

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

BEECH GROVE PUBLIC LIBRARY

MARION COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
11/18/2013



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SCHEDULE OF OFFICIALS

| <u>Office</u>          | <u>Official</u>                           | <u>Term</u>                                  |
|------------------------|---|--|
| Director               | Diane Burns<br>Elizabeth Schoettle        | 01-01-11 to 10-28-11<br>10-29-11 to 12-31-13 |
| Treasurer              | William Fennema<br>Harold Day             | 01-01-11 to 12-31-12<br>01-01-13 to 12-31-13 |
| President of the Board | Sister Mary Luke Jones<br>William Fennema | 01-01-11 to 12-31-12<br>01-01-13 to 12-31-13 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE BEECH GROVE PUBLIC LIBRARY, MARION COUNTY, INDIANA

We have examined the accompanying financial statement of the Beech Grove Public Library (Library), for the period of January 1, 2011 to December 31, 2012. The financial statement is the responsibility of the Library's management. Our responsibility is to express an opinion on the financial statement 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Library for the period of January 1, 2011 to December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Library for the period of January 1, 2011 to December 31, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Library's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

October 28, 2013

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Library. The financial statement and notes are presented as intended by the Library.

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BEECH GROVE PUBLIC LIBRARY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Years Ended December 31, 2011 And 2012

| Fund                         | Cash and<br>Investments<br>01-01-11 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-11 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-12 |
|------------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Operating                    | \$ 119,593                          | \$ 915,436          | \$ 766,867          | \$ 268,162                          | \$ 737,698          | \$ 761,373          | \$ 244,487                          |
| Rainy Day Fund               | -                                   | 78,000              | 73,000              | 5,000                               | -                   | -                   | 5,000                               |
| Excess Levy                  | 2,952                               | -                   | -                   | 2,952                               | -                   | -                   | 2,952                               |
| Library Unemployment Fund    | -                                   | 12,480              | 12,522              | (42)                                | -                   | -                   | (42)                                |
| Gift                         | 627                                 | -                   | -                   | 627                                 | -                   | -                   | 627                                 |
| Gates Grant                  | 1,950                               | 1,300               | 3,250               | -                                   | -                   | -                   | -                                   |
| Cash Change                  | 50                                  | -                   | -                   | 50                                  | -                   | -                   | 50                                  |
| Petty Cash                   | 100                                 | -                   | -                   | 100                                 | -                   | -                   | 100                                 |
| Bond And Interest Redemption | 210,872                             | 216,695             | 427,000             | 567                                 | 212,710             | 213,200             | 77                                  |
| Library Imporvement Reserve  | 116,840                             | 40,171              | 143,000             | 14,011                              | 93,004              | 24,194              | 82,821                              |
| Payroll Withholding          | 464                                 | 77,536              | 131,837             | (53,837)                            | 104,989             | 63,516              | (12,364)                            |
| <b>Totals</b>                | <u>\$ 453,448</u>                   | <u>\$ 1,341,618</u> | <u>\$ 1,557,476</u> | <u>\$ 237,590</u>                   | <u>\$ 1,148,401</u> | <u>\$ 1,062,283</u> | <u>\$ 323,708</u>                   |

The notes to the financial statement are an integral part of this statement.

BEECH GROVE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Library was established under the laws of the State of Indiana. The Library operates under an appointed governing board and provides culture services.

The accompanying financial statement presents the financial information for the Library.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Library.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

BEECH GROVE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Library. It includes all expenditures for the reduction of the principal and interest of the Library's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The Library may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

BEECH GROVE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Library. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Library. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Library in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Library submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Library in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. Risk Management**

The Library may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

BEECH GROVE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Library to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. The Payroll Withholding Fund negative balance amount represents the amount of excess payroll taxes paid to the State of Indiana during 2011. The Library receipted \$12,048 on January 7, 2013, from the State of Indiana as a refund. The Library Unemployment Fund also had a small negative balance in both years. The negative balance for the Library Unemployment Fund was corrected in January 2013.

BEECH GROVE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 8.  *Holding Corporations***

The Library entered into a capital lease with the Beech Grove Public Library Leasing Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Library. The lessor has been determined to be a related party of the Library. Lease payments during the years 2011 and 2012 totaled \$349,000 and \$351,000, respectively.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Library's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Library which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Library. It is presented as intended by the Library.

