

B38009

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, 2008 to December 31, 2009



FILED
12/08/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	E. Nicholas Schenkel	07-01-08 to 06-30-11
Treasurer	Jeffrey Schwab	07-01-08 to 06-30-11
President of the Board	Nancy Dunn	07-01-08 to 06-30-11



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the West Lafayette Public Library (Library), for the period of January 1, 2008 to December 31, 2009. 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, 2008 and 2009, 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 required parts 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

September 9, 2010

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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 87,800	\$ 1,197,359	\$ 1,259,825	\$ 25,334
Gift	(5,852)	59,523	66,747	(13,076)
Zumstein Fund	8,021		8,021	-
Akeley Fund	40,151	137,643	20,575	157,219
Rainy Day	1,859	20,750	-	22,609
Technology Fund	251	2,295	251	2,295
Bond and Interest Redemption	777,806	837,961	1,321,658	294,109
Library Improvement Reserve	10,281	-	3,800	6,481
Library Capital Projects	-	155,234	108,180	47,054
Construction	29,373	-	29,373	-
Fiduciary Fund:				
PLAC	122	90	90	122
Totals	<u>\$ 949,812</u>	<u>\$ 2,410,855</u>	<u>\$ 2,818,520</u>	<u>\$ 542,147</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 25,334	\$ 1,237,433	\$ 1,221,023	\$ 41,744
Gift	(13,076)	97,830	58,021	26,733
Akeley Fund	157,219	8,000	13,096	152,123
Rainy Day	22,609	35,231	-	57,840
Technology Fund	2,295	5,003	3,944	3,354
Bond and Interest Redemption	294,109	1,011,752	977,581	328,280
Library Improvement Reserve	6,481	-	-	6,481
Library Capital Projects	47,054	174,764	168,729	53,089
Construction	-	-	355	(355)
Fiduciary Fund:				
PLAC	122	90	90	122
Totals	<u>\$ 542,147</u>	<u>\$ 2,570,103</u>	<u>\$ 2,442,839</u>	<u>\$ 669,411</u>

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: public safety, health and social 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.

WEST LAFAYETTE 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.

WEST LAFAYETTE PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For the Year Ended December 31, 2009

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 33,300
Infrastructure	-
Buildings	8,937,022
Improvements other than buildings	-
Machinery and equipment	698,582
Construction in progress	-
	<hr/>
Total governmental activities, capital assets not being depreciated:	<u>\$ 9,668,904</u>

WEST LAFAYETTE PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

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	\$ 8,430,739	\$ 957,000
Notes and loans payable	<u>279,581</u>	<u>280,236</u>
Total governmental activities debt	<u>\$ 8,710,320</u>	<u>\$ 1,237,236</u>

WEST LAFAYETTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

ERRORS ON CLAIMS

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

Some claims for services rendered were not adequately itemized. If the claim included hours of service provided, the hourly rate was not provided and could not be determined from the provided documentation. Some invoices noted that a certain reporting requirement was provided. There was no documentation as to time spent, hourly rate or a schedule for costs for the preparation of such reports.

A similar comment was included in the previous Report B33797.

IC 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."

OVERDRAWN CASH BALANCES

As of December 31, 2008, the cash balance of the Gift Fund was overdrawn \$13,076. As of December 31, 2009, the Construction Fund cash balance was overdrawn \$355.

A similar comment was previously reported in Report B33797.

The cash 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)

WEST LAFAYETTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The following expenditures were in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General Fund	2009	\$ 37,691
Bond and Interest Redemption Fund	2009	6,549
Library Capital Projects Fund	2009	3,315

A similar comment was included in the previous Report B33797.

IC 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."

DEPOSITS

As stated in the prior Report B33797, in numerous instances, receipts were deposited later than the next business day.

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."

OFFICIAL BONDS

As previously noted in Report B33797, the Library Treasurer's official bonds, covering August 29, 2006 to present, were not filed in the Office of the County Recorder.

IC 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)

PENALTIES, INTEREST, AND OTHER CHARGES

On January 9, 2009, for the late payment of third quarter 2008 payroll withholdings and match, a penalty of \$922.36 and interest of \$86.15, totaling \$1,008.86, were paid to the Internal Revenue Service.

A penalty of \$22.69 and interest of \$2.27, totaling \$24.96, were paid to the Indiana Department of Workforce Development for the third quarter of 2008 unemployment paid late.

WEST LAFAYETTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

We requested that Jeffrey Schwab, Treasurer, reimburse the Library \$1,033.82 for penalties and interest. The Library was reimbursed on September 10, 2010, in the amount of \$1,033.82; Receipt 2033. (See Summary, page 14)

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.

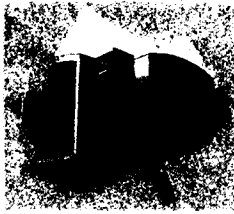
(Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

OFFICIAL BOND

Jeffrey Schwab, Treasurer, had official bonds with Merchants Bonding Company, for the one year periods from August 29, 2007 through August 29, 2010, in the amount of \$7,500, for each one year period.

WEST LAFAYETTE PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2010, with Jeffrey Schwab, Treasurer, and E. Nicholas Schenkel, Director. The official response has been made a part of this report and may be found on page 13.



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 46204-2765

September 17, 2010

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 2008 and 2009.

At the Exit Conference some written 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:

- **Errors on Claims:** Library staff will be more careful in examining claims for payment to be sure that itemization including hours of service provided are shown on the claim for payment.
- **Overdrawn Cash Balances:** Library staff will correct current overdrawn balances and work to maintain nothing less than a \$0.00 cash balance in the future for each fund.
- **Appropriations:** Library staff will maintain the correct budget appropriations, adjusting the appropriations as necessary throughout the year if additional appropriations (or reductions) are approved.
- **Deposits:** Library staff will deposit daily cash receipts in a timely manner.
- **Official Bond:** I have obtained the necessary signatures on the Library's Treasurer's Bond from August 29, 2006 to the present and will record these Bonds with the County Recorder once we have library board members sign each Treasurer's Bond as required by the County Recorder's Office.
- **Penalties, Interest and Other Charges:** The Library has been reimbursed \$1,033.82 for penalties and interest accrued in 2008/2009 as requested by the audit. Library staff will endeavor to send payments promptly to avoid penalties, interest and other charges in the future.

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

Sincerely,

Nick Schenkel, Library Director

WEST LAFAYETTE PUBLIC LIBRARY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jeffrey Schwab, Treasurer:			
Penalties and Interest, and Other Charges, pages 10 and 11	\$ 1,033.82	\$	\$
Receipt 2033, dated 09-10-2010	<u> </u>	1,033.82	<u> </u> -
Totals	<u>\$ 1,033.82</u>	<u>\$ 1,033.82</u>	<u>\$</u> -