

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT

OF

KENDALLVILLE PUBLIC LIBRARY

NOBLE COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
09/19/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Schedules of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedules	5-6
Examination Results and Comments:	
Errors on Claims	7
Expense Reimbursement Itemization	7
Salary Resolution.....	8
Overdrawn Fund Balance	8
Exit Conference.....	9

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Jeness Draper	01-01-04 to 12-31-06
Treasurer	Randolph Sexton	01-01-04 to 12-31-06
President of the Board	N. Jane Rhea	01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE KENDALLVILLE PUBLIC LIBRARY, NOBLE COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Kendallville Public Library (Library), for the period of January 1, 2004 to December 31, 2005. The Library's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Library for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 26, 2006

KENDALLVILLE PUBLIC LIBRARY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 139,843	\$ 1,381,055	\$ 1,320,314	\$ 200,584
Gift	30,956	185,859	67,522	149,293
Levy Excess	10,484	-	10,484	-
Bond and Interest Redemption	16,315	65,372	79,942	1,745
Library Improvement Reserve	18,728	101	7	18,822
Library Capital Projects	34,523	396,189	278,039	152,673
Fiduciary Fund:				
PLAC	52	286	260	78
Totals	<u>\$ 250,901</u>	<u>\$ 2,028,862</u>	<u>\$ 1,756,568</u>	<u>\$ 523,195</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 200,584	\$ 1,145,499	\$ 1,022,729	\$ 323,354
Gift	149,293	994,742	531,668	612,367
Bond and Interest Redemption	1,745	79,196	113,778	(32,837)
Library Improvement Reserve	18,822	100	-	18,922
Library Capital Projects	152,673	89,413	34,892	207,194
Construction	-	60,000	60,000	-
Fiduciary Fund:				
PLAC	78	222	188	112
Totals	<u>\$ 523,195</u>	<u>\$ 2,369,172</u>	<u>\$ 1,763,255</u>	<u>\$ 1,129,112</u>

The accompanying notes are an integral part of the schedules.

KENDALLVILLE PUBLIC LIBRARY
NOTES TO SCHEDULES

Note 1. Introduction

The Library was established under the laws of the State of Indiana. The Library provides the following services: culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Library uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Library in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Library on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Library to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

KENDALLVILLE PUBLIC LIBRARY
NOTES TO SCHEDULES
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Library contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Library authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Long-Term Debt

The Library has entered into various debts such as bonds for the acquisition and construction of major capital facilities, and a tax anticipation note for operating expenses. The outstanding principal at December 31, 2005, was \$150,000 and \$375,000, respectively.

Note 8. Subsequent Event

On March 23, 2005, the Library entered into a lease agreement with the Kendallville Public Library Building Corporation for the lease of a building and parking facilities to house the Kendallville Public Library. On December 1, 2005, this lease was amended, with the 1st of 37 biannual lease payments due January 1, 2008, or on the completion date, whichever is later. The lease payments range from \$241,000 to \$249,000. The building is currently under construction.

KENDALLVILLE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not paid at the correct amount for two of the claims tested.
- (2) Claims were not adequately itemized on one of the expense reimbursement claims tested.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

EXPENSE REIMBURSEMENT ITEMIZATION

Records presented for audit included claims for meals for more than one individual. Detailed documentation was not attached to indicate that all expenses were for employees conducting library business.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

KENDALLVILLE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

SALARY RESOLUTION

The Library Director, Jenness Draper, was not paid according to the 2003 Salary Resolution in effect from January 1, 2004 through May 31, 2005. The Director was overpaid \$1,392.30 in calendar year 2004 and \$642.58 in calendar year 2005.

On August 17, 2006, the Library Board of Trustees approved Resolution 2006-13. The resolution corrects computer computation errors when the Library's pay schedule was changed from bi-monthly to bi-weekly. The resolution increases the salary for the Director \$1,392.30 for 2004 and \$692.58 for 2005.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

OVERDRAWN FUND BALANCE

The Debt Service Fund was overdrawn by \$32,837 in 2005. A resolution to transfer funds from the General Fund to the Debt Service Fund was approved on December 31, 2005; however, the funds were not transferred until February 2006.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

KENDALLVILLE PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2006, with Randolph Sexton, Treasurer; Jenness Draper, Director; and Janice DeLong, Bookkeeper. The officials concurred with our findings.