BEECH GROVE PUBLIC LIBRARY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

|  | Operating  | Rainy Day Fund | Excess Levy | Library Unemployment Fund | Gift   | Gates Grant | Cash Change | Petty Cash | Bond And Interest Redemption | Library Imporvement Reserve | Payroll Withholding | Totals     |
|--|------------|----------------|-------------|---------------------------|--------|-------------|-------------|------------|------------------------------|-----------------------------|---------------------|------------|
| Cash and investments - beginning                   | \$ 119,593 | \$ -           | \$ 2,952    | \$ -                      | \$ 627 | \$ 1,950    | \$ 50       | \$ 100     | \$ 210,872                   | \$ 116,840                  | \$ 464              | \$ 453,448 |
| Receipts:  |            |                |             |                           |        |             |             |            |                              |                             |                     |            |
| Taxes  | 495,759    | -              | -           | -                         | -      | -           | -           | -          | 194,825                      | -                           | -                   | 690,584    |
| Intergovernmental                                  | 134,216    | -              | -           | -                         | -      | -           | -           | -          | 15,870                       | -                           | -                   | 150,086    |
| Charges for services                               | 14,155     | -              | -           | -                         | -      | -           | -           | -          | -                            | -                           | -                   | 14,155     |
| Other receipts                                     | 271,306    | 78,000         | -           | 12,480                    | -      | 1,300       | -           | -          | 6,000                        | 40,171                      | 77,536              | 486,793    |
| Total receipts                                     | 915,436    | 78,000         | -           | 12,480                    | -      | 1,300       | -           | -          | 216,695                      | 40,171                      | 77,536              | 1,341,618  |
| Disbursements:                                     |            |                |             |                           |        |             |             |            |                              |                             |                     |            |
| Personal services                                  | 392,169    | -              | -           | 12,522                    | -      | -           | -           | -          | -                            | -                           | -                   | 404,691    |
| Supplies   | 35,916     | -              | -           | -                         | -      | -           | -           | -          | -                            | -                           | -                   | 35,916     |
| Other services and charges                         | 99,633     | -              | -           | -                         | -      | -           | -           | -          | -                            | -                           | -                   | 99,633     |
| Debt service - principal and interest              | 42,632     | -              | -           | -                         | -      | -           | -           | -          | -                            | -                           | -                   | 42,632     |
| Capital outlay                                     | 150,231    | -              | -           | -                         | -      | 3,250       | -           | -          | -                            | -                           | -                   | 153,481    |
| Other disbursements                                | 46,286     | 73,000         | -           | -                         | -      | -           | -           | -          | 427,000                      | 143,000                     | 131,837             | 821,123    |
| Total disbursements                                | 766,867    | 73,000         | -           | 12,522                    | -      | 3,250       | -           | -          | 427,000                      | 143,000                     | 131,837             | 1,557,476  |
| Excess (deficiency) of receipts over disbursements | 148,569    | 5,000          | -           | (42)                      | -      | (1,950)     | -           | -          | (210,305)                    | (102,829)                   | (54,301)            | (215,858)  |
| Cash and investments - ending                      | \$ 268,162 | \$ 5,000       | \$ 2,952    | \$ (42)                   | \$ 627 | \$ -        | \$ 50       | \$ 100     | \$ 567                       | \$ 14,011                   | \$ (53,837)         | \$ 237,590 |

