did not. The audit conducted by Nawrocki Smith, our forensic auditors, confirms this.

2023/2024 Budget

The budget that was approved in December 2022 for fiscal year June 1, 2023 to May 31, 2024 relied on \$866,000 from the unrestricted fund balance. Those funds did not exist. This left the library budget with a deficit. We modified the budget by \$510,000, mostly accomplished by not filling open positions (2 full-time & 2 part-time), eliminating books, AV and periodical purchases, cancelling professional training and a reduction in program expense. The deficit was reduced from \$866,000 to \$356,608. Since the fiscal year began, we have further reduced expenses and by year-end will have recouped \$215,500:

- \$120,000 in reduced salary expense (2 full-time resignations offset by hires of 2 part-time employees)
- \$41,500 in donations and other increased income for the 1st quarter
- \$50,000 donation pledge

We will continue to look for ways to further reduce expenses and increase revenue to close the remaining \$141,000 gap.

1st Quarter Results

The first quarter results are positive; the bottom line is \$463,000 better than plan. The Library's income is \$348,000 ahead of plan. This is mostly due to the \$300,000 TAN disbursement received in June which was not included in the budget. The remaining increase is mostly due to donations (\$37,450) coupled with small positive variances in multiple income accounts. Expenses are below plan by \$116,000, Salary expense is less than budget by \$39,000 as a result of 2 full-time employee resignations and Sunday closure. Additionally, payroll taxes are down by \$13,000. These variances will continue throughout the fiscal year. The remaining difference is in multiple accounts and is mostly due to timing (e.g. Con Ed bills will be much higher in the winter, timing of contract payments and ongoing building maintenance where the expenses can vary from month to month).

Progress to Date

Since our last update on May 22nd, we have continued to make progress (Ellen Freeman mentioned much of this):

- We updated the library website to include a new tab called "financials" in order to be more transparent. Prior year audits, the budget (original and revised), controls and monthly financial summaries can be found here.

- New internal controls (mostly financial) were approved at the May 24th Library Board meeting and were put into effect immediately. The controls were created based on input from O'Connor Davies (auditor), Nowracki Smith (forensic auditor), NYS Comptrollers' Office and discussions with the Village staff.
- An experienced part-time bookkeeper was hired.
- The forensic audit is complete. The results of the audit have been shared with the Westchester County DA's office.
- We have been working with our insurance company to recoup funds.
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- The board has agreed to stay closed on Sundays, saving approximately \$40,000 per year.
- We have eliminated all overtime except for emergencies.
- All contracts, regardless of the size, are being reviewed to ensure our funds are being spent appropriately.
- Since April, the library has received over \$55,000 in donations, excluding the \$50,000 pledge.
- We have been working on our Centennial Celebration and Fundraising event. The proceeds from this event will help pay for services that have been reduced and add to the financial health of the library. We are fortunate to have several sponsors who are funding this event.
- A fundraising committee has been formed and there are plans for events throughout the coming months.
- We have reached out to charitable foundations in the Mamaroneck/Larchmont community asking for donations and/or grants.
- We applied for the Jerry Kline Community Impact Prize. This is an annual grant funded by the Gerald M. Kline Family Foundation awarded to 1 library per year for \$250,000 (we won't know results until November).
- We now have a co-Treasurer from outside the community who is volunteering his time.

Audit Status

The year end 2022 audit is final (we are waiting for the representation letter) and the results are similar to prior years. We will ensure all recommendations are taken into account and any required journal entries not already made will be done.

The year end 2023 audit will begin shortly. We are waiting for the final year end 2022 audit to be complete.

TAN Needs

In order to maintain library operations, the September disbursement of \$850,000 is required. Hopefully, we will not need the December disbursement of \$261,210.

On September 21, Ellen Hauptman, Jennifer O'Neill and Richard Aks met with Jerry Barberio (Village Manager), Agosto Fusco (Clerk-Treasurer), Laura Vasami (Clerk-Treasurer's Office) and Lou Young (Trustee) to review our draft 2024/2025 fiscal year budget and projected cash flows. The Village representatives were in agreement with our draft budget, reflecting a 6% operating expense decrease. The draft budget also includes a 6% tax increase, which is what was publicly approved last year. The Village staff also recommended a higher tax increase.

While discussing the future TAN needs of the Library, there are 2 different options: the Library's initial option of taking out an additional TAN and one proposed by the Village staff:

- 1) When the Library first spoke with the Village BOT about TANs in April, the thought was that multiple TANs would be needed for at least 2 additional years. Fortunately, that is not the case; only one more TAN is needed. In order to pay back the original TAN in full, including interest and legal/issuance fees in June of 2024, the Library will need an additional TAN of \$450,000 to be issued in June 2024. This option will result in continued reduced services and a repayment in June 2025. Based on the current projected cash flow, the Library will not need a TAN in the following year.
- 2) The Village pays back the TAN in full in June 2024. The Library repays the Village over a 3 year period, including interest. This option provides financial stability for the Library and allows services to be slowly re-introduced. This also gets the Library out of the "TAN business".

Although Option 2 has not yet been discussed with the Library Board, the Library representatives at the meeting thought this was the preferable option. Once the Village BOT determines which way to go, the Library Board will have the necessary discussion.

Co-Treasurer, Richard Aks

Richard Aks, a resident of Larchmont, volunteered to help the library. He has a solid financial services background; he is a former investment banker and higher education CFO. He is currently on the board of Mercy University.