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

EXAMINATION REPORT
OF
PIKE COUNTY PUBLIC LIBRARY
PIKE COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Sabrina Frederick	01-01-06 to 12-31-08
Treasurer	James Lemoin Woods	01-01-06 to 12-31-08
President of the Board	Ronald H. Ballard	01-01-06 to 09-27-08
Acting President of the Board	Donna Poehlein	09-28-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

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

STATE BOARD OF ACCOUNTS

November 24, 2008

PIKE COUNTY 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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 280,965	\$ 538,502	\$ 488,103	\$ 331,364
Gift	206,019	13,126	-	219,145
Levy Excess	-	2,662	-	2,662
Library Improvement Reserve	648,514	71,010	10,058	709,466
Fiduciary Funds:				
Nichols Trust	5,000	-	-	5,000
Boonshoot Trust	10,000	-	-	10,000
Payroll Withholdings	2,394	44,354	45,276	1,472
PLAC	-	31	31	-
Totals	<u>\$ 1,152,892</u>	<u>\$ 669,685</u>	<u>\$ 543,468</u>	<u>\$ 1,279,109</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 331,364	\$ 491,990	\$ 508,023	\$ 315,331
Gift	219,145	17,794	243	236,696
Levy Excess	2,662	4,112	2,662	4,112
Library Improvement Reserve	709,466	99,369	-	808,835
Fiduciary Funds:				
Nichols Trust	5,000	-	-	5,000
Boonshoot Trust	10,000	-	-	10,000
Payroll Withholdings	1,472	42,738	43,093	1,117
Totals	<u>\$ 1,279,109</u>	<u>\$ 656,003</u>	<u>\$ 554,021</u>	<u>\$ 1,381,091</u>

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

PIKE 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.

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.

PIKE 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.

PIKE COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

EMPLOYEE SERVICE RECORDS

Employee service records were not accurately and adequately maintained to reflect proper leave balances at year end.

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)

CAPITAL ASSET RECORDS

The Library's capital asset records did not include additions and deletions of the current two year audit period. A complete detailed inventory of capital assets owned by the library was not included in the Library's capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger (Form Number 369). A complete inventory should be taken every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

RECEIPT ISSUANCE

In some instances receipts were either; (1) not issued and not recorded at the time of the transaction, (2) were written out of sequence and posted, or (3) were written for amounts that were not deposited.

During March 2007, the cost of the purchase of two certificates of deposits from specific funds exceeded the specific fund cash balances. Investigation revealed that two receipts were written for amounts needed to off-set the difference between the amount of the disbursements for the purchase of the certificates of deposits and the specific fund cash balances. These receipts reflected a memorandum, "To balance the investments." At the time, the investment transactions had not been recorded to the ledger. Without the posting of the two receipts into the system, the two specific funds would have reflected a negative balance.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

CONDITION OF RECORDS

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

- (1) Record balances were not reconciled to depository balances during the two year period.

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."

PIKE COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, posting of erroneous receipts, posting of transfers incorrectly, and nonsufficient funds checks incorrectly posted.

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)

- (3) Some transactions were recorded as "negative" receipts and disbursements.

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)

- (4) Some items, such as returned check charges and electronic transfers, were not recorded in the Library's records.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

- (5) Review of the General Ledger, Treasurer's Monthly Report, and the Financial Report by Fund revealed the following:

(a) The fund balances of the General Ledger did not agree with the balances of the Financial Report by Fund and the Treasurer's Monthly Report.

(b) Beginning cash balances of funds within the ledger did not agree with the prior year ending fund cash balances. The January 1, 2007, General Ledger Fund cash balances were the same as the January 1, 2006, General Ledger Fund cash balances.

(c) The Treasurer's Monthly Report and the Financial Report by Fund month ending balances did not always agree with the subsequent month beginning balances.

(d) The general ledger appropriation balances increased in dollar amount as disbursements were posted to the system.

(e) Increases and reductions of appropriations were recorded as adjustments to transactions reflecting increases and decreases in disbursement totals classified as supplies and other services and charges.

(f) A transfer per the minutes that was intended to be made from the Operating Fund to the Library Improvement Reserve Fund was posted as a debit (increase) to the Operating Fund cash account and a credit (decrease) to the Levy Excess cash account, creating a huge deficit balance in the Levy Excess Fund.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance shall 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)

PIKE COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPUTER OUTPUT

Access to records and information generated by the computer system was limited due to records not being printed out on paper, printed to disk or maintained on line at the end of each reporting year and retained for examination.

Records not presented for the two year examination period due to lack of availability included: Employee Earnings Records, Investment Register, Capital Asset Register, and documentation pertaining to deposit/remittance of payroll taxes, etc.

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 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)."

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records 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)

COMPENSATION - NONEMPLOYEES

Payments were made to individuals for mowing and maintenance services without a contract. Compensation of individuals, who were not employees of the library and were compensated in excess of \$600, was not reported in compliance with state and federal reporting requirements.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. 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)

PIKE COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

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

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized. Payments were made from statements that did not reflect the quantity, price and what materials were purchased,
- (3) All claims did not have timely board approval. All claims were approved the month following the issuance of checks.
- (4) Claims or invoices did not 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) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

PIKE COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on November 24, 2008, with Sabrina Frederick, Director; James Lemoin Woods, Treasurer; and Thomas C. Behme, Bookkeeper.