

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

EXAMINATION REPORT

OF

LEBANON PUBLIC LIBRARY

BOONE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

09/28/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Kay K. Martin	01-01-05 to 12-31-07
Treasurer	David Koehler	01-01-05 to 12-31-07
President of the Board	Jane Myers Sharon Wood	01-01-05 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LEBANON PUBLIC LIBRARY, BOONE COUNTY, INDIANA

We have examined the financial information presented herein of the Lebanon 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.

STATE BOARD OF ACCOUNTS

August 16, 2007

LEBANON 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 (Restated)	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 548,299	\$ 1,050,240	\$ 1,043,173	\$ 555,366
Gift	2,696	1,940	657	3,979
Kenworthy Summer Camp	179,269	-	2,022	177,247
Bond and Interest Redemption	296,154	470,808	603,805	163,157
Library Improvement Reserve	38,178	-	-	38,178
Library Capital Projects	-	69,714	22,039	47,675
Construction	1,350,000	-	-	1,350,000
Fiduciary Fund:				
Payroll	3,827	114,176	111,373	6,630
Totals	<u>\$ 2,418,423</u>	<u>\$ 1,706,878</u>	<u>\$ 1,783,069</u>	<u>\$ 2,342,232</u>
	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 555,366	\$ 1,143,172	\$ 1,371,638	\$ 326,900
Gift	3,979	13,092	15,757	1,314
Kenworthy Summer Camp	177,247	-	2,720	174,527
Bond and Interest Redemption	163,157	985,007	730,000	418,164
Library Improvement Reserve	38,178	100,000	-	138,178
Library Capital Projects	47,675	61,814	32,700	76,789
Construction	1,350,000	43,138	1,113,911	279,227
Fiduciary Funds:				
Payroll	6,630	137,251	137,554	6,327
Levy Excess	-	374	-	374
Totals	<u>\$ 2,342,232</u>	<u>\$ 2,483,848</u>	<u>\$ 3,404,280</u>	<u>\$ 1,421,800</u>

The accompanying notes are an integral part of the financial information.

LEBANON PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION

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 or highway use taxes are received 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.

LEBANON 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.

Note 7. Restatements and Reclassifications

Certain changes have been made to the January 1, 2005, cash balances to more appropriately reflect financial activity of the Library. The following schedule represents a summary of restated fund balances at January 1, 2005. Prior period adjustments represent an adjustment to cash balances to reflect balances shown on the Library's accounting records.

Fund	Balance as Reported December 31, 2004	Prior Period Adjustments	Balance as Restated January 1, 2005
General	\$ 353,574	\$ 194,725	\$ 548,299
Capital Projects	198,553	(198,553)	-
Gift Fund	181,964	(179,268)	2,696
Kenworthy Summer Camp	-	179,269	179,269
Payroll	-	3,827	3,827
Totals	<u>\$ 734,091</u>	<u>-</u>	<u>\$ 734,091</u>

LEBANON PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were present during our period of audit:

Individual fund balances for the Operating Fund, Capital Projects Fund, Rainy Day Fund, Kenworthy Summer Camp Fund and Payroll Fund as presented on the funds ledger were not in agreement with the balances as presented on the Library Annual Report (LAR-1). However, the total of the fund balances as shown on both the funds ledger and the LAR-1 were in agreement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records. In addition, controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines for Public Libraries, Chapter 4)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day.

Indiana Code 5-13-6-1 (c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the several local boards of finance that have jurisdiction of the funds. Public funds deposited under this subsection shall be deposited in the same form in which they were received."

COMPUTER OUTPUT

Access to records and information supporting collections from patrons, generated by the computer system, was limited due to disposal of hardcopies of daily transaction reports. Backup copies of these reports maintained on disk were also not available for examination.

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Public Libraries, Chapter 4)

Indiana Code 5-15-6-3(d) states: "No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the State Board of Accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

LEBANON PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2007, with Kay K. Martin, Director; and Glenna Lennox, Office Manager. The officials concurred with our findings.