

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

EXAMINATION REPORT

OF

TIPPECANOE COUNTY CONTRACTUAL LIBRARY

TIPPECANOE COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
02/11/2009

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 Long-Term Debt	7
Examination Results and Comments:	
Bank Account Reconciliations	8
Condition of Records	8
Financial Report Opinion Modifications.....	9
Deposits.....	9
Capital Asset Records	9
Compensation and Benefits	10
Overdrawn Cash Balances.....	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Jos Holman	01-01-06 to 12-31-09
Treasurer	Dinah L. McClure Sarah J. Hicks	01-01-06 to 12-31-07 01-01-08 to 12-31-09
President of the Board	Patricia Garrott Dinah L. McClure	01-01-06 to 12-31-07 01-01-08 to 12-31-09



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 TIPPECANOE COUNTY CONTRACTUAL LIBRARY,
TIPPECANOE COUNTY, INDIANA

We were engaged to examine the financial information presented herein of the Tippecanoe 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.

The Library was unable to provide bank reconcilements for six of the months of 2007, and the bank reconciliation for December 31, 2007, indicated \$163,937 more in the bank account than reported in the financial information. The Library's records do not permit the application of other examination procedures to determine the validity and accountability for some money received or disbursed.

Since the Library did not provide bank reconcilements or identify all the cash amounts within the bank account and we were not able to apply other examination procedures to satisfy ourselves as to the accuracy of the Library's ledgers and cash balances, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial information.

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

January 7, 2009

TIPPECANOE 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	\$ 1,302,902	\$ 4,144,513	\$ 4,124,917	\$ 1,322,498
Gift	472,005	139,413	117,488	493,930
Rainy Day	704,113	-	56,283	647,830
Operating Flex Account	40,298	305,291	279,706	65,883
Levy Excess	-	25,864	-	25,864
Bond and Interest Redemption	134,652	898,400	842,725	190,327
Library Improvement Reserve	1,923	225,000	-	226,923
Library Capital Projects	60,666	-	1,113	59,553
Construction	32,079	-	25,201	6,878
Construction 2006	2,475,020	121,759	1,796,935	799,844
Fiduciary Fund:				
PLAC	690	186	186	690
Totals	<u>\$ 5,224,348</u>	<u>\$ 5,860,426</u>	<u>\$ 7,244,554</u>	<u>\$ 3,840,220</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,322,498	\$ 4,349,619	\$ 4,689,989	\$ 982,128
Gift	493,930	55,533	147,830	401,633
Rainy Day	647,830	-	328,853	318,977
Operating Flex Account	65,883	-	65,883	-
Levy Excess	25,864	-	-	25,864
Bond and Interest Redemption	190,327	548,524	698,736	40,115
Library Improvement Reserve	226,923	-	-	226,923
Library Capital Projects	59,553	-	-	59,553
Construction	6,878	-	-	6,878
Construction 2006	799,844	116,162	1,048,796	(132,790)
Fiduciary Fund:				
PLAC	690	115	123	682
Totals	<u>\$ 3,840,220</u>	<u>\$ 5,069,953</u>	<u>\$ 6,980,210</u>	<u>\$ 1,929,963</u>

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

TIPPECANOE 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, 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.

TIPPECANOE COUNTY CONTRACTUAL 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.

TIPPECANOE COUNTY CONTRACTUAL 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:		
2000 Bonds	\$ 2,735,000	\$ 327,745
2005 Bonds	1,945,000	369,900
Total governmental activities debt	\$ 4,680,000	\$ 697,645

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Bank reconcilements for April, May, June, July, September, and November 2007 were not presented for examination.

The bank reconciliation for December 2007, as presented, indicated a bank shortage of \$1,047,377. Subsequent review and corrections by Library personnel indicated a total of \$13,791.95 was improperly listed as outstanding checks and a total of \$850,075.00 was improperly listed as deposits in transit. The reconciliation also omitted \$50,558.20 of deposits in transit, for receipts posted to 2007 transactions, and did not allow for journal entries entering payroll transactions for the month.

By the end of the review, the bank reconciliation shows an unexplained bank long of \$163,937.50.

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."

CONDITION OF RECORDS

The following deficiencies were noted during the course of our period of audit:

- (1) Transactions are not being posted to the general ledger on a timely basis. Daily collections for December 2007 were not posted to the general ledger until January 22, 2008. Other transactions were noted as not being receipted for months after the deposit was made to the bank account. We noted \$345,958.83 in receipts that were deposited on September 20, 2007, and \$258,383.66 in receipts that were deposited on November 13, 2007, that were not recorded as receipts to the 2007 financial statements until January 15, 2008.
- (2) The Flexible Benefits bank account reconciliation indicated several record posting errors, including: checks issued that were not posted to the records; bank charges not recorded; duplication of entries; and undocumented entries.
- (3) The investments received from an estate trust account were not included in the general ledger or Library Annual Report as filed with the State Board of Accounts. The investments, totaling \$159,543, are presented in the financial statements.
- (4) The 2007, Library Annual Report included \$128,511 in tax distribution funds that were not received until January 2008.

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)

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)

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

FINANCIAL REPORT OPINION MODIFICATIONS

Bank reconciliations were not accurate and records were not available to determine the completeness of receipts and disbursements. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

DEPOSITS

We reviewed five of the distributions from the Tippecanoe County Treasurer for property and other tax distributions. We noted discrepancies in the recording and depositing of each of these items as noted below:

<u>Date Check Issued</u>	<u>Date of Receipt</u>	<u>Receipt Number</u>	<u>Date of Deposit</u>	<u>Amount</u>
08-06-07	09-20-07	600818	09-20-07	\$ 165,539.01
07-20-07	09-20-07	600818	09-20-07	51,209.91
01-03-08	12-28-07	600895		
		600896	01-24-08	122,870.03
11-16-07	12-08-07	600820	12-09-07	635,621.03
01-03-08	12-31-07	600897	01-11-08	89,903.92

As noted, the dates the checks were issued, the dates the receipts were issued and the deposit dates, are inconsistent with receiving the check, issuing the receipt and depositing the check no later than the next business day.

IC 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."

CAPITAL ASSET RECORDS

The Library does not maintain 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. 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)

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

On December 13, 2003, the Library Board passed a Salary Schedule under which the employees of the Library were to be paid. The schedule reflected eleven "grades/job classifications" such as "Page" and "Professional Librarian." The schedule then reflected 52 increments of pay from the lowest hourly rate for that position to the highest rate. Each step represented an approximate one and a half percent increase over the prior step.

General cost of living increases awarded to employees for 2006 and 2007 were awarded on a percentage basis rather than by steps on the pay scale. Merit raises and annual performance raises were also awarded on a percentage basis rather than a strict adherence to the salary schedule.

As a result of these practices, 9 out of 20 employees reviewed were not paid in accordance with the salary schedule, though all employees were paid within the approved salary range for a classification.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. 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)

OVERDRAWN CASH BALANCES

The cash balance of the Construction 2006 Fund was overdrawn in 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on January 7, 2009, with Dinah L. McClure, former Treasurer and current President of the Library Board; and Sarah J. Hicks, current Treasurer. The officials concurred with our findings.