

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

EXAMINATION REPORT
OF
LOWELL PUBLIC LIBRARY
LAKE COUNTY, INDIANA
January 1, 2007 to December 31, 2010



FILED
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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	4-5
Notes to Financial Information	6-8
Supplementary Information:	
Schedule of Long-Term Debt	9
Examination Results and Comments:	
Bank Account Reconciliations	10
Finance Charges	10
Legacy Foundation	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Sandy Morgan	01-01-07 to 12-31-11
Treasurer	Kathy Spencer Brenda Wunderink	01-01-07 to 12-31-07 01-01-08 to 12-31-11
President of the Board	Brenda Wunderink George Gray Zern Hayden	01-01-07 to 12-31-07 01-01-08 to 03-15-10 03-16-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LOWELL PUBLIC LIBRARY, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the Lowell Public Library (Library), for the period of January 1, 2007 to December 31, 2010. 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, 2008, 2009, and 2010, 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 them.

STATE BOARD OF ACCOUNTS

January 25, 2011

LOWELL 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, 2008, 2009, And 2010

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 252,388	\$ 1,052,223	\$ 1,253,545	\$ 51,066
Gift	29,758	7,135	7,268	29,625
Legacy Endowment	108,334	15,430	2,378	121,386
Nisource Grant	902	-	30	872
State Technology Grant Internet Fund	-	9,000	3,750	5,250
Bond and Interest Redemption	13,871	275,176	275,126	13,921
Library Improvement Reserve	94,771	-	90,000	4,771
Library Capital Projects	75,345	40,350	35,770	79,925
Fiduciary Fund:				
Payroll Withholdings	4,953	143,001	142,801	5,153
Totals	<u>\$ 580,322</u>	<u>\$ 1,542,315</u>	<u>\$ 1,810,668</u>	<u>\$ 311,969</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 51,066	\$ 1,736,545	\$ 1,588,700	\$ 198,911
Gift	29,625	11,642	7,864	33,403
Legacy Endowment	121,386	11,232	44,733	87,885
Nisource Grant	872	-	57	815
State Technology Grant Internet Fund	5,250	-	4,500	750
Bond and Interest Redemption	13,921	412,159	412,391	13,689
Library Improvement Reserve	4,771	90,000	94,770	1
Library Capital Projects	79,925	149,795	177,214	52,506
Fiduciary Fund:				
Payroll Withholdings	5,153	165,583	162,013	8,723
Totals	<u>\$ 311,969</u>	<u>\$ 2,576,956</u>	<u>\$ 2,492,242</u>	<u>\$ 396,683</u>

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

LOWELL 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, 2008, 2009, And 2010
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 198,911	\$ 1,170,833	\$ 1,349,723	\$ 20,021
Gift	33,403	15,228	8,092	40,539
Legacy Endowment	87,885	25,272	1,192	111,965
Nisource Grant	815	-	-	815
Excess Welfare Distribution	-	18,964	-	18,964
State Technology Grant Internet Fund	750	14,853	5,025	10,578
Bond and Interest Redemption	13,689	293,198	289,000	17,887
Library Improvement Reserve	1	94,770	81,100	13,671
Library Capital Projects	52,506	118,425	132,851	38,080
General Obligation Bond Construction 2009	-	441,225	411,701	29,524
General Obligation Investments	-	372,000	-	372,000
Fiduciary Fund:				
Payroll Withholdings	8,723	164,612	167,725	5,610
Totals	<u>\$ 396,683</u>	<u>\$ 2,729,380</u>	<u>\$ 2,446,409</u>	<u>\$ 679,654</u>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:				
General	\$ 20,021	\$ 1,652,153	\$ 1,591,131	\$ 81,043
Gift	40,539	11,378	8,103	43,814
Legacy Endowment	111,965	1,177	5,869	107,273
Nisource Grant	815	-	-	815
Excess Welfare Distribution	18,964	3,506	-	22,470
State Technology Grant Internet Fund	10,578	2,236	4,654	8,160
Bond and Interest Redemption	17,887	373,917	391,804	-
Library Improvement Reserve	13,671	-	-	13,671
Library Capital Projects	38,080	105,587	124,997	18,670
General Obligation Bond Construction 2009	29,524	7,525	31,917	5,132
General Obligation Investments	372,000	2,337	63,759	310,578
Excess Levy	-	2,908	-	2,908
Fiduciary Fund:				
Payroll Withholdings	5,610	179,148	179,164	5,594
Totals	<u>\$ 679,654</u>	<u>\$ 2,341,872</u>	<u>\$ 2,401,398</u>	<u>\$ 620,128</u>

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

LOWELL PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Library was established under the laws of the State of Indiana. The Library provides culture and recreation 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.

