

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

EXAMINATION REPORT

OF

FAYETTE COUNTY PUBLIC LIBRARY

FAYETTE COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
12/29/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information: Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Examination Results and Comments: Credit Cards.....	7-8
Capital Asset Records	8
Exit Conference.....	9

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Marilyn Robinson (Interim) Helen Holmstrom Marilyn Robinson (Interim)	09-02-05 to 02-12-06 02-13-06 to 10-14-08 10-15-08 to 12-31-08
Treasurer	Richard Hankins	07-01-05 to 06-30-09
President of the Board	Margie Yeager Nancy Weeks	07-01-05 to 06-30-07 07-01-07 to 06-30-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF FAYETTE COUNTY PUBLIC LIBRARY, FAYETTE COUNTY, INDIANA

We have examined the financial information presented herein of the Fayette County Public Library (Library) for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007 based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 21, 2008

FAYETTE 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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 696,524	\$ 784,507	\$ 832,688	\$ 648,343
Memorial	10,584	9,733	9,938	10,379
Rainy Day	-	82,381	19,800	62,581
Library Improvement Reserve	268,861	42,612	-	311,473
Library Capital Improvement	209,964	101,971	78,318	233,617
Levy Excess	-	24,685	-	24,685
Binah Sinks Gift	2,987	63	-	3,050
William Porter Gift	47,833	-	-	47,833
Martha Dorsett Gift	11,839	-	-	11,839
Sturwold Memorial	-	100,906	-	100,906
Wainwright Interest Expendable	63	41	-	104
Lucille K. Wilkin Interest Expendable	5,952	308	-	6,260
Elizabeth Claypool-Earl Interest Expendable	815	41	-	856
Georgia Williamson Interest Expendable	7,174	600	-	7,774
Caroline Dunn Trust Expendable	13,307	994	-	14,301
Fiduciary Funds:				
Wainwright Principal Nonexpendable	1,000	-	-	1,000
Lucille K. Wilkin Principal Nonexpendable	7,300	-	-	7,300
Elizabeth Claypool-Earl Principal Nonexpendable	1,000	-	-	1,000
Caroline Dunn Trust Nonexpendable	25,000	-	-	25,000
Elizabeth A. Hadley Nonexpendable	1,020	365	-	1,385
Payroll Withholdings	-	558	558	-
PLAC	-	31,948	31,938	10
Totals	<u>\$ 1,311,223</u>	<u>\$ 1,181,713</u>	<u>\$ 973,240</u>	<u>\$ 1,519,696</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 648,343	\$ 862,962	\$ 863,042	\$ 648,263
Memorial	10,379	3,476	4,924	8,931
Rainy Day	62,581	85,097	114,869	32,809
Library Improvement Reserve	311,473	28,000	302,553	36,920
Library Capital Improvement	233,617	266	122,435	111,448
Levy Excess	24,685	-	24,685	-
Binah Sinks Gift	3,050	68	-	3,118
William Porter Gift	47,833	3,101	1,750	49,184
Martha Dorsett Gift	11,839	-	-	11,839
Sturwold Memorial	100,906	2,366	-	103,272
Wainwright Interest Expendable	104	44	-	148
Lucille K. Wilkin Interest Expendable	6,260	331	-	6,591
Elizabeth Claypool-Earl Interest Expendable	856	44	-	900
Georgia Williamson Interest Expendable	7,774	1,050	-	8,824
Caroline Dunn Trust Expendable	14,301	1,304	-	15,605
Fiduciary Funds:				
Wainwright Principal Nonexpendable	1,000	-	-	1,000
Lucille K. Wilkin Principal Nonexpendable	7,300	-	-	7,300
Elizabeth Claypool-Earl Principal Nonexpendable	1,000	-	-	1,000
Caroline Dunn Trust Nonexpendable	25,000	-	-	25,000
Elizabeth A. Hadley Nonexpendable	1,385	734	-	2,119
Payroll Withholdings	-	450	450	-
PLAC	10	31,256	31,266	-
Totals	<u>\$ 1,519,696</u>	<u>\$ 1,020,549</u>	<u>\$ 1,465,974</u>	<u>\$ 1,074,271</u>

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

FAYETTE 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: culture and recreation and general administrative services.

Note 2. Fund Accounting

The Library uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Library in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Library on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

FAYETTE 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.

FAYETTE COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

CREDIT CARDS

The Library is using credit cards to purchase items including capital assets. The Library does have a credit card policy; however, the procedures outlined in the policy are not being followed. We reviewed all credit card disbursements from November 1, 2006, to the current date, which consisted of 40 claims totaling \$12,269. We found the following deficiencies:

1. There were expenses in the amount of \$3,348 that were undocumented. These purchases consisted of various items including, but not limited to, meals, supplies, conferences, antiques, and motel bills. We were subsequently able to obtain documentation for \$2,336 of these expenses. This leaves \$1,012 of the expenditures without any form of documentation.
2. The Library incurred and paid interest fees of \$69, late fees of \$272 and over limit fees of \$35; this is a total of \$376 which represent unnecessary fees paid by the Library.
3. Sales tax was paid on eleven of the purchases, totaling \$36.

The Credit Card Policy of the Fayette County Public Library states, in part, that: "Statements will be paid in a timely manner to avoid any interest, carrying charges or penalties due to late payments. . . . Claims filed in connection with the use of the credit cards must be itemized before being approved and paid."

The policy also states that: "The library is exempt from sales tax on purchases. A Sales Tax Exemption Certificate must be presented at the time a purchase is made to avoid paying sales tax."

The policy further states that: "Any and all charges incurred and charged with the credit card must be business related. Library related expenses include travel, lodging, meals, and registration fees related to library conferences and workshops." However, many of the items purchased were capital in nature, such as, antiques, computer equipment and furniture.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the Board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

FAYETTE COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedure for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

CAPITAL ASSET RECORDS

Library capital asset records contain the following control inadequacies which were discovered during the examination.

Assets purchased and posted to the ledger are sometimes entered as a lump sum. In October 2007, there is an entry for \$53,574 described as "Assorted Furniture purchased during renovation." Asset descriptions should contain sufficient detail so that the existence of that asset could be confirmed by inventory observation.

There are numerous instances of assets posted to the ledger that are either unclassified or misclassified.

There is no control page maintained showing the total of assets in each classification.

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 form. 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)

FAYETTE COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on October 21, 2008, with Nancy Weeks, President of the Library Board; Robert Hankins, Treasurer; Norman A. Duffy, Board Member; Marilyn Robinson, Interim Director; and Fran Cupp, Bookkeeper.

The contents of this report were also discussed on October 23, 2008, with Helen Holmstrom, former Director.