

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

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



FILED
12/31/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Capital Assets.....	7
Examination Results and Comments:	
Bank Account Reconciliations	8
Accounting for Investments and Investment Earnings	9
Disbursement Procedures	9-10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Andrew Rowden	01-01-05 to 12-31-07
Treasurer	Darlene Hall	01-01-05 to 12-31-07
President of the Board	Marilyn Norton-Carter Gary Moenter	01-01-05 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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 SCOTT COUNTY PUBLIC LIBRARY, SCOTT COUNTY, INDIANA

We have examined the financial information presented herein of Scott County 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 Capital Assets, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 27, 2007

SCOTT COUNTY PUBLIC LIBRARY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 1,692,511	\$ 634,112	\$ 611,340	\$ 1,715,283
Gift	48,050	3,702	4,693	47,059
Estate of J. Baker Hardy	678,560	14,635	242,625	450,570
Library Improvement Reserve	74,421	-	5,000	69,421
Main Library Building	22,550	53,680	11,727	64,503
Lexington Trust	31,253	6,967	-	38,220
Totals	<u>\$ 2,547,345</u>	<u>\$ 713,096</u>	<u>\$ 875,385</u>	<u>\$ 2,385,056</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 1,715,283	\$ 937,822	\$ 577,798	\$ 2,075,307
Gift	47,059	109,614	4,068	152,605
Estate of J. Baker Hardy	450,570	41,057	464,054	27,573
Library Improvement Reserve	69,421	-	-	69,421
Main Library Building	64,503	-	45,757	18,746
Lexington Trust	38,220	31,369	69,023	566
Totals	<u>\$ 2,385,056</u>	<u>\$ 1,119,862</u>	<u>\$ 1,160,700</u>	<u>\$ 2,344,218</u>

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

SCOTT COUNTY 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 services 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.

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.

SCOTT COUNTY 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.

SCOTT COUNTY PUBLIC LIBRARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

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	\$ 189,500
Buildings	1,342,340
Improvements	102,473
Books	112,000
Machinery and equipment	<u>1,266,690</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 3,013,003</u>

SCOTT COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The following is a description of deficiencies regarding bank account reconciliations presented for our examination:

1. The reconciliation of bank accounts and investments to record balances of cash and investments reflected cash necessary to balance of \$1,308.
2. The Library uses a computerized bank reconciliation program for the checking account. This program generates a report titled Bank Balance Report and a report titled Financial Report. The Bank Balance Report, after taking into consideration reconciling items such as outstanding checks, should agree with the total record balance of all funds reported on the Financial Report at the end of each month. These reports did not agree at December 31, 2005 or 2006.
3. Errors on the Bank Balance Report included bank balance amounts that did not agree with those reported on bank statements.
4. We found the following errors on outstanding check lists:
 - a. Checks reported as outstanding had been processed by the bank.
 - b. A voided check was reported on the outstanding checklist.
 - c. Checks that had not been processed by the bank were omitted from the outstanding checklist.
5. There were instances of checks returned by vendors due to duplicate payments. The checks were not canceled and receipted back to the fund from which they were written. These checks were instead carried on the outstanding check list.
6. No combined bank reconciliation is performed that compares both checking account and investment account balances (certificates of deposits) to total record balances of cash and investments.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

SCOTT COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

ACCOUNTING FOR INVESTMENTS AND INVESTMENT EARNINGS

We found the following regarding the accounting for investments and interest earned on investments:

1. The Library had several individual certificates of deposits during the examination period. A Register of Investments (Form 350) was not used to record investment activity.

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)

2. Interest earnings on certificates of deposit were added to the investment rather than being paid to the Library. The Library recorded (receipted) interest on these investments upon receiving notification from banks that interest had accrued and had been added to the investment. However, when the investment matured and was redeemed, the Library would post the total proceeds received upon redemption, which resulted in duplicate posting of interest. Due to these errors, the Library had recorded, in error, \$16,081 of interest income during the examination period. These errors have been corrected in the financial schedules of this examination report.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

DISBURSEMENT PROCEDURES

We found the following deficiencies regarding the disbursement of funds:

1. Claims were not always properly itemized with supporting documentation such as invoices and or receipts.

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. There were instances which involved credit card purchases where an invoice or receipt to support the amount reported on the credit card statement was not available for examination. We also found one instance where the payment on a credit card account exceeded the charges by \$48. A credit of \$48 remained on the credit card account as of December 31, 2006.

SCOTT COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

3. We identified the payment of late fees and financial charges in the amount of \$106 for delinquent payment of vendor invoices during the year 2006.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

4. The Library does not have internal controls in place to prevent the duplicate payment of claims. We found instances of duplicate payments made to vendors. Overpayments would have resulted had the vendors not returned the checks.

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)

SCOTT COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on November 27, 2007, with Gary Moenter, President of the Board; Andrew Rowden, Director; and Darlene Hall, Treasurer. The officials concurred with our findings.