

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

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



FILED
05/02/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Margaret M. Evans Rene' L. Greenleaf	01-01-07 to 01-31-10 02-01-10 to 12-31-11
Treasurer	Rosemary Kaplan	01-01-07 to 12-31-11
President of the Board	Diane Sobota Paul Taylor	01-01-07 to 12-31-07 01-01-08 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Hammond 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 it.

STATE BOARD OF ACCOUNTS

March 3, 2011

HAMMOND 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 (Operating)	\$ (1,536,869)	\$ 8,761,764	\$ 7,063,115	\$ 161,780
Gift	20,773	52,510	14,498	58,785
Senior Gift	158	3,090	-	3,248
Staff Book	500	83	104	479
Legacy Foundation	300	-	300	-
Lease Rental Payment	(227,569)	1,889,834	1,662,265	-
Library Improvement Reserve	521,737	621,737	521,737	621,737
Rainy Day	775,928	775,928	801,432	750,424
Research/Museum	1,101	-	-	1,101
Services to Multi-Cultural Populations	395	-	395	-
Get Real, Get Fit	14	-	14	-
LSTA Technology Grant 2006	-	4,500	4,500	-
Transfer of Funds	185	-	185	-
Fiduciary Funds:				
Payroll Withholdings	94	602,657	602,751	-
PLAC	126	-	126	-
Totals	\$ (443,127)	\$ 12,712,103	\$ 10,671,422	\$ 1,597,554

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General (Operating)	\$ 161,780	\$ 10,579,191	\$ 10,582,832	\$ 158,139
Gift	58,785	159,088	51,370	166,503
Senior Gift	3,248	-	12	3,236
Staff Book	479	95	561	13
Lease Rental Payment	-	1,657,741	1,617,021	40,720
Library Improvement Reserve	621,737	721,737	865,719	477,755
Rainy Day	750,424	977,176	868,772	858,828
Research/Museum	1,101	-	-	1,101
Fiduciary Fund:				
Payroll Withholdings	-	602,772	595,404	7,368
Totals	\$ 1,597,554	\$ 14,697,800	\$ 14,581,691	\$ 1,713,663

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General (Operating)	\$ 158,139	\$ 8,419,149	\$ 8,569,976	\$ 7,312
Gift	166,503	33,470	60,758	139,215
Gates Grant	-	21,650	-	21,650
Senior Gift	3,236	-	-	3,236
Staff Book	13	256	256	13
Lease Rental Payment	40,720	1,232,081	1,272,540	261
Library Improvement Reserve	477,755	477,755	500,790	454,720
Rainy Day	858,828	1,133,332	1,109,746	882,414
Research/Museum	1,101	-	1,101	-
Cash Change	-	710	-	710
Public Safety	-	169,684	109,777	59,907
Fiduciary Funds:				
Payroll Withholdings	7,368	577,360	577,278	7,450
PLAC	-	30	30	-
Totals	\$ 1,713,663	\$ 12,065,477	\$ 12,202,252	\$ 1,576,888

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:				
General (Operating)	\$ 7,312	\$ 7,952,549	\$ 7,958,450	\$ 1,411
Gift	139,215	28,023	18,246	148,992
Gates Grant	21,650	21,450	28,598	14,502
Senior Gift	3,236	-	-	3,236
Staff Book	13	1,117	1,040	90
Lease Rental Payment	261	1,198,071	1,198,332	-
Library Improvement Reserve	454,720	454,720	454,720	454,720
Rainy Day	882,414	1,073,734	1,021,337	934,811
Cash Change	710	-	-	710
Public Safety	59,907	75,590	59,907	75,590
Levy Excess	-	12,979	-	12,979
Host	-	872	826	46
Fiduciary Fund:				
Payroll Withholdings	7,450	584,592	584,414	7,628
Totals	\$ 1,576,888	\$ 11,403,697	\$ 11,325,870	\$ 1,654,715

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

HAMMOND 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.

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.

HAMMOND 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.