BEECH GROVE PUBLIC LIBRARY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

|  | Operating         | Rainy Day Fund  | Excess Levy     | Library Unemployment Fund | Gift          | Gates Grant | Cash Change  | Petty Cash    | Bond And Interest Redemption | Library Imporvement Reserve | Payroll Withholding | Totals            |
|--|-------------------|-----------------|-----------------|---------------------------|---------------|-------------|--------------|---------------|------------------------------|-----------------------------|---------------------|-------------------|
| Cash and investments - beginning                   | \$ 268,162        | \$ 5,000        | \$ 2,952        | \$ (42)                   | \$ 627        | \$ -        | \$ 50        | \$ 100        | \$ 567                       | \$ 14,011                   | \$ (53,837)         | \$ 237,590        |
| Receipts:  |                   |                 |                 |                           |               |             |              |               |                              |                             |                     |                   |
| Taxes  | 499,178           | -               | -               | -                         | -             | -           | -            | -             | 193,610                      | -                           | -                   | 692,788           |
| Intergovernmental                                  | 125,616           | -               | -               | -                         | -             | -           | -            | -             | 19,100                       | -                           | -                   | 144,716           |
| Charges for services                               | 2,650             | -               | -               | -                         | -             | -           | -            | -             | -                            | -                           | -                   | 2,650             |
| Fines and forfeits                                 | 12,918            | -               | -               | -                         | -             | -           | -            | -             | -                            | -                           | -                   | 12,918            |
| Other receipts                                     | 97,336            | -               | -               | -                         | -             | -           | -            | -             | -                            | 93,004                      | 104,989             | 295,329           |
| Total receipts                                     | <u>737,698</u>    | <u>-</u>        | <u>-</u>        | <u>-</u>                  | <u>-</u>      | <u>-</u>    | <u>-</u>     | <u>-</u>      | <u>212,710</u>               | <u>93,004</u>               | <u>104,989</u>      | <u>1,148,401</u>  |
| Disbursements:                                     |                   |                 |                 |                           |               |             |              |               |                              |                             |                     |                   |
| Personal services                                  | 278,629           | -               | -               | -                         | -             | -           | -            | -             | -                            | -                           | -                   | 278,629           |
| Supplies   | 12,388            | -               | -               | -                         | -             | -           | -            | -             | -                            | -                           | -                   | 12,388            |
| Other services and charges                         | 103,227           | -               | -               | -                         | -             | -           | -            | -             | -                            | -                           | -                   | 103,227           |
| Debt service - principal and interest              | 232,380           | -               | -               | -                         | -             | -           | -            | -             | 213,200                      | -                           | -                   | 445,580           |
| Capital outlay                                     | 41,749            | -               | -               | -                         | -             | -           | -            | -             | -                            | 24,194                      | -                   | 65,943            |
| Other disbursements                                | 93,000            | -               | -               | -                         | -             | -           | -            | -             | -                            | -                           | 63,516              | 156,516           |
| Total disbursements                                | <u>761,373</u>    | <u>-</u>        | <u>-</u>        | <u>-</u>                  | <u>-</u>      | <u>-</u>    | <u>-</u>     | <u>-</u>      | <u>213,200</u>               | <u>24,194</u>               | <u>63,516</u>       | <u>1,062,283</u>  |
| Excess (deficiency) of receipts over disbursements | <u>(23,675)</u>   | <u>-</u>        | <u>-</u>        | <u>-</u>                  | <u>-</u>      | <u>-</u>    | <u>-</u>     | <u>-</u>      | <u>(490)</u>                 | <u>68,810</u>               | <u>41,473</u>       | <u>86,118</u>     |
| Cash and investments - ending                      | <u>\$ 244,487</u> | <u>\$ 5,000</u> | <u>\$ 2,952</u> | <u>\$ (42)</u>            | <u>\$ 627</u> | <u>\$ -</u> | <u>\$ 50</u> | <u>\$ 100</u> | <u>\$ 77</u>                 | <u>\$ 82,821</u>            | <u>\$ (12,364)</u>  | <u>\$ 323,708</u> |

BEECH GROVE PUBLIC LIBRARY  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2012

| <u>Government or Enterprise</u> | <u>Accounts Payable</u> | <u>Accounts Receivable</u> |
|---------------------------------|-------------------------|----------------------------|
| Governmental activities         | <u>\$ 2,451</u>         | <u>\$ -</u>                |

BEECH GROVE PUBLIC LIBRARY  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2012

| Type   | Description of Debt<br>Purpose                   | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|--|--|--------------------------------|---|
| Governmental activities:<br>General obligation bonds | Library Debt: Capital Leases: building expansion | <u>\$ 1,231,000</u>            | <u>\$ 352,000</u>                                   |

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BEECH GROVE PUBLIC LIBRARY  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2012

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.

|                                    | <u>Ending<br/>Balance</u> |
|------------------------------------|---------------------------|
| Governmental activities:           |                           |
| Land                               | \$ 200,000                |
| Buildings                          | 4,586,456                 |
| Machinery, equipment, and vehicles | 284,458                   |
| Books and other                    | <u>1,346,191</u>          |
| Total capital assets               | <u>\$ 6,417,105</u>       |

BEECH GROVE PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS/COLLECTION OF AMOUNTS DUE**

During the review of payroll, we identified that the internal controls over payroll payments were not sufficient. It was observed that the salary rate for the former Bookkeeper had decreased from \$1,374.88 to \$274.97 per pay period in 2011. We were informed that the reduction in the salary amount was an attempt to recover amounts for overpayments.

