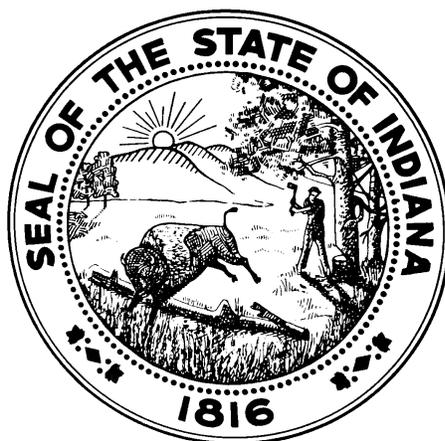


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

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



FILED
02/18/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Philip Baugher	01-01-06 to 12-31-09
Treasurer	Vernon Odom, Jr. John Corso Vernon Odom, Jr.	04-01-05 to 03-31-06 04-01-06 to 03-31-07 04-01-07 to 03-31-09
President of the Board	John Corso Neal Mortensen Karen Nash J. Erik Hokanson	04-01-05 to 03-31-06 04-01-06 to 03-31-07 04-01-07 to 03-31-08 04-01-08 to 03-31-09



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302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF WESTCHESTER PUBLIC LIBRARY, PORTER COUNTY, INDIANA

We have examined the financial information presented herein of Westchester 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. applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 29, 2009

WESTCHESTER 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	\$ 2,413,095	\$ 4,717,399	\$ 6,393,631	\$ 736,863
Gift	205,451	302,307	321,732	186,026
Rainy Day	-	580,000	290,000	290,000
Library Capital Projects	131,542	193,221	252,409	72,354
Library Improvement Reserve	1,000,000	4,282,500	2,500,000	2,782,500
State Technology Fund Grant	-	4,500	2,250	2,250
Fiduciary Funds:				
Leslie Pratt Nonexpendable Trust	318,552	-	-	318,552
PLAC	-	31	31	-
Totals	<u>\$ 4,068,640</u>	<u>\$ 10,079,958</u>	<u>\$ 9,760,053</u>	<u>\$ 4,388,545</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 736,863	\$ 878,929	\$ 2,168,055	\$ (552,263)
Gift	186,026	448,253	437,777	196,502
Rainy Day	290,000	934,047	905,722	318,325
Library Capital Projects	72,354	79,755	140,180	11,929
Library Improvement Reserve	2,782,500	6,838,188	6,154,500	3,466,188
State Technology Fund Grant	2,250	8,400	5,750	4,900
Fiduciary Funds:				
Leslie Pratt Nonexpendable Trust	318,552	-	-	318,552
PLAC	-	-	-	-
Totals	<u>\$ 4,388,545</u>	<u>\$ 9,187,572</u>	<u>\$ 9,811,984</u>	<u>\$ 3,764,133</u>

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

WESTCHESTER 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 recreational 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.

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

WESTCHESTER PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

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. Subsequent Event

Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2005 through 2007. Significant delays in the reassessment process have resulted in delays in billing taxes in 2005 through 2007. The late billing has delayed timely property tax distributions to the Library. The 2007 tax bills were not sent out until December 2007, with a due date of January 11, 2008. In May 2008 the final 2007 tax distributions were distributed by the County.

WESTCHESTER PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

A delay in receiving the 2007 tax distributions caused the Library's General Fund to be overdrawn \$552,262.96 as of December 31, 2007.

The fund 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)

APPROVAL OF CLAIMS

The Library sometimes receives vendor invoices subsequent to Board meetings that require payment prior to the next Board meeting. For example, credit card statements were received and paid after the board meeting to avoid interest charges. These payments were not subsequently included on the "Register of Claims" and approved by the Board.

In addition, the Library Director did not certify to the board before payment that each claim is true and correct and that the goods or services were received.

All payments should be made after the receipt of the goods or services except for those items specifically exempted by law.

Indiana Code 36-12-3-16(a) provides that with the prior approval of the Library Board, payment may be made in advance of Library Board allowance for any of the following:

1. Property or services purchased or leased from the United States government or its agencies and the state, its agencies, or its political subdivisions.
2. Dues, subscriptions and publications.
3. License fees.
4. Insurance premiums.
5. Utility connection charges.
6. Federal grant programs where advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced.
7. Grants of state funds authorized by statute.

WESTCHESTER PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

8. Maintenance and service agreements.
9. Legal retainer fees.
10. Conference fees.
11. Expenses related to the educational or professional development of an individual employed by the library board, including:
 - a. In service training
 - b. Attending seminars or other special courses of instruction; and
 - c. Tuition reimbursement; if the library board determines that the expenditures under this subdivision directly benefit the library.
12. Leases or rental payments.
13. Bond or coupon payments.
14. Payroll costs.
15. State, federal or county taxes.
16. Expenses that must be paid because of emergency circumstances.
17. Other expenses described in a library board resolution.

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)

Each payment must be supported by a fully itemized invoice or other documentation. The documentation should be available to the board for their review before approval. The library director must certify to the board before payment that each claim is true and correct and that the goods or services were received. This certification must be on Library Form No. 4, which should be completed with information regarding the payee, invoice date and number, description of service or material, amount to be paid, and the account to be charged. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 3)

WESTCHESTER PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on January 29, 2009, with Philip Baugher, Director; and Vernon Odom, Jr., Treasurer. The official response has been made a part of this report and may be found on pages 10 through 12.

