

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

EXAMINATION REPORT
OF
EAST CHICAGO PUBLIC LIBRARY
LAKE COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
01/21/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Dr. James Rajchel	01-01-06 to 05-20-06
	Pearlie Eatman (Interim)	05-20-06 to 11-06-06
	Manuel Montalvo (Interim)	11-06-06 to 12-31-08
Treasurer	Diana Garcia-Burns	01-01-06 to 12-31-07
	Chasidy Gomez	01-01-08 to 12-31-08
President of the Board	Manuel Montalvo	01-01-06 to 11-06-06
	Clifton Johnson	01-01-07 to 12-31-08



STATE OF INDIANA

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the East Chicago 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

December 16, 2008

EAST CHICAGO 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	\$ 1,237,953	\$ 8,348,209	\$ 8,376,757	\$ 1,209,405
Gift	10,068	9,997	14,174	5,891
Prime Time Family Reading Grant (05)	71	-	71	-
Bond and Interest Redemption	30,260	43,323	-	73,583
Black History Grant	-	12,750	12,750	-
Celebrate Freedom (Target) Grant	535	-	535	-
Celebrate Freedom Through Art Grant	1,115	-	1,115	-
EC Reads Phase 4	-	20,000	20,000	-
Library Base Program Fund (05)	4,862	-	4,862	-
Entitlement - Library Base 2006	-	130,000	130,000	-
Families Growing Grant	-	6,880	6,880	-
One Region One Book Grant (05)	573	-	573	-
Summer Reading Program Grant (05)	102	-	102	-
United We Stand Grant (05)	6,834	-	6,834	-
EC Library Cinema II	1,136	-	1,136	-
Library Cinema Grant (CD05-416)	-	4,840	4,710	130
Reading Counts Grant	67	-	67	-
Youth Bookmobile Grant	1,375	-	1,375	-
Library Improvement Reserve	31,530	269,185	-	300,715
Fiduciary Fund:				
Payroll Withholdings	7,172	658,184	654,241	11,115
Totals	<u>\$ 1,333,653</u>	<u>\$ 9,503,368</u>	<u>\$ 9,236,182</u>	<u>\$ 1,600,839</u>
	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,209,405	\$ 4,731,440	\$ 4,857,953	\$ 1,082,892
Gift	5,891	12,887	12,953	5,825
Bond and Interest Redemption	73,583	1,676	75,259	-
Library Cinema Grant (CD05-416)	130	-	130	-
Library Cinema Grant (CD06-414)	-	8,525	8,351	174
Non-Competitive Grant (FEC07-507)	-	150,000	47,052	102,948
Prime Time Grant (E07-206)	-	10,000	8,790	1,210
State Tech Fund Grant	-	1,800	825	975
United We Stand Grant (CD06-402)	-	26,157	26,004	153
Library Improvement Reserve	300,715	30,000	-	330,715
Fiduciary Fund:				
Payroll Withholdings	11,115	698,716	701,164	8,667
Totals	<u>\$ 1,600,839</u>	<u>\$ 5,671,201</u>	<u>\$ 5,738,481</u>	<u>\$ 1,533,559</u>

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

EAST CHICAGO PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Library was established under the laws of the State of Indiana. The Library 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.

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.

EAST CHICAGO 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.

Note 7. Tax Anticipation Warrants

The Library sold tax anticipation warrants during 2007 which were due by December 31, 2007. The outstanding principal at December 31, 2007, was \$2,463,283.

Note 8. Subsequent Events

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2008. Taxes are normally billed in two installments, the first is due in May, and the second in November. Significant delays in the reassessment process have resulted in delays in billing taxes in 2008. Lake County 2007 pay 2008 tax rates were approved on November 14, 2008. Provisional bills for 50% of 2006 pay 2007 taxes were due October 29, 2008. County officials do not anticipate sending the final reconciliation bill for taxes payable in 2008 before December 31, 2008. A similar situation occurred in 2007. This has forced the Library to borrow extensively in anticipation of tax revenues.

