B33797

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

EXAMINATION REPORT

OF

WEST LAFAYETTE PUBLIC LIBRARY

TIPPECANOE COUNTY, INDIANA

January 1, 2006 to December 31, 2007

FILED
01/13/2009

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OFFICIALS

Office	Official	Term
Director	E. Nicholas Schenkel	07-01-05 to 06-30-09
Treasurer	Jeffrey Schwab	07-01-05 to 06-30-09
President of the Board	Nancy Dunn	07-01-05 to 06-30-09

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INDEPENDENT ACCOUNTANT' S REPORT

TO: THE OFFICIALS OF WEST LAFAYETTE PUBLIC LIBRARY, TIPPECANOE COUNTY, INDIANA

We have examined the financial information presented herein of West Lafayette 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.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 26, 2008

WEST LAFAYETTE 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	$ (4,539)	$ 1,003,916	$ 884,374	$ 115,003
Gift	22,477	8,007	31,470	(986)
Zumstein Gift	8,021	-	-	8,021
Akeley Gift	47,645	-	7,494	40,151
Rainy Day	1,859	-	-	1,859
Petty Cash	75	-	-	75
Bond and Interest Redemption	519,330	878,895	1,393,071	5,154
Library Improvement Reserve	30,118	-	4,565	25,553
Technology Fund	-	4,131	-	4,131
Construction Fund	22,767	80,760	26,691	76,836
Fiduciary Fund:				
PLAC	92	-	-	92
Totals	$ 647,845	$ 1,975,709	$ 2,347,665	$ 275,889

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	$ 115,003	$ 1,057,900	$ 1,085,178	$ 87,725
Gift	(986)	71,650	76,516	(5,852)
Zumstein Gift	8,021	-	-	8,021
Akeley Gift	40,151	-	-	40,151
Rainy Day	1,859	-	-	1,859
Petty Cash	75	-	-	75
Bond and Interest Redemption	5,154	1,862,268	1,089,616	777,806
Library Improvement Reserve	25,553	-	15,272	10,281
Technology Fund	4,131	-	3,880	251
Construction Fund	76,836	-	47,463	29,373
Fiduciary Fund:				
PLAC	92	30	-	122
Totals	$ 275,889	$ 2,991,848	$ 2,317,925	$ 949,812

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

WEST LAFAYETTE 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.

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.

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.

Note 7. Subsequent Events

The Library received the final distribution of $123,296 from the Anna Akeley Trust on June 6, 2008, to be deposited to the Akeley Gift Fund.

The Library retired $183,137 from the General Fund, and $359,540 from the Bond and Interest Fund for Tax Anticipation Warrants received in 2007 on January 8, 2008.

The Library borrowed $320,487 for the General Fund, $84,354 for the Capital Projects Fund, and $14,532 for the Bond and Interest Fund in Tax Anticipation Warrants in 2008.

WEST LAFAYETTE PUBLIC LIBRARY
SUPPLEMENTARY INFORMATION
SCHEUDLE OF CAPITAL ASSETS

For the Year Ended December 31, 2007

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

Primary Government	**Ending Balance**
Governmental activities:	
Buildings	$8,343,000
Machinery and equipment	693,865
Total governmental activities, capital assets not being depreciated:	$9,036,865

WEST LAFAYETTE PUBLIC LIBRARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For the Year Ended December 31, 2007

The Library has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and interest due within one year
Governmental Activities:		
Capital leases	$9,514,270	$964,000
Notes and loans payable	542,677	543,131
Total governmental activities debt	$10,056,947	$1,507,131

PRESCRIBED FORMS

The Library is not using Library Form 1, the Library Financial and Appropriation Record, or an approved alternative for recording ledger transactions. The Library has hired a local accounting firm to perform bookkeeping and reporting services for the Library. The accounting firm cannot generate an appropriate fund and appropriations ledger with the current accounting program in use. Further, the software package in use by the accounting firm allows for changes to be made to posted transactions without maintaining an audit trail.

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)

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling $620.45 were paid to the Indiana Department of Revenue and $27.05 were paid to the Indiana Department of Workforce Development for liability periods ending between July 1, 2006 and December 31, 2006.

The Library incurred penalties, interest and finance charges for late payments to vendors. The Library paid penalties and interest of $68.21 to Sam' s Club in 2006 and 2007, and $20.00 to Total Administrative Services in 2006.

