

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

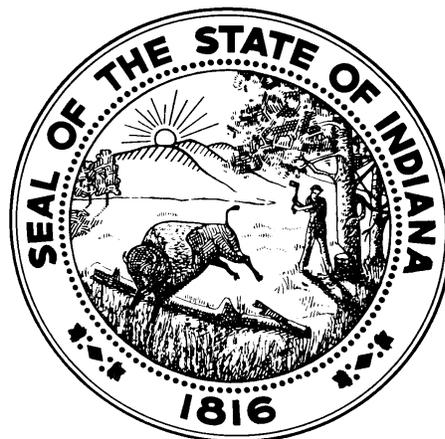
EXAMINATION REPORT

OF

LAKE COUNTY PUBLIC LIBRARY

LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
05/29/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Larry Acheff	01-01-06 to 12-31-08
Treasurer	Susan E. Buczek John T. Brock	01-01-06 to 12-14-07 12-15-07 to 12-31-08
President of the Library Board	Arthur Giannini Robert Marszalek	01-01-06 to 12-31-06 01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of Lake County Public Library (Library), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, 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

April 7, 2008

LAKE COUNTY PUBLIC LIBRARY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, INTERNAL SERVICE AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 8,893,503	\$ 15,737,004	\$ 22,207,259	\$ 2,423,248
Gift	81,514	155,469	140,495	96,488
Grant	6,773	15,765	9,912	12,626
Lease Rental	241,055	482,109	723,164	-
Bond and Interest Redemption	359,523	2,539,107	2,712,289	186,341
Library Improvement Reserve	3,157,761	6,315,522	6,315,522	3,157,761
Library Capital Projects	2,327,537	374,920	622,037	2,080,420
Construction	17,876,005	6,751,347	3,481,356	21,145,996
Fiduciary Funds:				
Payroll Withholdings	25,048	4,792,015	4,786,314	30,749
PLAC	504	3,097	2,826	775
Totals	<u>\$ 32,969,223</u>	<u>\$ 37,166,355</u>	<u>\$ 41,001,174</u>	<u>\$ 29,134,404</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 2,423,248	\$ 16,967,972	\$ 16,082,462	\$ 3,308,758
Gift	96,488	124,796	137,212	84,072
Grant	12,626	9,284	5,572	16,338
Bond and Interest Redemption	186,341	3,486,552	2,456,856	1,216,037
Library Improvement Reserve	3,157,761	6,315,522	6,315,522	3,157,761
Library Capital Projects	2,080,420	240,043	388,012	1,932,451
Construction	21,145,996	1,101,053	10,323,579	11,923,470
Internal Service Fund:				
Healthcare Reimbursement Arrangement (HRA) Account	-	10,000	4,286	5,714
Fiduciary Funds:				
Payroll Withholdings	30,749	5,059,161	5,076,894	13,016
PLAC	775	2,791	2,816	750
Totals	<u>\$ 29,134,404</u>	<u>\$ 33,317,174</u>	<u>\$ 40,793,211</u>	<u>\$ 21,658,367</u>

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

LAKE 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 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.

Property taxes have not been billed or collected timely each year since 2004. The final settlement of the 2004 taxes payable in 2005 was distributed to the various governmental entities in March 2006. For the 2005 taxes payable in 2006, the tax bills were mailed to Lake County residents in August 2006. They were due in two installments on August 29, 2006 and November 14, 2006. The final settlement of the 2005 taxes payable in 2006 was distributed to the various governmental entities on January 4, 2007. For the 2006 taxes payable in 2007, the tax bills were mailed to Lake County residents in January 2008. They were due in one installment on January 31, 2008. The final settlement of the 2006 taxes payable in 2007 was distributed to the various governmental entities on March 20, 2008.

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

LAKE COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

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.

LAKE COUNTY PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Library has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Bonds payable:		
General obligation bonds:		
Public Library Bonds of 2003 (new construction & renovations)	28,090,000	2,434,400
Total governmental activities debt	\$ 28,090,000	\$ 2,434,400

LAKE COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

Controls for receipts generated by the Library were deficient. There was a lack of segregation of duties. The Central Library bookkeeper collected cash, receipted the money to the record and prepared and took the deposit to the bank. The bookkeeper also prepared the bank reconciliation. The receipts issued by the bookkeeper did not indicate the payment type as check or cash.

Additionally, copier collections at the Central Library were not reconciled to the quantities shown on the copier counter.

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)

Indiana Code 5-13-6-1(d) states in part: "Public funds deposited under this subsection shall be deposited in the same form in which they were received."

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)

TEMPORARY TRANSFER OF FUNDS

Transfers were made from the Construction Fund to the General Fund in the amount of \$5,733,000 as follows: \$4,000,000 on July 23, 2004; \$1,150,000 on January 25, 2005; and \$583,000 on April 28, 2005. The \$5,733,000 was repaid to the Construction Fund on, January 5, 2006. These transfers were not approved by the Library Board.

Indiana Code 36-1-8-4 concerning temporary transfers states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

LAKE COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

BOND RESOLUTION

As noted in the prior comment, temporary loans were made from the Construction Fund.

The funds transferred were a portion of the proceeds from a 2003 general obligation bond issue in the amount of \$30,070,000. The Bond Resolution stated in part: "No bond proceeds will be loaned to any entity or person. No bond proceeds will be transferred, directly or indirectly, or deemed transferred to a nongovernmental person in any manner that would in substance constitute a loan of the bond proceeds."

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)

LAKE COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on April 7, 2008, with John T. Brock, Treasurer; Larry Acheff, Director; Robert Marszalek, President of the Library Board; and Greg Madouros Jr., Human Resources Manager.