EAST CHICAGO PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

Tax Anticipation Warrants

On December 18, 2007, the Library Board approved delaying the repayment of the 2007 \$2,463,283 outstanding tax anticipation warrants until June 30, 2008, with an interest rate of 4.3%. The 2007 tax anticipation warrants were repaid by March 25, 2008, including \$19,279.42 in interest.

On November 20, 2007, the Library Board approved resolution 13 authorizing the issuance of tax anticipation warrants to be repaid by December 31, 2008. Warrants totaling \$3,134,904 were received during 2008. On November 25, 2008, the Library repaid \$1,096,976 of the 2008 tax anticipation warrant principal balance plus \$14,627.24 in interest. The outstanding principal and interest balances due as of December 31, 2008, are \$2,037,928 and \$30,572.20.

On November 18, 2008, the Library Board approved resolution 10-08 authorizing the issuance of tax anticipation warrants to be repaid by June and December, 2009 with an interest rate not to exceed 6.25%. The Library is anticipating receiving \$1,664,501 during January 2009. Of the \$1,664,501, \$426,253 is due four business days after the distribution of property taxes but not later than June 30, 2009, and the remaining balance is due December 31, 2009.

Temporary Loan Between Funds

On January 25, 2008, the Library Board approved resolution 2-08 authorizing a \$330,714.67 temporary loan from the Library Improvement Reserve Fund to the General Fund for the purposes of meeting current obligations since property tax collections have not been timely.

EAST CHICAGO PUBLIC LIBRARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Rainy Day loan payable	\$ 294,737	\$ 84,211

EAST CHICAGO PUBLIC LIBRARY EXAMINATION RESULTS AND COMMENTS

BOARD MEMBERS COMPENSATION

As stated in the prior report, the Library Board approved payment of a portion of the health insurance premiums for Board members once they complete a four-year term of office. The payment of the health insurance premium will continue until the time the covered member is Medicare eligible. Once eligible for Medicare, the Library will pay for the Medicare supplement insurance premium until the covered member reaches the age of 70.

In addition, the Library provides life insurance policies to the Board members at no cost to the Board members. The cost of the insurance policy provided and the related taxes were reported to the Board members on a Form W-2 Wage and Tax Statement.

Indiana Code 36-12-2-21 states: "A member of a library board shall serve without compensation. A board member may not serve as a paid employee of the public library, except the treasurer as provided in section 22 of this chapter."

ACCOUNTS PAYABLE VOUCHERS

1. A review of accounts payable vouchers noted that two checks made payable to hotels were dated before the receipt of goods or services.
2. The Library Board approved Resolution 1, dated January 21, 2003, which allowed for the payment of certain accounts payable vouchers prior to Board approval. However, per the review of the accounts payable voucher register certified by the Library Board, not all accounts payable vouchers were included in the total amount certified by the Board.
3. The payroll claims were neither approved by the Library Board individually nor included on the accounts payable voucher register certified by the Library Board.

All payments should be made after the receipt of the goods or services except for those items specifically exempted by law. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 3)

Claims paid in advance of board allowance shall be reviewed and allowed at the library board's first regular or special meeting following payment of the claims. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 3)

The payroll claim - general form 99 should be used for all payrolls. Each claim should be certified by the library director and the secretary of the library board in the appropriate sections on the back. Approval by a majority of the library board is also required in the appropriate section unless an Accounts Payable Voucher Register, General Form 364, is signed by a majority of the library board. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 3)

ATTORNEY CONTRACTS

Payments were made to two different attorneys without a contract. One attorney was paid an hourly rate of \$175 and the other was paid a rate of \$150 per hour.

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

EAST CHICAGO PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2008, with Chasidy Gomez, Treasurer; Manuel Montalvo, Director; and Denise Carrasquillo, Deputy Director.