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)

PLAC CARDS

Based on the beginning inventory and record of subsequent sales, the Library should have 469 PLAC Cards on hand for physical inventory; however, the Library was only able to locate 460 PLAC Cards.

The Library has maintained a balance due the Indiana State Library from the sale of PLAC Cards. The Library should remit PLAC Card collections to the State Library quarterly.

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

All money received from the sale of PLAC cards should be receipted to a PLAC Card fund. Payments are to be made to the State Library of such receipts on a quarterly basis as required by 590 IAC 3. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 3)

CORRECTION OF ERRORS

Transactions relating to a 2007 Tax Anticipation Warrant were initially entered incorrectly. These corrections were made in the records without retaining recommended audit trails.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incorrect at December 31, 2007. The bank account balances exceeded fund balances by $675.23.

The Petty Cash Fund contained a balance exceeding the allotted petty cash amount by $200.13.

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."

ANNUAL REPORT

The annual report for 2007 was not representative of the Library transactions for the General, Bond and Interest Redemption, and Gift Funds. A similar comment appeared in Report B26991.

Indiana Code 5-3-1-4 states in part: "(a) 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. . . . (b) The following shall prepare, verify, and file the reports required under subsection (a) not later than sixty (60) days after the end of each year. . . (2) A public library."

RECEIPTS AND DEPOSITS

Nineteen of thirty-seven receipts written in September 2007 were deposited later than the next business day. We noted at least seven instances of receipts not issued at the time of the transaction. Receipts are not posted at the time of the transaction, rather as lump sums at the end of the month.

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."

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (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)

CERTIFIED REPORT NOT FILED

The Library did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2007.

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

OVERDRAWN FUND BALANCES

The Gift Fund was overdrawn in 2006 and 2007. A similar comment appeared in report B26991.

The fund 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)

ERRORS ON CLAIMS

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

(1) Some of the contractual claims reviewed were not paid in accordance with the contract.

(2) The contractual claims reviewed did not have a contract supporting the amounts paid.

(3) Some claims reviewed were not adequately itemized.

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;

(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."

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

SALES TAX

Sales tax was routinely paid to Verizon as part of payment for telephone services.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

APPROPRIATIONS

The following expenditures were in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General Fund	2007	$ 11,121
Bond and Interest Redemption	2006	414,571
Bond and Interest Redemption	2007	22,378

Indiana Code 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."

OFFICIAL BOND

The Library Treasurer' s official bonds covering August 29, 2006, to present were not filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

WEST LAFAYETTE PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2008, with E. Nicholas Schenkel, Director; Jeffrey Schwab, Treasurer; and Nancy Dunn, President of the Board. The official response has been made a part of this report and may be found on page 14.

West Lafayette Public Library

208 West Columbia Street West Lafayette Indiana 47906

www.wlaf.lib.in.us

State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204-2738

December 5, 2008

This letter is in response to the Examination performed by the State Board of Accounts for the financial records of the West Lafayette Public Library for the years 2006 and 2007.

At the Exit Conference some comments were made by the examiner. In response to the comments, the library staff since the Exit Conference has done or is planning to do the following:

- We are working with our bookkeeping service to move the library's bookkeeping to a fund accounting program. We will provide fund accounting for the bookkeeping in the year 2009 and we will present the Library's 2008 bookkeeping with fund accounting.
- We will update the list of vendors which the Library can pay prior to the next library board meeting so that late fees for payments can be stopped.
- We have changed the way the sales of PLAC cards are recorded. We will make payments from the PLAC card fund as PLAC cards are sold.
- We have spoken with the SBOA auditor about properly reporting the Annual Report. We will endeavor to file the 2008 Annual Report with this direction in mind.
- We are making daily deposits from the Library on regular business days.
- We are working the library board to bring the Gift Fund into balance at the end of the 20080 fiscal year.
- We are working to reduce/eliminate errors on claims.
- We are working with Verizon to eliminate sales tax charges on library's monthly phone bills.
- We are working with the library board to eliminate expenditures in excess of budget appropriations for 2008.
- We will file the Treasurer's bond with the Office of the County Recorder.

Thank you for allowing the opportunity to respond to the Audit.

Sincerely,

Nick Schenkel, Library Director