

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
HAMMOND PUBLIC LIBRARY
LAKE COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
03/28/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Margaret Evans	01-01-05 to 12-31-07
Treasurer	Rosemary Kaplan	01-01-05 to 12-31-07
President of the Board	Maximiliano Iglesias Diane Sobota	01-01-05 to 12-31-05 01-01-06 to 12-31-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE HAMMOND PUBLIC LIBRARY, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the Hammond Public Library (Library), for the period of January 1, 2005 to December 31, 2006. The Library's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Library for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Funding Progress, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 8, 2007

HAMMOND 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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 1,167,278	\$ 10,482,997	\$ 11,476,903	\$ 173,372
Gift	16,640	21,752	14,227	24,165
Senior Gift	2,250	100	907	1,443
Staff Book	602	863	952	513
Legacy Foundation	250	400	650	-
Lease Rental Payment	256,159	2,930,603	3,182,255	4,507
Library Improvement Reserve	221,737	521,737	321,737	421,737
Library Capital Projects	41,865	41,865	83,730	-
Research/Museum	1,574	-	-	1,574
Hispanic Grant	5,207	10,000	15,207	-
Services to Multi-Cultural Populations	-	6,548	-	6,548
Get Real, Get Fit	-	2,064	1,715	349
Levy Excess	-	487,648	487,648	-
Gates Grant	44	-	-	44
Transfer of Funds	185	-	-	185
Fiduciary Funds:				
Payroll Withholdings	420	608,796	608,793	423
PLAC	126	-	-	126
Totals	<u>\$ 1,714,337</u>	<u>\$ 15,115,373</u>	<u>\$ 16,194,724</u>	<u>\$ 634,986</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 173,372	\$ 8,245,517	\$ 9,955,758	\$ (1,536,869)
Gift	24,165	14,397	17,789	20,773
Senior Gift	1,443	-	1,285	158
Staff Book	513	297	310	500
Legacy Foundation	-	300	-	300
Lease Rental Payment	4,507	1,700,772	1,932,848	(227,569)
Library Improvement Reserve	421,737	521,737	421,737	521,737
Rainy Day	-	1,550,928	775,000	775,928
Research/Museum	1,574	-	473	1,101
Services to Multi-Cultural Populations	6,548	6,491	12,644	395
Get Real, Get Fit	349	-	335	14
Gates Grant	44	15,000	15,044	-
Transfer of Funds	185	-	-	185
Fiduciary Funds:				
Payroll Withholdings	423	595,116	595,445	94
PLAC	126	-	-	126
Totals	<u>\$ 634,986</u>	<u>\$ 12,650,555</u>	<u>\$ 13,728,668</u>	<u>\$ (443,127)</u>

The accompanying notes are an integral part of the schedules.

HAMMOND PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Library was established under the laws of the State of Indiana. The Library provides culture and recreation 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.

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.

HAMMOND PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(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.

HAMMOND PUBLIC LIBRARY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL As A % Of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,640,857	\$ 1,775,276	\$ (134,419)	92%	\$ 1,356,560	10%
07-01-04	1,668,768	1,986,399	(317,631)	84%	1,539,647	21%
07-01-05	1,739,023	2,030,259	(291,236)	86%	1,538,782	19%

HAMMOND PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 529,030
Buildings	19,245,623
Improvements other than buildings	3,043,637
Machinery and equipment	<u>1,763,165</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 24,581,455</u></u>

HAMMOND PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

CAPITAL LEASES

The Library has entered into the following capital lease:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital lease:		
Main Branch Building	<u>\$ 10,355,000</u>	<u>\$ 615,000</u>

HAMMOND PUBLIC LIBRARY
EXAMINATION RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The cash balances of the Operating Fund and the Lease Rental Payment Fund were overdrawn by \$1,536,869.18 and \$227,569.83, respectively, at December 31, 2006. The net combined cash balance of all funds was overdrawn \$443,126.85. The Library had anticipated the receipt of their local property tax distribution from the county by year-end; however, the distribution was not received until January 4, 2007.

The cash 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)

HAMMOND PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on February 8, 2007, with Rosemary Kaplan, Treasurer; Margaret Evans, Director; and Caroline Brooks, Financial Specialist. The officials concurred with our finding.