

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

EXAMINATION REPORT
OF
PENDLETON COMMUNITY PUBLIC LIBRARY
MADISON COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
12/30/2009

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 Capital Assets.....	7
Schedule of Long-Term Debt	8
Examination Results and Comments: Optical Images of Checks.....	9
Overdrawn Cash Balances.....	9
Exit Conference.....	10

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Lynn Hobbs	01-01-07 to 12-31-09
Treasurer	Katie Hupfer Beverly Kilmer	01-01-07 to 06-30-07 07-01-07 to 12-31-09
President of the Library Board	Eric Reske Katie Hupfer Monte Hoover	01-01-07 to 06-30-07 07-01-07 to 06-30-09 07-01-09 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 PENDLETON COMMUNITY
PUBLIC LIBRARY, MADISON COUNTY, INDIANA

We have examined the financial information presented herein of the Pendleton Community Public Library (Library), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 30, 2009

PENDLETON COMMUNITY 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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 394,667	\$ 908,096	\$ 1,160,854	\$ 141,909
Gift	291	1,079	1,367	3
Library Fund SMCF	352	126	300	178
Employee Purchases	-	730	730	-
Arabian Readers	797	1,285	1,011	1,071
Levy Excess	15,499	53,777	29,504	39,772
Bond and Interest Redemption	307,727	424,370	499,907	232,190
Library Improvement Reserve	68,765	38,247	43,400	63,612
Library Capital Projects	46,735	157,497	142,253	61,979
Construction	674,081	2,273	623,551	52,803
Summer Reading	81	1,222	927	376
Arts Place Grant	-	2,702	-	2,702
Orewiler Gift Fund	-	5,000	1,625	3,375
Memorial Fund	872	340	-	1,212
Johnston Swain	817	203	-	1,020
State Tech Grant Fund	3,150	5,519	4,125	4,544
Petty Cash	100	801	801	100
Cash Change	60	-	-	60
Fiduciary Funds:				
Friends of the Library	-	710	710	-
Payroll Withholdings	360	2,300	2,457	203
PLAC	217	1,140	1,237	120
Totals	<u>\$ 1,514,571</u>	<u>\$ 1,607,417</u>	<u>\$ 2,514,759</u>	<u>\$ 607,229</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 141,909	\$ 1,027,348	\$ 1,130,978	\$ 38,279
Gift	3	2,152	1,477	678
Library Fund SMCF	178	349	192	335
Employee Purchases	-	825	793	32
Arabian Readers	1,071	885	1,140	816
Levy Excess	39,772	-	39,772	-
Bond and Interest Redemption	232,190	414,856	540,039	107,007
Library Improvement Reserve	63,612	8,000	-	71,612
Library Capital Projects	61,979	111,954	128,108	45,825
Construction	52,803	114	46,678	6,239
Summer Reading	376	1,160	1,371	165
Arts Place Grant	2,702	-	2,702	-
Orewiler Gift Fund	3,375	-	1,135	2,240
Memorial Fund	1,212	140	101	1,251
Johnston Swain	1,020	560	-	1,580
State Tech Grant Fund	4,544	4,500	4,500	4,544
Petty Cash	100	780	780	100
Cash Change	60	-	-	60
Fiduciary Funds:				
Friends of the Library	-	7,671	6,462	1,209
Payroll Withholdings	203	-	7,975	(7,772)
PLAC	120	720	780	60
Totals	<u>\$ 607,229</u>	<u>\$ 1,582,014</u>	<u>\$ 1,914,983</u>	<u>\$ 274,260</u>

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

PENDLETON COMMUNITY 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, 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 received 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).

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.

PENDLETON COMMUNITY 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. Subsequent Event

In October 2009, the Pendleton Community Public Library borrowed \$350,000 in tax anticipation warrants from Star Financial Bank. These monies are to be repaid by February 28, 2010. The funds will be used to temporarily finance the Library's day to day operations.

PENDELTON COMMUNITY PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2008

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 160,000
Infrastructure	400,000
Buildings	5,220,000
Improvements other than buildings	89,000
Machinery and equipment	1,612,157
Construction in progress	-
	-
Total governmental activities, capital assets not being depreciated	<u>\$ 7,481,157</u>

PENDLETON COMMUNITY PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Library has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
(description of asset leased) 12-31-08	\$ 4,700,000	\$ 455,182
Total governmental activities debt	<u>\$ -</u>	<u>\$ -</u>

Lease Agreement dated March 30, 2005

Pendleton Community Library Building Corporation leases to the Pendleton Community Library the real estate and the Pendleton Community Library building for a term of seventeen years. Schedule of Lease Rental Payments attached. Lease Expires: 2022. Total payments \$7,518,000.

PENDLETON COMMUNITY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

OPTICAL IMAGES OF CHECKS

The Library's bank returns optical images of only the front side of vendor checks and payroll checks.

IC 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . "original records" . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Further, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

OVERDRAWN CASH BALANCES

The cash balance of the Payroll Withholdings Fund was overdrawn in 2008.

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)

PENDLETON COMMUNITY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2009, with Monte Hoover, President of the Library Board; Lynn Hobbs, Director; Alicia Pitman, Assistant Director; and JoAnn Fryback, Business Manager. The officials concurred with our findings.