

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

EXAMINATION REPORT
OF
VERMILLION COUNTY PUBLIC LIBRARY
VERMILLION COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
11/24/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Brigit Steinbrenner	01-01-07 to 12-18-08
	Vacant	12-19-08 to 03-01-09
	Pam Hazelwood	03-02-09 to 12-31-09
Treasurer	Robert Booth	01-01-07 to 12-31-07
	Ann Smith	01-01-08 to 02-25-08
	Rhonda Barclay	02-26-08 to 12-31-09
President of the Board	Donna Prather	01-01-07 to 12-31-07
	Norma Hughes	01-01-08 to 12-31-08
	Donna Prather	01-01-09 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Vermillion County Public Library (Library), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

October 7, 2009

VERMILLION 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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 35,272	\$ 328,611	\$ 378,941	\$ (15,058)
Gift	50	1,541	-	1,591
Gym Improvement	1,541	-	1,541	-
Genealogy	129	70	-	199
Levy Excess	363	10,877	-	11,240
Bond and Interest Redemption	82,005	102,344	178,781	5,568
Library Improvement Reserve	49,294	-	40,000	9,294
State Technology Fund Grant	-	7,248	3,300	3,948
Fiduciary Fund:				
Payroll Withholdings	407	-	-	407
Totals	<u>\$ 169,061</u>	<u>\$ 450,691</u>	<u>\$ 602,563</u>	<u>\$ 17,189</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (15,058)	\$ 480,653	\$ 207,569	\$ 258,026
Gift	1,591	-	-	1,591
Genealogy	199	460	-	659
Levy Excess	11,240	-	11,240	-
Bond and Interest Redemption	5,568	231,475	182,481	54,562
Library Improvement Reserve	9,294	-	-	9,294
State Technology Fund Grant	3,948	4,128	3,000	5,076
Fiduciary Fund:				
Payroll Withholdings	407	-	-	407
Totals	<u>\$ 17,189</u>	<u>\$ 716,716</u>	<u>\$ 404,290</u>	<u>\$ 329,615</u>

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

VERMILLION 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 culture and recreation 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.

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.

VERMILLION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

VERMILLION COUNTY PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Library has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Bonds payable:		
General obligation bonds:		
2001 Improvement Project	\$ 595,000	\$ 185,940

VERMILLION COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual reports for 2007 and 2008 were not prepared.

IC 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."

CAPITAL ASSET RECORDS

As stated in the prior Report B30850, capital asset records were incomplete and were not kept on the prescribed Capital Asset Ledger, General Form 369.

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 at least 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)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior Report B30850, were again present during our period of audit:

- (1) Record balances were not correctly reconciled to depository balances during several months of the two year period. A listing of outstanding checks was prepared each month, but a true reconciliation was not performed and differences between record and bank balances were not identified or corrected.

IC 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 a considerable number of posting errors. These errors included deposits not posted into the Library Financial and Appropriation Record, monthly receipts and disbursements not totaled, and disbursements and balances not carried into proper fund columns.

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)

VERMILLION COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CREDIT CARDS

Throughout 2007 and 2008, the Library used credit cards to circumvent the accounting system by ordering items without prior approval of the Board.

For many of the items purchased with the credit card, supporting documentation such as invoices or cash register receipts was not provided for examination.

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.
- (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. Procedures 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)

DEPOSITS

In numerous instances, desk collections were deposited later than the next business day.

VERMILLION COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 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."

DONATIONS

The Library donated \$35 to St. Jude Children's Research Hospital and \$100 to the Chrisman Public Library in 2007.

Also in 2007, the Library paid \$618 for softball team uniforms as a sponsorship for the North Vermillion Softball League and purchased food from a fundraiser at North Vermillion Elementary School in the amount of \$96.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

INTERNAL CONTROLS - DESK COLLECTIONS

Controls for receipts generated by the collection at the front desk of fines, gym rental, book sales, and donations are insufficient. Desk collections are tracked on weekly sheets, but the amounts on the sheet are not totaled and there is no indication of whether the collections are in the form of cash or checks. There is also no indication of when the collections are deposited. During the examination period, the desk collections were not posted to the ledger.

Extra receipts found in the petty cash container indicate that small purchases were made from the desk collections, since the records of items purchased with cash exceeded the amount of cash drawn to replenish the petty cash fund.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

OFFICIAL BONDS

The following official bonds were not filed in the Office of the County Recorder: Treasurer and Bookkeeper. The employees holding these positions were bonded during the examination period, but the bonds were not recorded.

Indiana Code 36-12-2-22(g) requires the Treasurer's bond to be deposited in the office of the County Recorder. Other library employee bonds shall also be filed in the office of the County Recorder. (Accounting and Uniform Compliance Guidelines manual for Libraries, Chapter 1)

VERMILLION COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

Our examination of disbursements revealed that, in 2007 and 2008, the library paid penalties, interest, late fees, and finance charges to the following vendors: Vectren, Chase VISA, National Pen Company, First Financial Bank, and the Indiana Department of Revenue. The total amount of penalties, interest, late fees, and finance charges discovered during the examination was \$791.

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)

PERSONAL EXPENSES

Public funds were used to purchase flowers for funerals, satellite television service, and pet medication. The expenditure for satellite television service was reimbursed to the Library in full by the responsible employee. The Library is attempting to have the expenditure for animal medication refunded by the credit card company's fraud department.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

VERMILLION COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2009, with Donna Prather, President of the Library Board, and Pam Hazelwood, Director.