February 2, 2009

OFFICIAL RESPONSE

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

To Whom It May Concern:

After rereading the Examination Results and Comments from the most recent audit of the Westchester Public Library for the years 2006 and 2007 performed by your department that I received during the exit conference on Thursday, January 29, 2009, I reconsidered my response to the results I received and have elected to exercise Option Number 4 and to file an official response to the findings.

OVERDRAWN FUND BALANCES

My first response is in reference to the first comment of the report about the overdrawn fund balance in the library's Operating Fund on December 31, 2007. I believe the comment is correct and is largely attributable to the delays in receiving our tax distributions we have experienced the last few years. I don't believe that in the case of the Westchester Public Library, the routinely overdrawn fund problem is an indicator of serious financial problems as may have been suggested by the examination results.

Although our library system did experience a financial crisis in 2002 due to the bankruptcy of our largest taxpaying corporation, the library adopted radical measures that have greatly improved our overall financial condition. I believe a better measure of the library's overall financial condition is the fact that the library's end of the year balance for all funds on December 31, 2007 was over \$3,000,000 even after taking into account the December Operating Fund deficit of \$552,662.96.

Late tax collections and distributions have continued and I fully expect we will experience overdrawn accounts in the future until such time as the situation is corrected by governmental agencies other than ours.

APPROVAL OF CLAIMS

I find the initial comment about our approval of claims to be essentially correct, but I believe that some of the additional comments on the report are somewhat misleading and might give

a reader the impression that our procedures and practices are very far out of compliance with the guidelines of your agency. Thus, I have elected to respond.

As cited, It has been the practice of our library to adopt a policy as duly authorized by IC 36-12-3-16(a) and to pay some bills in advance of our regular monthly board meeting. The most recent version of the library's "Resolution to Pay Bills with Prior Approval" was passed on June 28, 2007 and replaced an earlier version of the resolution.

It is our opinion that the nature of the early payments that have been made by the library, were made in compliance with established board policy and the allowing statue. Book purchases, utility charges, maintenance agreements, conference fees, payroll costs, etc. were all authorized expenditures.

The first paragraph of the section noted that credit card bills were often received and paid after the monthly board meetings to avoid paying interest charges. The library's credit card policy as adopted in 2005 by the library board provides for cards to be used for the following purposes:

Director – to be used primarily for travel, travel expenses, conference registration, reservations, equipment and material purchases – limit \$5,000

Acquisitions Manager – to be used primarily for the purchase of library materials – limit \$20,000

Administrative Assistant – to be used primarily for supplies, equipment, travel, travel expenses, conference registration, and reservations – limit \$10,000

Custodian – to be used primarily for fuel and maintenance for the library vehicle and for the purchase of repair parts and supplies – limit \$5,000

All use of the credit cards must be library business related and not personal in nature. Charges such as cleaning, pressing, laundry, personal telephone calls, etc., are personal and should not be charged to the library. A reasonable gratuity may be allowed.

Our credit card policy also allows for the payment of an annual fee or service charge, but prohibits allowing interest to accumulate and be paid.

The only other payments that might have been made in advance of board meetings were those specified by contracts. For instance, the library recently undertook a couple of recarpeting projects and the approved specifications for the project allowed for stepped payments to the contractors as materials were delivered and installed.

Our failing in our claim approval process for advance payments came as a result of our attempting to save the library some expense.

The library's practice in the past was to prepare a complete set of our monthly financial reports including our summary financial report, appropriations reports for each fund, and report of bank balances at each board meeting. We also prepared and distributed our register of claims for approval.

It was also the practice of our library to mail a complete set of financial reports and a register of claims covering all of the previous month's transactions to our board members a few days in advance of the regular monthly meeting the subsequent month. The library board members expressed the concern that they were being inundated with paper (with the mailing before the meeting and the paper distributed at the meeting) and requested that we eliminate the mailing covering all transactions through all of the previous month.

It was later that the library adopted the policy to authorize payments in advance of the regular board meeting and your auditor discovered that those advance payments made from the date of the previous month's meeting to the end of the month had not been formally approved by the board.

I would like to state for the record that I believe all of the expenses paid in advance were proper and to support the library's program of service, even though we might have erred in our procedures by not including these claims in the following month's list of claims.

There are two other procedures mentioned in the comment I would like to address. The first is the mention that each payment must be supported by a fully itemized invoice or other documentation and that the documentation should be available to the board for their review before approval. I attest it is our usual practice to properly prepare an accounts payable voucher for each expenditure, accompanied by an itemized invoice and that all of these documents are available for inspection by the board or any member of the public. We have 24 boxes of these documents available for the years covered by the recent audit.

The other fact I would like to mention concerns the statement about the responsibility of the library director to certify that each payment is true and correct and must be made on Library Form No. 4. As I mentioned earlier, we have prepared Library Form No. 4 for each of our expenditures. I have not signed each and every Form 4 however, opting instead to certify the correctness of each claim by signing in the designated area of the accounts payable voucher register, Form No. 364 as is allowed on page 3-25 of the Accounting and Uniform Compliance Guidelines Manual for Libraries.

In conclusion, I would like to state that any errors we made were simply procedural oversights and were not intended to avoid proper financial accountability or to act dishonestly or illegally in any way.

Sincerely,

Phil Baugher
Director