Note 7. Transfers and Temporary Loans

Transfers

The Library made the following transfers between funds, which are not required to be repaid:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General	Rainy Day	\$ -	\$ 118,348	\$ 142,252	\$ 95,660
General	Library Improvement Reserve	100,000	100,000	-	-
Gift	Gates Grant	-	-	21,450	-
Totals		<u>\$ 100,000</u>	<u>\$ 218,348</u>	<u>\$ 163,702</u>	<u>\$ 95,660</u>

HAMMOND PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

Interfund Loans

Through the year, the Library may make loans between funds. These loans are required by statute to be repaid by the close of the calendar year, although a six month extension may be approved by the Board if certain conditions are met. The following discloses the temporary loan activity between funds:

<u>Loan From</u>	<u>Loan To</u>	Loans Outstanding 01-01-07	2007 Loans	2007 Repayments	Loans Outstanding 12-31-07
Rainy Day	General	\$ -	\$ 775,928	\$ 775,928	\$ -
Lease Rental Payment	General	-	100,000	100,000	-
Library Improvement Reserve	General	-	521,737	521,737	-
General	LSTA Technology Grant 2006	-	4,500	4,500	-
Totals		<u>\$ -</u>	<u>\$ 1,402,165</u>	<u>\$ 1,402,165</u>	<u>\$ -</u>

<u>Loan From</u>	<u>Loan To</u>	Loans Outstanding 01-01-08	2008 Loans	2008 Repayments	Loans Outstanding 12-31-08
Rainy Day	General	\$ -	\$ 858,828	\$ 858,828	\$ -
Lease Rental Payment	General	-	142,618	142,618	-
Library Improvement Reserve	General	-	621,737	621,737	-
Totals		<u>\$ -</u>	<u>\$ 1,623,183</u>	<u>\$ 1,623,183</u>	<u>\$ -</u>

<u>Loan From</u>	<u>Loan To</u>	Loans Outstanding 01-01-09	2009 Loans	2009 Repayments	Loans Outstanding 12-31-09
Rainy Day	General	\$ -	\$ 929,470	\$ 919,470	\$ 10,000
Library Improvement Reserve	General	-	477,755	477,755	-
Public Safety	General	-	84,842	84,842	-
Rainy Day	Lease Rental Payment	-	71,609	71,609	-
Totals		<u>\$ -</u>	<u>\$ 1,563,676</u>	<u>\$ 1,553,676</u>	<u>\$ 10,000</u>

<u>Loan From</u>	<u>Loan To</u>	Loans Outstanding 01-01-10	2010 Loans	2010 Repayments	Loans Outstanding 12-31-10
Rainy Day	General	\$ 10,000	\$ 978,074	\$ 978,074	\$ 10,000
Library Improvement Reserve	General	-	454,720	454,720	-
Public Safety	General	-	59,907	59,907	-
Totals		<u>\$ 10,000</u>	<u>\$ 1,492,701</u>	<u>\$ 1,492,701</u>	<u>\$ 10,000</u>

HAMMOND PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

Tax Anticipation Warrants (Temporary Loans)

The Library may borrow funds to meet operating expenses through a financial institution until tax distributions are received from the County. The following schedule discloses the Library's borrowing activities through tax anticipation warrants:

Fund	Warrants Outstanding 01-01-07	2007 Warrants Issued	2007 Warrants Repaid	Warrants Outstanding 12-31-07
General	\$ -	\$ 2,468,211	\$ -	\$ 2,468,211
Lease Rental Payment	-	365,177	-	365,177
Totals	<u>\$ -</u>	<u>\$ 2,833,388</u>	<u>\$ -</u>	<u>\$ 2,833,388</u>

Fund	Warrants Outstanding 01-01-08	2008 Warrants Issued	2008 Warrants Repaid	Warrants Outstanding 12-31-08
General	\$ 2,468,211	\$ 1,482,000	\$ 2,468,211	\$ 1,482,000
Lease Rental Payment	365,177	92,010	365,177	92,010
Totals	<u>\$ 2,833,388</u>	<u>\$ 1,574,010</u>	<u>\$ 2,833,388</u>	<u>\$ 1,574,010</u>

Fund	Warrants Outstanding 01-01-09	2009 Warrants Issued	2009 Warrants Repaid	Warrants Outstanding 12-31-09
General	\$ 1,482,000	\$ 1,100,000	\$ 1,482,000	\$ 1,100,000
Lease Rental Payment	92,010	92,800	92,010	92,800
Totals	<u>\$ 1,574,010</u>	<u>\$ 1,192,800</u>	<u>\$ 1,574,010</u>	<u>\$ 1,192,800</u>

Fund	Warrants Outstanding 01-01-10	2010 Warrants Issued	2010 Warrants Repaid	Warrants Outstanding 12-31-10
General	\$ 1,100,000	\$ 1,400,000	\$ 1,100,000	\$ 1,400,000
Lease Rental Payment	92,800	379,960	92,800	379,960
Totals	<u>\$ 1,192,800</u>	<u>\$ 1,779,960</u>	<u>\$ 1,192,800</u>	<u>\$ 1,779,960</u>