There were several errors made with the payroll of the former Bookkeeper. The errors were due to incorrect hourly rates, advance payments being made, and double payments being made. Additional information about the errors is included below.

***Incorrect Hourly Rates***

Based on information presented for examination, the Bookkeeper's pay should have been as follows:

|                         | Hourly Salary Computation |             |                         |             |
|-------------------------|---------------------------|-------------|-------------------------|-------------|
|                         | Annual<br>Amount          | No. of Pays | Hours Per<br>Pay Period | Hourly Rate |
| Prior to April 18, 2011 | \$ 34,372                 | 26          | 80                      | \$ 16.53    |
| After April 18, 2011    | 37,372                    | 26          | 80                      | 17.97       |

The former Bookkeeper was paid an hourly rate of \$17.19 for the first seven pay periods of 2011, through April 2, 2011. Based on the information in the chart above, her hourly rate of pay should have been \$16.53. This resulted in an overpayment of \$52.48 per pay period for a total overpayment of \$367.67 during this period.

The hourly rate used to calculate payroll for the pay period ending April 16, 2011, was \$19.27 instead of \$16.53 an hour as indicated in the chart above. This resulted in an overpayment of \$219.18 for this pay period.

The former Bookkeeper received a raise effective April 18, 2011. A letter from the former Library Director, to the former Bookkeeper, stated: ". . . you have been granted a \$3,000 raise in salary effective Monday, April 18, 2011. Your current salary of \$34,372 has been increased to \$37,372."

For the fourteen pay periods between April 18, 2011 and October 15, 2011, the Library paid an hourly rate of \$17.19 to the former Bookkeeper. The former Bookkeeper should have been paid an amount equal to \$17.97 per hour after the raise. This is an underpayment of \$0.78 per hour or \$62.72 per pay period. This resulted in a total underpayment of \$878.08 during this period.

In an attempt to recover known overpayments, the Library reduced the hourly rate that was paid to the former Bookkeeper. For the four pay periods between October 17, 2011 and December 3, 2011, the Library paid an hourly rate of \$3.44. The Library underpaid the former Bookkeeper a total of \$4,650.52 during this period.

For the period beginning on December 11, 2011, and ending January 22, 2012, the former Bookkeeper worked 40 hours at the Library, but was not paid for the hours worked. Based on an hourly rate of \$16.53 per hour, the former Bookkeeper was underpaid \$718.78 during this period.

BEECH GROVE PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**Additional Payments**

During our review of the payroll for the former Bookkeeper, we also identified additional payments that were not in accordance with the payroll schedule.

During the pay period ending April 2, 2011, there were two Automatic Clearing house deposits made for net payroll. The first was on March 22, 2011, for \$1,055.74 and a second was on April 5, 2011, for \$8,493.57. The amount of \$1,055.74 is equal to the net pay for the former Bookkeeper and the same amount was also included in the April 5, 2011 deposit. The total of the April 5, 2011 deposit agrees with the total net payroll per the library's records. This is a gross payroll overpayment of \$1,374.88.

The Library processed and paid three timesheets for the former Bookkeeper during the pay period ending April 30, 2011. One timesheet included 79.50 regular hours worked and 0.5 hours of personal time. The second timesheet was for payout of vacation and personal time. The third timesheet did not list any hours, but was paid for 80 hours at \$17.19 per hour or \$1,374.88. The third timesheet made was a duplicate of the regular payroll already submitted on the first timesheet and resulted in an overpayment of \$1,374.88.

