

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

EXAMINATION REPORT
OF

NEW HARMONY WORKINGMEN'S
INSTITUTE PUBLIC LIBRARY
POSEY COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
09/27/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Sherry Graves	01-01-05 to 12-31-07
Treasurer	Fred M. Frayser	10-20-04 to 10-19-05
	Tom Straw	10-20-05 to 10-17-06
	Ernest W. Rapp	10-18-06 to 10-16-07
President of the Board	Tim Wiley	10-20-04 to 10-19-05
	Fred M. Frayser	10-20-05 to 10-16-07



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE NEW HARMONY WORKINGMEN'S
INSTITUTE PUBLIC LIBRARY, POSEY COUNTY, INDIANA

We have examined the financial information presented herein of the New Harmony Workingmen's Institute Public Library (Library), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 31, 2007

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ (11,703)	\$ 132,741	\$ 118,383	\$ 2,655
Gift	1,522,228	282,902	293,086	1,512,044
Library Improvement Reserve	3,127	5,930	2,643	6,414
Library Capital Projects	10,841	1,200	-	12,041
	<u>1,524,493</u>	<u>422,773</u>	<u>414,112</u>	<u>1,533,154</u>
Totals	<u>\$ 1,524,493</u>	<u>\$ 422,773</u>	<u>\$ 414,112</u>	<u>\$ 1,533,154</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 2,655	\$ 127,421	\$ 115,522	\$ 14,554
Gift	1,512,044	465,290	65,868	1,911,466
Library Improvement Reserve	6,414	28,515	7,908	27,021
Library Capital Projects	12,041	2,963	-	15,004
State Technology Fund	-	4,500	-	4,500
	<u>1,533,154</u>	<u>628,689</u>	<u>189,298</u>	<u>1,972,545</u>
Totals	<u>\$ 1,533,154</u>	<u>\$ 628,689</u>	<u>\$ 189,298</u>	<u>\$ 1,972,545</u>

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

NEW HARMONY WORKINGMEN'S INSTITUTE 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: culture and recreation.

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.

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

General Form 350 (1964) Register of Investments
Library Form 3 (1966) Daily Record of Desk Collections
Library Form 4 (Rev. 1984) Accounts Payable Voucher
General Form 352 (Rev. 1997) Receipt
General Form 99 (Rev. 1993) Payroll Schedule and Voucher
Library Form 1 Financial and Appropriation Record
General Form 99A (Rev. 1985) Employee's Service Record
General Form 99B (Rev. 1993) Employee's Earnings Record
General Form 101 Mileage Claim

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)

CAPITAL ASSET RECORDS

As stated in prior reports, the Library did not maintain an inventory of capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

INVESTMENTS NOT AUTHORIZED BY STATUTE

As stated in several prior reports, the Library invested in mutual funds with a portfolio of corporate stock in 2005 and 2006.

Indiana Code 5-13-9-2.5 states in part:

"(a) An officer designated in section 1 of this chapter may invest or reinvest funds that are held by the officer and available for investment in investments commonly known as money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended (15 U.S.C. 80a et seq.)."

"(d) The portfolio of an investment company or investment trust described in subsection (a) must be limited to the following:

- (1) Direct obligations of the United States.
- (2) Obligations issued by any of the following:

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (A) A federal agency.
 - (B) A federal instrumentality.
 - (C) A federal government sponsored enterprise.
- (3) Repurchase agreements fully collateralized by obligations described in subdivision (1) or (2)."

Investments should only be made in accordance with statute. Expenses related to any unauthorized investments may be the personal obligation of the responsible official or employee.

Losses related to investments and investment procedures which are not authorized by statute may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were present during our period of examination:

1. Record balances were not reconciled to depository balances during the two year period.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."
2. There were some posting errors. These errors included deposits not receipted properly, some transactions not recorded properly, and nonsufficient funds checks incorrectly posted.
3. Reports were not available for examination to document all transactions.

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)

TIMELY RECORDKEEPING

We noted instances of four weeks from the time of the original date of the transactions until entry on the records.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSIT

In numerous instances, receipts were deposited later than the next business day, many times up to several weeks later.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the several local boards of finance that have jurisdiction of the funds. Public funds deposited under this subsection shall be deposited in the same form in which they were received."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Some officials or employees of the Library had money due from the Library, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the name and address of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

1. Claims were not prepared for all disbursements.
2. Several claims were not adequately itemized.
3. Some claims did not have board approval.
4. Claims or invoices were not accompanied by evidence in support of the receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$18.40 were paid to the Internal Revenue Service on December 31, 2005, for the period September 2004. In addition, another payment of \$63.82 was made to the Internal Revenue Service with no documentation, on September 30, 2005, which could represent additional penalties and interest.

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)

OFFICIAL BONDS

The official bond for each Treasurer was not filed in the Office of the County Recorder.

Indiana Code 36-12-2-22 states in part:

"(g) The treasurer shall give a surety bond for the faithful performance of the treasurer's duty and for the accurate accounting of all money coming into the treasurer's custody. The bond must be:

...

- (7) deposited in the office of the recorder of the county in which the library district is located."

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2007, with Sherry Graves, Director; Fred M. Frayser, President of the Board; and Ernest W. Rapp, Treasurer. The officials concurred with our findings.