Property tax rates and levies for 2007 taxes payable 2008 were not established by February 15, 2007, as required by statute, due to the delay in reassessment of Lake County. The final settlement of 2007 taxes payable 2008 was distributed on March 27, 2009.

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2009. Significant delays in the trending of assessments process have resulted in delays in billing, collection, and distribution of tax revenues by the County for the Library in 2009. The assessed valuations of Lake County were not finalized by February 15, 2009, as required. The Lake County 2008 pay 2009 property tax rates and levies, as well as related budget orders for 2009, were not established until July 31, 2009. The County billed the 2008 pay 2009 taxes in two installments with due dates of October 29 and November 30, 2009. The Library received the first distribution of the 2008 pay 2009 property taxes on November 25, 2009. The final distribution occurred on January 20, 2010.

LOWELL PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

Due to errors in assessments of Calumet Township, the assessed valuations of Lake County were not finalized by February 15, 2010, as required. Therefore, the 2009 pay 2010 property tax rates and levies, as well as related budget orders for 2010 were not established until August, 2010. The County issued provisional billing due May 10, 2010, based upon the 2008 pay 2009 tax rates. The Library received the first distribution of the 2009 pay 2010 property taxes on June 11, 2010. The final distribution occurred on January 20, 2011. The delay in billing and distributing tax collections has hampered the Library's ability to appropriately budget and expend funds and has forced the Library to borrow from other funds and obtain loans in anticipation of tax revenues.

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 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

LOWELL PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

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. Interfund Loans

Outstanding interfund loans at December 31, 2007, 2008, 2009, and 2010, are as follows:

<u>Due to:</u>	<u>Due From:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Library Improvement Reserve	General	\$ 90,000	\$ 94,770	\$ 75,000	\$ 75,000
Library Capital Projects	General	-	55,000	76,000	156,000
Bond and Interest Redemption	General	-	13,000	-	-
Library Capital Projects	Bond and Interest Redemption	-	20,000	-	-
Library Improvement Reserve	Bond and Interest Redemption	-	-	6,100	6,100
General Obligation Investments	Bond and Interest Redemption	-	-	-	63,759
Totals		<u>\$ 90,000</u>	<u>\$ 182,770</u>	<u>\$ 157,100</u>	<u>\$ 300,859</u>

Note 8. Tax Anticipation Warrants

At December 31, 2010, tax anticipation warrants (loans) outstanding were \$260,000 in the General Fund.

LOWELL PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Library has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Bonds payable:		
General obligation bonds:		
2009 GO Bond for Renovation and Improvements to Library Building	\$ 415,000	\$ 260,238

LOWELL PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The Library uses a computerized Bank Recap and Check Reconciliation Worksheet to reconcile to the records. This proof is performed by taking the bank's months activity and comparing with the ledger bank activity instead of taking the ledger fund balance and bank balance and reconciling these balances to each other through the use of reconciling items.

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

FINANCE CHARGES

The Library has eleven credit cards under the same account that is issued to eleven different employees. They are retained by the business manager in a locked file cabinet. The employee request to obtain or use the credit card. It is used to make online purchases, pay travel expenses, and for other miscellaneous purchases. Payments are made based on the receipts or back-up documentation that is received from the employee using the credit card. If a charge is incurred and no receipt or documentation is received that portion of the charge is not paid on time. This practice has caused the Library to incur finance charges from 2007 through 2010

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

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

LEGACY FOUNDATION

The Library did not include the legacy foundation balance and activity in the annual reports for December 31, 2008, and December 31, 2009. As a result, the Library's total cash and investments were understated by \$87,885 and \$111,964, respectively.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

LOWELL PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2011, with Brenda Wunderink, Treasurer; Sandy Morgan, Director; and Mary Lou Parks, Business Manager. The officials concurred with our findings.