On May 4<sup>th</sup> and 5<sup>th</sup>, there were two payroll automatic clearing house (ACH) deposits in the amount of \$1,145.01 made by the Library. On October 24, 2011, the Library recorded a gross payroll advance of \$3,000. The two ACH amounts agreed with the net pay in the payroll records. The advance payment of the \$3,000 raise was not appropriate. The overpayment amounts calculated in the preceding paragraphs are based on hourly rates that include the raise; therefore, this lump sum payment is considered an overpayment in the amount of \$3,000.

| <u>Summary of Gross Payroll Amounts Over (Under) Paid</u>   | <u>Amount</u>       |
|---|---------------------|
| Overpayment through April 2, 2011                           | \$ 367.36           |
| Overpayment - April 16, 2011                                | 219.18              |
| Underpayment - April 18, 2011 - October 15, 2011            | (878.08)            |
| Underpayment - October 17, 2011 - December 3, 2011          | (4,650.52)          |
| Underpayment - December 11, 2011 - January 22, 2012         | (718.78)            |
| Double Payment - April 2, 2011                              | 1,374.88            |
| Double Payment - April 30, 2011                             | 1,374.88            |
| May 4 <sup>th</sup> and May 5 <sup>th</sup> Advance Payment | <u>3,000.00</u>     |
| <br>Total Over Payment Due to Library                       | <br><u>\$ 88.92</u> |

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

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)

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

BEECH GROVE PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROLS OVER PAYROLL WITHHOLDINGS**

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient during 2011. During the examination of payroll withholding payments, the following items were observed:

- The Library did not have policies or procedures in place to ensure that the required tax withholding reports were submitted in a timely manner. During 2011, the Library submitted 75 percent of the monthly withholding tax reports to the Indiana Department of Revenue (IDOR) after the due date.
- The Indiana Department of Revenue issued a tax warrant on October 11, 2011, for the collection of the March 2011 withholding payments resulting in an additional collection fee being paid by the Library.
- Two withholding tax reports with different amounts were filed for the period of October 2011. The unit submitted payment for both amounts. As of September 11, 2013, the Library had a credit balance of \$2,027 for October 2011.

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)

**PENALTIES, INTEREST, AND OTHER CHARGES**

The internal control issues discussed in the previous comment resulted in penalties, interest, and other charges paid by the Library. The Library paid penalties, interest, and collection fees to the Indiana Department of Revenue totaling \$2,944.22. This was a result of the Library failing to file the monthly payroll withholding reports and deposit payments on a timely basis. The monthly penalties, interest, and collection fees for 2011 are as follows:

|           | Penalties          | Interest         | Collection<br>Fee | Totals             |
|-----------|--------------------|------------------|-------------------|--------------------|
| January   | \$ 116.81          | \$ 6.10          | \$ -              | \$ 122.91          |
| February  | 116.07             | 34.86            | -                 | 150.93             |
| March     | 244.80             | 120.19           | 1,240             | 1,604.99           |
| April     | 198.04             | 81.06            | -                 | 279.10             |
| May       | 132.78             | 44.20            | -                 | 176.98             |
| June      | 186.14             | 25.27            | -                 | 211.41             |
| July      | 123.76             | 9.77             | -                 | 133.53             |
| August    | 126.16             | 7.68             | -                 | 133.84             |
| September | 127.02             | 3.51             | -                 | 130.53             |
| Totals    | <u>\$ 1,371.58</u> | <u>\$ 332.64</u> | <u>\$ 1,240</u>   | <u>\$ 2,944.22</u> |

BEECH GROVE PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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)

**ANNUAL REPORT**

The Annual Reports for 2011 and 2012 contained material errors relating to the financial activity of the Beech Grove Public Library. The Library did not include the receipt and disbursement activity or the cash balances of the Payroll Withholding Fund. The Library approved adjustments to include the activity and cash balances in the financial statement as presented.

Indiana Code 5-11-1-4(a) states in part:

"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."

**BANK ACCOUNT RECONCILIATIONS**

Depository reconciliations of the fund balances to the bank account balances were not presented for examination from January 2011 to October 2011.

Indiana Code 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."

**OVERDRAWN CASH BALANCES**

The financial statement included the following funds with overdrawn cash balances at December 31:

| Fund                 | Years         | Amount<br>Overdrawn |
|----------------------|---------------|---------------------|
| Payroll Withholding  | 2011          | \$ 53,837           |
| Payroll Withholding  | 2012          | 12,364              |
| Library Unemployment | 2011 and 2012 | 42                  |

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)

BEECH GROVE PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2013, with Harold Day, Treasurer; William Fennema, President of the Board and former Treasurer; Sister Mary Luke Jones, former President of the Board; and Elizabeth Schoettle, Director. The officials concurred with our findings and stated that steps have been taken to insure compliance with the appropriate laws and regulations.