

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

EXAMINATION REPORT

OF

CARMEL CLAY PUBLIC LIBRARY

HAMILTON COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED

11/07/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Wendy A. Phillips	07-01-05 to 06-30-08
Treasurer	Jack E. Stafford Thomas J. Kapostasy	07-01-05 to 06-30-07 07-01-07 to 06-30-08
President of the Board	Jane Herndon William M. Wiebenga, Ph.D.	07-01-05 to 06-30-06 07-01-06 to 06-30-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CARMEL CLAY PUBLIC LIBRARY, HAMILTON COUNTY, INDIANA

We have examined the financial information presented herein of the Carmel Clay Public Library (Library), for the period of January 1, 2006 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 year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The 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 required parts 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

September 24, 2007

CARMEL CLAY PUBLIC LIBRARY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 2,715,734	\$ 4,558,540	\$ 4,136,185	\$ 3,138,089
Gift and Bequests	131,164	110,512	81,879	159,797
State Technology Grant	-	5,400	-	5,400
Bond and Interest Redemption	761,996	1,621,438	1,593,334	790,100
Library Improvement Reserve	503,898	-	-	503,898
Fiduciary Funds:				
Levy Excess	19,872	723	19,872	723
PLAC	3,808	19,220	18,719	4,309
Totals	<u>\$ 4,136,472</u>	<u>\$ 6,315,833</u>	<u>\$ 5,849,989</u>	<u>\$ 4,602,316</u>

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

CARMEL CLAY PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Library was established under the laws of the State of Indiana. The Library operates under an appointed governing board and provides culture 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.

CARMEL CLAY 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.

CARMEL CLAY 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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 863,932
Buildings	15,470,617
Improvements other than buildings	1,177,720
Machinery and equipment	<u>10,743,169</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 28,255,438</u>

CARMEL CLAY 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 leases:

<u>Description of Asset</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases: Library Building	<u>\$ 17,205,000</u>	<u>\$ 1,616,000</u>

CARMEL CLAY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were not reflective of the activity of the Library. The following items were noted:

- (1) Investment purchases are posted as a receipt and disbursement in the month of purchase and no entry is made for the investment sale in the month of maturity.
- (2) All disbursements are posted to the General Fund cash account and then, for each applicable fund cash account, a reimbursement transfer is made to the General Fund.
- (3) The annual report did not agree with the financial records.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

INTERNAL CONTROLS

Controls for receipts generated by desk collections are insufficient. Currently, the only system used to account for desk collections is a cash register and it is not used for all desk collections. The cash register is only used for cash and check payments of fines and fees. Other desk collections such as PLAC cards and credit card payments are not ran through the cash register. The end of day cash register tape of all collections is generated at the end of the day, but the cash on hand is not counted until the next morning. Insufficient documentation was provided to support the explanation of differences between the end of day cash register tape and the actual cash collected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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 Manual for Libraries, Chapter 4)

CARMEL CLAY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2007, with Jack E. Stafford, former Treasurer; Ronald E. Brockett, Assistant Treasurer; Wendy A. Phillips, Director; and William M. Wiebenga, Ph.D., President of the Board. The official response has been made a part of this report and may be found on page 11.



September 28, 2007

State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204-2738

To Whom It May Concern:

We appreciate the opportunity to improve our internal operations to remain in good standing with the State Board of Accounts and the *Accounting and Uniform Compliance Guidelines Manual for Libraries*. Please accept this letter describing corrective actions as our "OFFICIAL RESPONSE" to the results and comments from the recent examination.

Regarding Condition of Records, we are taking action 1) to account for investment purchases to accurately reflect activity in the month of purchase as well as in the month of maturity; 2) to post disbursements directly to the specific account (e.g., gift fund) and eliminate unnecessary transfers; and 3) to ensure the annual report and year-end financial records are easily reconciled. The changes noted in 1) and 2) will help to achieve 3).

Regarding Internal Controls, we are taking action to consolidate and streamline our desk collections processes to improve safeguards and minimize the potential for error or misdeeds.

Thank you for the opportunity to take these corrective actions.

Sincerely,

Wendy A. Phillips
Library Director

Ron Brockett
Business Manager

William M. Wiebenga, PhD.
Board President

Jack E. Stafford
Board Secretary

55 4th Avenue SE, Carmel, IN 46032 Tel: (317) 814-3900 Fax: (317) 571-4285

www.carmel.lib.in.us

