

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

EXAMINATION REPORT
OF
RUSHVILLE PUBLIC LIBRARY
RUSH COUNTY, INDIANA
January 1, 2008 to December 31, 2010



FILED
02/22/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Sue Otte	01-01-08 to 12-31-11
Treasurer	Robert Hadley Marcia Snyder	01-01-08 to 12-31-09 01-01-10 to 12-31-11
President of the Board	Tim Yazel Laura Steenstrup	01-01-08 to 12-31-09 01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE RUSHVILLE PUBLIC LIBRARY, RUSH COUNTY, INDIANA

We have examined the financial information presented herein of the Rushville Public Library (Library), for the period of January 1, 2008 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.

Except as discussed in the following paragraph, 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.

We were not unable to obtain sufficient documentation to support the receipts, disbursements and balances of the Rushville Public Library, nor were we able to satisfy ourselves that the receipts, disbursements, and balances of the Library were fairly presented.

Due to the effects as described in the preceding paragraph we were unable to determine if 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, 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 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

January 26, 2011

RUSHVILLE 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, 2009, And 2010

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Operating	\$ 41,049	\$ 490,922	\$ 491,609	\$ 40,362
Gift	13,562	7,791	7,630	13,723
Library Improvement Reserve	6,735	81	3,993	2,823
Pattison Schrichte	14,971	256	2,619	12,608
Construction	6,025	605	6,000	630
State Technology Grant	2,100	-	3,225	(1,125)
Fiduciary Funds:				
Clearing	1,186	2,793	2,538	1,441
PLAC	30	180	210	-
Totals	<u>\$ 85,658</u>	<u>\$ 502,628</u>	<u>\$ 517,824</u>	<u>\$ 70,462</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Operating	\$ 40,362	\$ 413,036	\$ 401,128	\$ 52,270
Gift	13,723	21,605	19,530	15,798
Library Improvement Reserve	2,823	5	1,409	1,419
Pattison Schrichte	12,608	15,006	16,050	11,564
Construction	630	725	-	1,355
State Technology Grant	(1,125)	5,400	1,575	2,700
Fiduciary Funds:				
Clearing	1,441	40,339	39,990	1,790
PLAC	-	210	150	60
Totals	<u>\$ 70,462</u>	<u>\$ 496,326</u>	<u>\$ 479,832</u>	<u>\$ 86,956</u>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:				
Operating	\$ 52,270	\$ 347,023	\$ 357,420	\$ 41,873
Gift	15,798	9,541	7,098	18,241
Library Improvement Reserve	1,419	5,005	-	6,424
Pattison Schrichte	11,564	3	2,000	9,567
Construction	1,355	3,441	1,000	3,796
State Technology Grant	2,700	1,790	2,362	2,128
Fiduciary Funds:				
Clearing	1,790	3,045	1,974	2,861
PLAC	60	500	510	50
Totals	<u>\$ 86,956</u>	<u>\$ 370,348</u>	<u>\$ 372,364</u>	<u>\$ 84,940</u>

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

RUSHVILLE PUBLIC LIBRARY
RUSH COUNTY
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.

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.

RUSHVILLE PUBLIC LIBRARY
RUSH COUNTY
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.

RUSHVILLE PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2010

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 140,000
Buildings	54,900
Machinery and equipment	<u>227,804</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 422,704</u></u>

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

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 5,758	\$ 1,212

RUSHVILLE PUBLIC LIBRARY
RUSH COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in prior Report B33830, were again present during our period of examination:

1. Record balances were not reconciled to depository balances during the three year period. For each of the three years examined, a significant unexplained variance existed between the unit's records and the banks records. Alternative procedures failed to disclose the correct amount or the amount of the errors.
2. There were a considerable number of posting errors. These errors included deposits not receipted, outstanding check lists not footing to amount reported, interest not posted, and receipts deposited but not recorded.

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."

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)

ANNUAL REPORT

The annual report for 2009 that was presented for examination did not agree with the unit's ledger at the individual fund level. The total all funds from the ledger agreed with the balance from the 2009 annual report; however, some individual funds reflected a higher balance on the annual report than in the ledger, while other funds reflected a lower balance on the annual report than in the ledger.

IC 5-3-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

PRESCRIBED FORMS

The Receipt Form in use by the Library was not the prescribed form, nor had approval for its use been received from the State Board of Accounts. The receipts in use were not prenumbered.

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)

RUSHVILLE PUBLIC LIBRARY
RUSH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECEIPT ISSUANCE

In some instances, receipts were not issued. Entries for which receipts had not been issued were found in the unit's ledger and traced to bank deposits.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

MALFEASANCE, MISFEASANCE, OR NONFEASANCE

From the information presented for audit, it would appear that some receipts were issued for which a deposit could not be located. Two receipts in March 2008 totaling \$11.00 were not found to have been deposited. In addition, a receipt in April 2008 was found to have been written for \$1.00 more than what was deposited. It was requested that the \$12.00 be repaid. The officials repaid and deposited \$12.00 on January 26, 2011.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. Receipts were not prenumbered and receipts were not being issued for all monies received. The lack of prenumbered receipts did not allow us to determine that all monies received were recorded and deposited. In addition, the numerous posting errors that occurred did not allow for us to determine if the receipts, disbursements and balances of the Library were fairly presented.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

TEMPORARY TRANSFER OF FUNDS

Temporary transfers of \$20,000 and \$5,000 were made in 2007 from the Pattison Schrichte Gift and Washington Property Gift Funds, respectively, to the Operating Fund. The Operating Fund repaid the Pattison Schrichte Gift and Washington Property Gift Funds \$1,150 each in 2009. At December 31, 2010, the Operating Fund still owes balances of \$18,850 and \$3,850 to the Pattison Schrichte Gift and Washington Property Gift Funds, respectively.

RUSHVILLE PUBLIC LIBRARY
RUSH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 36-1-8-4 concerning temporary transfer states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

FINANCIAL REPORT OPINION MODIFICATION

The information presented for examination contained many posting errors and could not be reconciled with the bank accounts. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's 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)

RUSHVILLE PUBLIC LIBRARY
RUSH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 26, 2011, with Rhonda Albrecht, Bookkeeper; Sue Otte, Director; and Marcia Snyder, Treasurer. The officials concurred with our findings.