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

EXAMINATION REPORT
OF
FRANKFORT COMMUNITY PUBLIC LIBRARY
CLINTON COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
11/30/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Michelle Bradley	01-01-08 to 12-31-10
Treasurer	Carolyn A. Sharp	01-01-08 to 12-31-10
President of the Board	Stephen Rothenberger Devena Cook	01-01-08 to 12-31-08 01-01-09 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 THE FRANKFORT COMMUNITY
PUBLIC LIBRARY, CLINTON COUNTY, INDIANA

We have examined the financial information presented herein of the Frankfort Community 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.

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

August 31, 2010

FRANKFORT 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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 44,056	\$ 2,029,386	\$ 1,835,514	\$ 237,928
Gift	698,163	89,908	95,884	692,187
Literacy	623	26,370	24,819	2,174
Children's Art Enrichment	3,936	8,400	7,428	4,908
EPA Cleanup	32,523	9,286	11,607	30,202
Staff	329	371	420	280
Rainy Day	81,030	35,413	22,209	94,234
Levy Excess	2,278	-	-	2,278
Library Improvement Reserve	261,016	106,848	193,933	173,931
Construction	41,812	102,167	140,250	3,729
Fiduciary Funds:				
COBRA	522	5,262	6,785	(1,001)
Payroll Withholdings	(6,423)	207,336	200,913	-
PLAC	1	209	180	30
Totals	\$ 1,159,866	\$ 2,620,956	\$ 2,539,942	\$ 1,240,880
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 237,928	\$ 1,313,855	\$ 1,547,586	\$ 4,197
Gift	692,187	85,010	73,866	703,331
Literacy	2,174	21,634	22,679	1,129
Children's Art Enrichment	4,908	5,107	6,871	3,144
EPA Cleanup	30,202	34,656	2,220	62,638
Staff	280	262	275	267
Rainy Day	94,234	1,567	60,000	35,801
Levy Excess	2,278	-	2,278	-
Library Improvement Reserve	173,931	-	168,079	5,852
Construction	3,729	965	1,761	2,933
Fiduciary Funds:				
COBRA	(1,001)	1,001	-	-
Payroll Withholdings	-	199,697	200,030	(333)
PLAC	30	90	90	30
Totals	\$ 1,240,880	\$ 1,663,844	\$ 2,085,735	\$ 818,989

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

FRANKFORT 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 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.

FRANKFORT 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.

FRANKFORT COMMUNITY PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Library has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 200,000	\$ 200,471

FRANKFORT COMMUNITY PUBLIC LIBRARY
EXAMINATION RESULT AND COMMENT

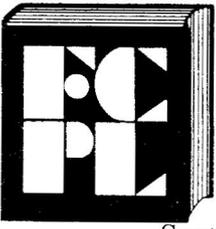
OVERDRAWN CASH BALANCES

The cash balance of the COBRA Fund was overdrawn \$1,001 at December 31, 2008, and the cash balance of the Payroll Withholdings Fund was overdrawn \$333 at December 31, 2009.

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)

FRANKFORT COMMUNITY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2010, with Michelle Bradley, Director; and Carolyn A. Sharp, Treasurer. The official response has been made a part of this report and may be found on page 10.



FRANKFORT COMMUNITY PUBLIC LIBRARY CLINTON COUNTY CONTRACTUAL PUBLIC LIBRARY

208 W. Clinton Street
Frankfort, Indiana 46041-1899

Phone (765) 654-8746

Fax: (765) 654-8747

E-Mail: fcpl@accs.net

September 8, 2010

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

RE: "Official Response" to Examiner's Comments
of Audit of 2008 and 2009 Financial Records
of the Frankfort Community Public Library

Official Response to the Comments:

Our 2008 ending balance for the Cobra Fund was -\$1,000.56. The reason for this is the Health Insurance premium is paid prior to the month that the payment is received from former employee. In this case the premium for January was paid in the previous month of December. The payment to Cobra Fund by the former employee is not paid to the Library until January. Thus at the end of each month and end of year there would be a negative amount.

I did not consider the Cobra Fund or spouse paying into the Insurance Fund as public funds; my thinking is that it is private money given to the Library for payment of his/her health insurance premium.

In 2009 when an employee's spouse signed up for health coverage until he was eligible for Medicare, the same incident occurred. Whenever you have this situation, the same thing will happen.

I asked the field examiner how to correct this issue or what should have been done. She could not answer my question. My question to you is how do I correct this issue at the time of the premium payment; to avoid a negative balance in the future in the Cobra, Insurance or any of the Payroll Withholdings Funds?

The field examiner has seen the supporting papers of these two incidents.

Thank you for allowing me to respond.


Carolyn Sharp
Treasurer

Enclosures

Michigan Road Community Library
P.O. Box 300
2489 North State Road 29
Michigantown, IN 46057
Phone/Fax (765) 249-2303

Mulberry Community Library
P.O. Box 489
615 East Jackson Street
Mulberry, IN 46058
Phone/Fax (765) 296-2604

Rossville Community Library
P.O. Box 567
400 West Main Street
Rossville, IN 46065
Phone/Fax (765) 379-2246