

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

EXAMINATION REPORT
OF
HAGERSTOWN-JEFFERSON TOWNSHIP LIBRARY
WAYNE COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
11/17/2010

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
Examination Results and Comments:	
Bank Account Reconciliations	8
Penalties, Interest, and Other Charges	8
Condition of Records	8
Approval of Claims	9
Financial Opinion Modification.....	9
Exit Conference.....	10

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Linda Mettler	01-01-08 to 12-31-10
Treasurer	Patti Sharp	01-01-08 to 12-31-10
President of the Board	Karen Avery	01-01-08 to 12-31-10



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 HAGERSTOWN-JEFFERSON
TOWNSHIP LIBRARY, WAYNE COUNTY, INDIANA

We have examined the financial information presented herein of Hagerstown-Jefferson Township Library (Library), for the period of January 1, 2008 to December 31, 2009. 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.

A disclaimer opinion was issued in the prior examination due to the condition of the records and not being able to reconcile the records to the bank. As a result we were unable to determine if the beginning balances for this period are fairly presented, in all material respects.

In our opinion, except as noted in the preceding paragraph, the financial information referred to above presents fairly, in all material respects, the financial information of the Library for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets, 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

September 9, 2010

HAGERSTOWN-JEFFERSON TOWNSHIP 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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 85,922	\$ 329,303	\$ 210,682	\$ 204,543
Gift	9,930	-	70	9,860
Rainy Day	40,863	-	-	40,863
Memorial	4,761	1,191	-	5,952
Storytime Grant	12	-	-	12
REMC Grant	101	250	211	140
Friends	6	517	-	523
Library Improvement Reserve	144,331	79,260	33,155	190,436
Levy Excess	746	-	-	746
Fiduciary Funds:				
Payroll Withholdings	(2,432)	29,280	25,074	1,774
PLAC	1,504	1,151	601	2,054
Totals	<u>\$ 285,744</u>	<u>\$ 440,952</u>	<u>\$ 269,793</u>	<u>\$ 456,903</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 204,543	\$ 244,744	\$ 238,913	\$ 210,374
Gift	9,860	1,691	1,766	9,785
Rainy Day	40,863	-	-	40,863
Memorial	5,952	294	-	6,246
Storytime Grant	12	-	-	12
REMC Grant	140	250	240	150
Friends	523	-	-	523
Library Improvement Reserve	190,436	52,630	27,358	215,708
Levy Excess	746	-	-	746
Fiduciary Funds:				
Payroll Withholdings	1,774	19,942	21,734	(18)
PLAC	2,054	30	2,054	30
Totals	<u>\$ 456,903</u>	<u>\$ 319,581</u>	<u>\$ 292,065</u>	<u>\$ 484,419</u>

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

HAGERSTOWN-JEFFERSON TOWNSHIP 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. 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.

HAGERSTOWN-JEFFERSON TOWNSHIP LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

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 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.

HAGERSTOWN-JEFFERSON TOWNSHIP LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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	\$ 4,000
Buildings	637,434
Improvements other than buildings	17,876
Machinery and equipment	692,600
Construction in progress	<u>7,000</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,358,910</u>

HAGERSTOWN-JEFFERSON TOWNSHIP LIBRARY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incorrect due to posting errors that had been made over several years. In 2009, the Library hired outside help to find the errors and corrections have been made by February 2010.

IC 5-13-6-1(e) states: "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."

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest were incurred for late payment of 2007 Federal tax deposits.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

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

CONDITION OF RECORDS

Financial records presented for examination contained numerous posting errors. As a result, the information presented was not reflective of the receipts, disbursements and balances during 2008 and 2009. By the end of 2009, most errors had been identified and a correcting entry to reconcile the bank account was made on February 26, 2010.

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)

HAGERSTOWN-JEFFERSON TOWNSHIP LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROVAL OF CLAIMS

In 2008 and 2009, several disbursements were paid without being approved by the Board or the Director. The claims could not be found on the register of claims used for Director and Board approval.

IC 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

FINANCIAL REPORT OPINION MODIFICATION

The prior examination received a disclaimer of opinion and we were not able to verify that the beginning balances were materially correct. 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)

HAGERSTOWN-JEFFERSON TOWNSHIP LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2010, with Linda Mettler, Director; and Barbara Roll, Bookkeeper.