

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

EXAMINATION REPORT
OF
FAIRMOUNT PUBLIC LIBRARY
GRANT COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
11/18/2010

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 |
| Examination Results and Comments: | |
| Annual Financial Reports | 7 |
| Deposits..... | 7 |
| Public Library Access Cards..... | 7 |
| Grant Funds in the Rainy Day Fund | 7-8 |
| Credit Cards..... | 8-9 |
| Capital Asset Records | 9 |
| Exit Conference..... | 10 |

OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------|-----------------------------|--|
| Director | Linda S. Magers | 01-01-08 to 12-31-10 |
| Treasurer | Phyllis M. Hikade | 01-01-08 to 12-31-10 |
| President of the Board | Marilyn Roth Joe Curfman | 01-01-08 to 12-31-08 01-01-09 to 12-31-10 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE FAIRMOUNT PUBLIC LIBRARY, GRANT COUNTY, INDIANA

We have examined the financial information presented herein of the Fairmount Public 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.

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, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 20, 2010

FAIRMOUNT 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, 2008 And 2009

| | Cash and Investments 01-01-08 | Receipts | Disbursements | Cash and Investments 12-31-08 |
|-----------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 42,913 | \$ 88,363 | \$ 103,646 | \$ 27,630 |
| Gift | 2,397 | 83 | 297 | 2,183 |
| Gift - Building | 6,213 | 2,843 | 6,394 | 2,662 |
| Rainy Day | 25,679 | 20,268 | 15,716 | 30,231 |
| Grant | - | 335,000 | 335,000 | - |
| Library Improvement Reserve | 37,834 | 1,855 | 31,389 | 8,300 |
| Fiduciary Funds: | | | | |
| Payroll Withholdings | 868 | 9,414 | 9,363 | 919 |
| PLAC | 243 | 780 | 690 | 333 |
| Totals | <u>\$ 116,147</u> | <u>\$ 458,606</u> | <u>\$ 502,495</u> | <u>\$ 72,258</u> |
| | | | | |
| | Cash and Investments 01-01-09 | Receipts | Disbursements | Cash and Investments 12-31-09 |
| Governmental Funds: | | | | |
| General | \$ 27,630 | \$ 96,736 | \$ 97,046 | \$ 27,320 |
| Gift | 2,183 | 493 | 293 | 2,383 |
| Gift - Building | 2,662 | 41,361 | 2,585 | 41,438 |
| Rainy Day | 30,231 | 16,583 | 13,700 | 33,114 |
| Library Improvement Reserve | 8,300 | 49 | 2,253 | 6,096 |
| Fiduciary Funds: | | | | |
| Payroll Withholdings | 919 | 9,645 | 9,602 | 962 |
| PLAC | 333 | 840 | 840 | 333 |
| Totals | <u>\$ 72,258</u> | <u>\$ 165,707</u> | <u>\$ 126,319</u> | <u>\$ 111,646</u> |

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

FAIRMOUNT PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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.

FAIRMOUNT 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.

FAIRMOUNT PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORTS

The Library Annual Reports (LAR) for 2008 and 2009 were not accurate. The 2008 Annual Report included \$1,125 of receipts from the Township in a separate fund resulting in an ending balance of \$1,125. These receipts were also reported in the Operating Fund. The 2008 Annual Report also did not include the Building Grant Fund receipts and disbursements of \$335,000. The 2009 beginning balance for the Operating Fund did not agree with the ending balance for 2008 and the Library Improvement Reserve Fund reported an additional \$600 of receipts and disbursements which was actually a bank transfer. The 2009 Annual Report also did not agree with the ledger and reconciled bank balance.

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)

DEPOSITS

Receipts were deposited later than the next business day. Deposits were made 2 to 4 times per month. Some receipts were held 24 days before being deposited.

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."

PUBLIC LIBRARY ACCESS CARDS

The Library collects a fee for the sale of Public Library Access Cards (PLAC) on behalf of the Indiana State Library. The amounts collected are reported in a separate PLAC Fund in the financial records and remitted to the Indiana State Library on a quarterly basis. The proper amounts were not always receipted into the PLAC Fund or remitted to the Indiana State Library. As a result, the PLAC Fund was overstated at December 31, 2009, by \$93.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

GRANT FUNDS IN THE RAINY DAY FUND

State grant funds (Local Library Connectivity Grant) were receipted into the Operating Fund in 2008 and 2009 and then transferred into the Rainy Day Fund in 2009 in the amount of \$5,400.

FAIRMOUNT PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Where federal funds are "advanced" to the library by a state agency or department and state funds are included along with the federal funds in one check or voucher and the funds are for a specific purpose, the money should be placed in a separate project fund and disbursements made from that fund. Appropriations must be obtained for the combined total (i.e., federal and state) prior to any disbursement being made from that project fund. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 2)

IC 36-1-8-5.1 allows a library to establish a rainy day fund to receive transfers of unused and unencumbered funds under Indiana Code 36-1-8-5. The rainy day fund is subject to the same appropriation process as other funds that receive tax money. The fund should be established by resolution and the resolution should state the purposes and sources of funding for the fund. In any fiscal year, a library may transfer not more than ten percent (10%) of the library's total annual budget for that fiscal year to the rainy day fund. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 3)

CREDIT CARDS

Some credit cards purchases were not supported by adequate documentation, such as paid bills and receipts. Payments were made based on credit card statements.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

FAIRMOUNT PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

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

CAPITAL ASSET RECORDS

Capital asset records presented for examination were incomplete. Not all capital assets were included nor were all disposals reported.

The Library does not have a capital asset policy. Numerous immaterial items were recorded.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 10)

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken at least 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)

FAIRMOUNT PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2010, with Linda S. Magers, Director; Phyllis M. Hikade, Treasurer; and Joe Curfman, President of the Board.