

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

EXAMINATION REPORT

OF

HAGERSTOWN-JEFFERSON TOWNSHIP LIBRARY

WAYNE COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
12/31/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Notes to Financial Information	4-5
Supplementary Information: Schedule of Capital Assets.....	6
Examination Results and Comments: Federal and State Agency Compliance.....	7
Approval of Claims	7
Condition of Records	7
Exit Conference.....	8
Official Response	9-10

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Linda Mettler	01-01-06 to 12-31-08
Treasurer	Everett Hampton Jr. Patti Sharp	01-01-05 to 09-30-06 10-01-06 to 12-31-08
President of the Board	Karen Avery	01-01-06 to 12-31-08



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE HAGERSTOWN-JEFFERSON
TOWNSHIP LIBRARY, WAYNE COUNTY, INDIANA

We have examined the financial information presented herein of the Hagerstown-Jefferson Township 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.

The records the Library presented for examination reflected improper postings at the fund level. Numerous posting errors occurred when posting cash receipts and disbursements and as a result balances for the individual funds could not be determined.

Because of the restrictions on our examination as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on whether 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

December 4, 2008

HAGERSTOWN-JEFFERSON TOWNSHIP 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.

HAGERSTOWN-JEFFERSON TOWNSHIP 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.

HAGERSTOWN-JEFFERSON TOWNSHIP LIBRARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

This library has no general infrastructure assets.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 4,000
Buildings	543,586
Improvements other than buildings	17,876
Machinery and equipment	<u>628,243</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,193,705</u>

HAGERSTOWN-JEFFERSON TOWNSHIP LIBRARY
EXAMINATION RESULTS AND COMMENTS

FEDERAL AND STATE AGENCIES – COMPLIANCE REQUIREMENTS

The Library did not comply with directives of Indiana Department of Revenue by not remitting \$215 in county income tax at December 31, 2007.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

APPROVAL OF CLAIMS

Eighty percent of the claims tested were not certified by the Library Director in 2006 and 2007.

Indiana Code 36-12-3-17(b) requires the library director to certify to the library board before payments that each claim for payments is true and correct.

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Library Funds. The records presented did not provide sufficient information to audit or establish receipts, disbursements, ending balance or the accuracy or correctness of the transactions for 2007.

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)

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)

HAGERSTOWN-JEFFERSON TOWNSHIP LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2008, with Linda Mettler, Librarian; and Patti Sharp, Treasurer. The official response has been made a part of this report and may be found on pages 9 and 10.

HAGERSTOWN-JEFFERSON TOWNSHIP LIBRARY

10 WEST COLLEGE STREET, HAGERSTOWN, IN 47346

(765) 489-5632, FAX (765) 489-5808

December 29, 2008

Mr. Bruce Hartman, State Examiner
302 W. Washington St., Rm E418
Indianapolis, IN 46204-2765

Re: Official Response

Dear Mr. Hartman,

The members of the Board of Library Trustees of Hagerstown Jefferson Township Public Library (HJTPL) wish to thank the State Board of Accounts for the opportunity to make an official response to our recently completed examination. Ms. Patty Garrett, who performed the examination, was very professional in her performance.

Federal and State Agencies – Compliance Requirements

Finding: "The library did not comply with directives of the Indiana Department of Revenue by not remitting \$215 in county income tax at December 31, 2007."

Response: HJTPL is investigating the condition and circumstances of the \$215. Currently we believe the oversight involves Medicare Tax and not the State Department of Revenue. However, we will contact the appropriate withholding agency and take care of the underpayment.

Approval of Claims

Finding: "We noted eighty percent of the claims tested were not certified by the fiscal officer in 2006 and 2007."

Response: We now understand that the *Treasurer is the fiscal officer* of the Library, but that the *Director must also certify* to the Board, in accordance with IC 36-12-3-16, that the claims are proper. The Director will sign in the appropriate place on the Accounts Payable Voucher Register effective immediately.

Condition of Records

Finding: "Financial records presented for audit were incomplete and not reflective of the activity of the Library Funds. The records presented did not provide sufficient information to audit or establish receipts, disbursements, ending balance or the accuracy or correctness of the transactions for 2007."

Response: The AVC software system used by HJTPL was discovered, prior to the examination, to have the capability whereby entries could be modified or deleted without leaving any trail or edit check of the transaction. We also had realized the former bookkeeper (contracted individual, not an employee) had already utilized this undesirable capability to change entries in such a way that we had not caught any changes at the time the financial statements were approved by the Board. The errors and/or changes made in the Library's records have now been identified and were corrected December 26, 2008 and approved by the Board December 29, 2008.

If there are any questions concerning the corrective actions proposed or already taken by HJTPL, please call Linda Mettler, Director, at 765-489-5632, Monday – Friday, 11:30 a.m. to 5:30 p.m.

Sincerely,



Patti Sharp, Treasurer



Linda Mettler, Director

Hagerstown Jefferson Township Public Library

10 West College Street

Hagerstown, IN 47346

765-489-5632 (phone)

765-489-5808 (fax)