HAMMOND PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 8. Subsequent Event

Circuit Breaker Tax Credit

In 2008, the Indiana General Assembly passed House Enrolled Act 1001 (HEA 1001) which provides a property tax credit (the Circuit Breaker Tax Credit) when the taxes on any property exceed a certain percentage of the property's assessed value. The credit was phased in over two years. For taxes payable in 2009 and 2010, the applicable percentages were as follows:

	<u>2009</u>	<u>2010</u>
Homestead (owner-occupied) residential property	1.5%	1%
Other residential property	2.5%	2%
Commercial and industrial property	3.5%	3%

The Circuit Breaker Tax Credit has resulted and will continue to result in a reduction of property tax collections for the Library. Property tax collections for 2009 and 2010 were reduced approximately \$168,835 and \$579,166, respectively. Reductions in property tax collections are estimated to be approximately \$605,575 and \$493,691 for the years 2011 and 2012, respectively. The estimated reductions for the years 2011 and 2012 constitute approximately 12.5% and 10.2%, respectively, of the estimated tax levy, and approximately 10.7% and 8.4%, respectively, of the estimated budgets.

A political subdivision may not increase its property tax levy or borrow funds to offset the effects of the Circuit Breaker Tax Credit.

The Library has addressed the reductions by limiting travel, reducing library hours, and reducing the labor force through attrition.

HAMMOND 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:		
Capital leases:		
Main Library Branch Building	\$ 7,760,000	\$ 544,000

HAMMOND PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

INVESTMENTS IN CERTIFICATES OF DEPOSIT

The Library holds two certificates of deposit which upon maturing are simply rolled over. Quotes of interest rates from various financial institutions are not taken as required by statute.

IC 5-13-9-4(b) states:

"The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under IC 5-14-3. A deposit made under this subsection shall be placed in the designated depository quoting the highest rate of interest. If more than one (1) depository submits a quote of the highest interest rate quoted for the investment, the deposit may be placed in any or all of the designated depositories quoting the highest rate in the amount or amounts determined by the investing officer, in the investing officer's discretion."

SALARY RESOLUTIONS

The salary resolution adopted by the Board addresses all compensation as an annual salary. This includes employees who are paid at an hourly rate also. By not adopting an hourly rate, due to the fluctuation in number of hours an hourly employee may work, that employee's actual annual compensation will most likely exceed or not meet the annual salary adopted by the Board.

Furthermore, in 2008 all employees received 27 pays; however, their biweekly pay amounts were based upon the annual salary divided by 26 pays. Thus, all salaried employees were paid in excess of the annual salary amount adopted by the Board in the Salary Resolution. During a meeting held on April 26, 2011, the Board retroactively approved the additional compensation paid in 2008.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

APPROPRIATIONS

Disbursements were in excess of budgeted appropriations for the Lease Rental Payment Fund for the years 2008, 2009, and 2010, by \$7,226, \$4,921, and \$3,532, respectively. Officials are not considering fiscal agent fees when preparing the appropriations.

IC 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

HAMMOND PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

TEMPORARY LOANS BETWEEN FUNDS

On October 25, 2008, the Board approved a temporary loan from the Lease Rental Payment Fund to the General (Operating) Fund in the amount of \$162,066.94; however, only \$142,618.27 was transferred between the two funds. On December 29, 2009, the Board approved a temporary loan from the Rainy Day Fund to the General (Operating) Fund in the amount of \$892,414.11, but only \$882,414.11 was loaned.

Additionally, a temporary loan made in 2009 from the Rainy Day Fund to the General Fund was not fully repaid as of December 31, 2009, as required by statute. A balance of \$10,000 remains unpaid as of December 31, 2010.

Pursuant to IC 36-1-8-4(a), a library, by resolution, may transfer a prescribed amount for a prescribed period to a depleted fund from another fund of the library if the following conditions are met:

1. It must be necessary to borrow money to enhance the depleted fund.
2. There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
3. Except as provided in IC 36-1-8-4(b), the prescribed period must end during the budget year of the year in which the transfer occurs.
4. The amounts transferred must be returned to the other fund at the end of the prescribed period.
5. Only the revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred.

IC 36-1-8-4(b) states:

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.

(Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 2)

HAMMOND PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2011, with Rene' L. Greenleaf, Director; Whitney Chapman, Financial Specialist; Pamela Jostes, Administrative Services Manager; and Rosemary Kaplan, Treasurer.