

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

EXAMINATION REPORT
OF
DUBOIS COUNTY CONTRACTUAL LIBRARY
DUBOIS COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/04/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Rita C. Douthitt	01-01-06 to 12-31-08
Treasurer	Dedora Stemle	01-01-06 to 12-31-08
Controller/Bookkeeper	Rita A. Lovell	01-01-06 to 12-31-08
President of the Board	Kathy Tretter	01-01-06 to 12-31-08



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 THE DUBOIS COUNTY CONTRACTUAL LIBRARY,
DUBOIS COUNTY, INDIANA

We have examined the financial information presented herein of the Dubois County Contractual 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 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

October 20, 2008

DUBOIS COUNTY CONTRACTUAL 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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 91,942	\$ 314,468	\$ 330,639	\$ 75,771
Gift	1,289	413	96	1,606
Rainy Day	5,871	-	-	5,871
Grant	-	952	952	-
Levy Excess	2,584	1,074	2,584	1,074
Library Improvement Reserve	677,139	52,808	67,806	662,141
Fiduciary Funds:				
Payroll Withholdings	3,029	102,536	102,598	2,967
Other	-	111	111	-
Totals	<u>\$ 781,854</u>	<u>\$ 472,362</u>	<u>\$ 504,786</u>	<u>\$ 749,430</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 75,771	\$ 563,083	\$ 469,559	\$ 169,295
Gift	1,606	564	769	1,401
Rainy Day	5,871	57,301	-	63,172
Grant	-	3,450	1,743	1,707
Levy Excess	1,074	-	1,074	-
Library Improvement Reserve	662,141	94,728	99,552	657,317
Fiduciary Funds:				
Payroll Withholdings	2,967	113,674	113,405	3,236
Other	-	191	191	-
Totals	<u>\$ 749,430</u>	<u>\$ 832,991</u>	<u>\$ 686,293</u>	<u>\$ 896,128</u>

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

DUBOIS COUNTY CONTRACTUAL 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 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.

DUBOIS COUNTY CONTRACTUAL LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

Dubois County Contractual Library

1116 Main Street
Jasper, IN 47546

Phone 812-482-2712
Fax 812-482-7123

DUBOIS COUNTY CONTRACTUAL LIBRARY SUPPLEMENTARY INFORMATION SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

The Dubois County Contractual Library is a small unit with revenue falling within the Phase III category; therefore, the Library has been reporting infrastructure as of January 1, 2004 and thereafter. However, there has been no change to date in infrastructure since January 1, 2004.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after January 1, 2004, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ -
Infrastructure	-
Buildings	51,000
Improvements other than buildings	-
Machinery and equipment	29,875
Library Materials (Books, etc.)	<u>551,850</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 632,725</u>

DUBOIS COUNTY CONTRACTUAL LIBRARY
EXAMINATION RESULTS AND COMMENTS

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Travel claims did not provide the nature of business.

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) Not all claims were adequately itemized nor did all claims or invoices have evidence to support receipt of goods or services.

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) the invoice or bill is approved by the officer or person receiving the goods and services; . . ."

- (3) Sales tax was paid on some claims.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

- (4) Personal memberships were paid or employees were reimbursed for personal memberships.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions or purposes of the governmental unit. Any personal expenses 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)

- (5) Dates of transactions indicate that some payments were made to companies or individuals prior to the receipt of goods or services.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

- (6) Some contracts were not made available for review.

DUBOIS COUNTY CONTRACTUAL LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

- (7) Payments were made to Robert Gress, head of the 4-H Council.

Payments for services provided by an organization should go directly to the organization and not to an individual employee of the organization. All payments for services should be supported by a written contract. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

POLICIES

The following policies were not presented for examination:

- (1) A travel policy was not presented for examination and mileage rates, etc., were not fixed by the Library Board.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

- (2) A credit card policy was not presented for examination; however, credit cards were used to purchase items. The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the Board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

DUBOIS COUNTY CONTRACTUAL LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(7) Payment should not be made on the basis of a statement or a credit card slip only. Procedure 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.

(8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

POST DATING OF RECEIPTS AND CHECKS

On December 7, 2006, the Board adopted a resolution to date checks on the last day of each month and hold them for approval at the next monthly meeting. This practice was implemented in January 2007 and continues as a current practice.

A review of December 2007 claims, checks and receipts revealed that checks dated and recorded on December 31, 2007, to transfer money from the Operating Fund to the Rainy Day and Library Improvement Reserve (LIRF) funds were; (1) not authorized by board resolution until January 6, 2008, (2) not issued until the following day or days after the board meeting of January 6, 2008; but, appeared on the list of outstanding checks, (3) were receipted and recorded to the Rainy Day and LIRF Fund on December 31, 2007, but were not deposited until January 17, 2008; but, appeared on the list of deposits in transit.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

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."

PAYROLL DEFICIENCIES

Tests of payroll revealed the following deficiencies;

(1) Checks issued on January 6, 2006, for the pay period ended December 31, 2005, reflect the hourly and salary rates based on the salary schedule applicable to 2006.

The salary resolutions state the rates were to become effective on January 1, 2006.

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)

(2) Based on the Library's personnel policy, some part-time employees may have been over paid.

DUBOIS COUNTY CONTRACTUAL LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The director authorized holiday pay to some part-time employees on the observed day as well as the actual holiday, if the employee would normally have been scheduled to work those days.

The Library Personnel Policy Handbook states:

"A. The Library will be closed on the following Holidays, which are paid Holidays: New Year's Eve, New Year's Day, . . ., Christmas Eve, Christmas Day.

B. The Library will be closed on Easter Sunday, but it is not a paid holiday.

C. If any of the Holidays noted above falls on a Saturday or Sunday, the preceding Friday or following Monday will be observed unless these days are also designated holidays, in which case the next preceding or following day will be observed.

D. If a full time employee has a scheduled day off which falls on a day when the library will be closed due to a paid holiday, the employee will be entitled to a compensatory day.

E. Part time staff who are regularly scheduled to work on a day the Library closes for a Holiday will be paid for the Holiday, i.e., if they regularly work 4 hours on Thursday and the Library closes for Thanksgiving Day, the part time staff would get paid 4 hours of holiday pay.

DUBOIS COUNTY CONTRACTUAL LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on October 20, 2008, with Kathleen J. Tretter, President of the Board; Deborah J. Stemle, Treasurer; Rita Lovell, Bookkeeper; and on October 22, 2008, with Rita C. Douthitt, Director. The officials concurred with our findings.