

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

EXAMINATION REPORT
OF
KOKOMO HOWARD COUNTY PUBLIC LIBRARY
HOWARD COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
05/18/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Charles N. Joray	01-01-09 to 12-31-11
Treasurer	Charles W. Zook	01-01-09 to 12-31-11
President of the Board	Susan Luttrell James Seidel	01-01-09 to 12-31-10 01-01-11 to 12-31-11



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE KOKOMO HOWARD COUNTY
PUBLIC LIBRARY, HOWARD COUNTY, INDIANA

We have examined the financial information presented herein of the Kokomo Howard County Public Library (Library), for the period of January 1, 2009 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, 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, 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

April 11, 2011

KOKOMO HOWARD COUNTY 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, 2009 And 2010

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 89,994	\$ 4,872,943	\$ 4,839,111	\$ 123,826
Gift	26,448	8,045	8,415	26,078
Rainy Day	82,556	160,013	24,190	218,379
Genealogy	17,513	818	5,613	12,718
State Technology Grant	3,044	4,824	7,868	-
Vending	2,610	4,055	3,404	3,261
Main Library Vending	4,892	8,389	5,024	8,257
Library Improvement Reserve	5,014,751	326,329	746,934	4,594,146
Capital Projects	-	25,046	2,191	22,855
Fiduciary Funds:				
Payroll Withholdings	24,187	815,548	819,512	20,223
2008 Medical Spending	63,027	938	63,965	-
2009 Medical Spending	-	91,952	50,910	41,042
2010 Medical Spending	-	-	-	-
PLAC	872	5,880	5,310	1,442
Elizabeth B Handley Fund	11,688	126	-	11,814
Totals	\$ 5,341,582	\$ 6,324,906	\$ 6,582,447	\$ 5,084,041

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:				
General	\$ 123,826	\$ 3,444,331	\$ 5,046,041	\$ (1,477,884)
Gift	26,078	9,400	9,194	26,284
Rainy Day	218,379	262,319	85,294	395,404
Genealogy	12,718	90,423	29,764	73,377
Vending	3,261	4,230	2,769	4,722
Main Library Vending	8,257	6,837	8,546	6,548
Library Improvement Reserve	4,594,146	652,075	3,800,533	1,445,688
Capital Projects	22,855	19,911	42,498	268
Levy Excess	-	9,922	-	9,922
Fiduciary Funds:				
Payroll Withholdings	20,223	808,584	811,138	17,669
2009 Medical Spending	41,042	646	41,688	-
2010 Medical Spending	-	40,172	31,364	8,808
PLAC	1,442	4,600	4,650	1,392
Elizabeth B Handley Fund	11,814	-	-	11,814
Totals	\$ 5,084,041	\$ 5,353,450	\$ 9,913,479	\$ 524,012

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

KOKOMO HOWARD COUNTY 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: public safety, health and social 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 2009. Property taxes collected by the County Treasurer and available for distribution to the Library for 2010 were not distributed until January 2011.

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.

KOKOMO HOWARD COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

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

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

KOKOMO HOWARD COUNTY PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisal or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 495,750
Buildings	9,482,165
Improvements other than buildings	5,965,953
Machinery and equipment	<u>1,329,751</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 17,273,619</u>

KOKOMO HOWARD COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The cash balance of the General Fund was overdrawn in 2010.

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)

ANNUAL REPORT

The 2009 Medical Spending Fund was overstated \$83,457 in the 2009 Annual Report.

IC 5-11-1-4 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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incorrect.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

APPROPRIATIONS

The following expenditure was in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Library Improvement Reserve	2010	<u>\$ 787,180</u>

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."

KOKOMO HOWARD COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on April 11, 2011, with Charles N. Joray, Director; Charles W. Zook, Treasurer; Rita Bates, Business Assistant; and Joe Lumbar, Board Vice President. The official response has been made a part of this report and may be found on pages 10.

April 19, 2011

Official Response

State Board of Accounts

302 W Washington St, Rm E418

Indianapolis IN 46204-2765

This is the Kokomo-Howard County Public Library's official response to the audit that was completed on April 11, 2011, for the years 2009 and 2010.

Issue #1: The cash balance of the General Fund was overdrawn in 2010.

Response: The tax draw for the end of 2010 was not received until January 5, 2011, so the library was overdrawn until the tax money arrived.

Issue #2: The 2009 Medical Spending fund was overstated by \$83,457 in the 2009 Annual Report.

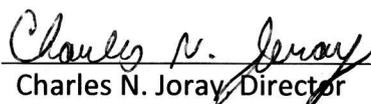
Response: The library acknowledges the error and it has been corrected. (The beginning balance was entered twice.)

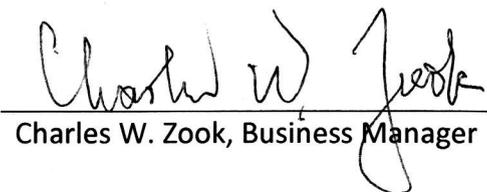
Issue #3: Depository reconciliations of the fund balances to the bank account balances were incorrect in 2010.

Response: The library had not included some small accounts, such as the vending machine fund, in their total reconciliation. That has now been corrected and the library is now in balance with the bank.

Issue #4: LIRF expenditures in 2010 exceeded budgeted appropriations by \$785,180.

Response: The library did not overspend LIRF; State Board of Accounts did not have the appropriation information in their files. The library acknowledges this error. Even though the board officers signed the 2010 budget which included \$1,000,000 to be appropriated from LIRF and this was advertised in the paper, the library failed to fax the appropriate paperwork to the Department of Local Government Finance


Charles N. Joray, Director


Charles W. Zook, Business Manager