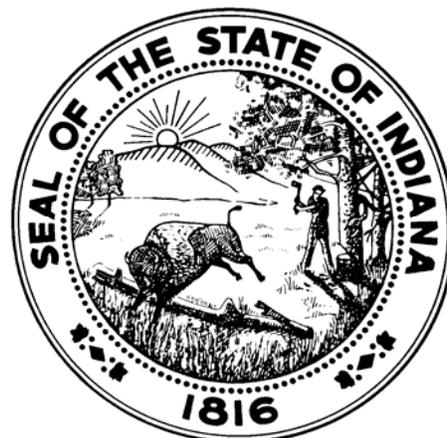


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
LOWELL PUBLIC LIBRARY
LAKE COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
02/08/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Barbara Berkey Sandra L. Morgan (Interim)	01-01-05 to 09-07-06 09-08-06 to 12-31-07
Treasurer	Brenda Wunderink Kathy Spencer	01-01-05 to 12-31-05 01-01-06 to 12-31-07
President of the Board	George Gray Brenda Wunderink	01-01-05 to 12-31-05 01-01-06 to 12-31-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LOWELL PUBLIC LIBRARY, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of Lowell Public Library (Library), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Funding Progress, 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

January 23, 2007

LOWELL 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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ -	\$ 1,966,097	\$ 1,966,097	\$ -
Gift	2,204	8,483	9,115	1,572
Legacy Endowment	97,463	14,375	2,124	109,714
Nisource Grant	1,102	-	129	973
SBC Grant	-	77	77	-
Bond and Interest Redemption	74	829,852	725,592	104,334
Library Improvement Reserve	-	144,771	50,000	94,771
Library Capital Projects	-	173,140	91,285	81,855
Fiduciary Fund:				
Payroll Withholdings	5,287	125,073	125,195	5,165
Totals	<u>\$ 106,130</u>	<u>\$ 3,261,868</u>	<u>\$ 2,969,614</u>	<u>\$ 398,383</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ -	\$ 1,231,817	\$ 979,429	\$ 252,388
Gift	1,572	32,109	3,923	29,758
Legacy Endowment	109,714	-	1,380	108,334
Nisource Grant	973	-	71	902
Bond and Interest Redemption	104,334	279,537	370,000	13,871
Library Improvement Reserve	94,771	32,000	32,000	94,771
Library Capital Projects	81,855	47,755	54,265	75,345
Fiduciary Funds:				
Payroll Withholdings	5,165	140,816	141,028	4,953
PLAC	-	62	62	-
Totals	<u>\$ 398,383</u>	<u>\$ 1,764,096</u>	<u>\$ 1,582,158</u>	<u>\$ 580,321</u>

The accompanying notes are an integral part of the schedules.

LOWELL 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.

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.

LOWELL 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.

LOWELL PUBLIC LIBRARY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess Of Assets Over (Unfunded) AAL	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL As A % Of Covered Payroll ((a-b)/c)
07-01-03	\$ 218,165	\$ 213,501	\$ 4,664	102%	\$ 173,932	3%
07-01-04	219,346	224,528	(5,182)	98%	180,777	3%
07-01-05	227,186	252,904	(25,718)	90%	219,007	12%

LOWELL PUBLIC LIBRARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2006

	<u>Ending Balance</u>
Capital assets, not being depreciated:	
Land	\$ 107,500
Buildings	2,386,808
Improvements other than buildings	278,192
Machinery and equipment	<u>1,959,020</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 4,731,520</u>

LOWELL PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

CAPITAL LEASES

The Library has entered into the following capital lease:

Description of Asset	Ending Balance	Due Within One Year
Capital lease:		
Library Building	\$ 915,000	\$ 270,000

LOWELL PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

LOAN BETWEEN LIBRARY FUNDS

A temporary loan of \$109,770.57 was made in 2005 from the Bond and Interest Fund to the Operating Fund and not completely repaid by December 31, 2005. The Operating Fund repaid \$87,853.06 on December 30, 2005. The remaining balance of \$21,917.51 had not been repaid as of January 23, 2007.

Indiana Code 36-1-8-4 concerning temporary loans states in part: "(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs . . ."

RECORD INFORMATION

Financial records presented for audit were inaccurate and not reflective of the activity of the Capital Projects and Library Improvement Reserve Funds. The Library prepared warrants and recorded the disbursements to repay interfund loans in 2005; however, no corresponding receipts were prepared or posted to the lending funds. The warrants were then voided but remained on the outstanding check lists from September, 2005 through December 2006. This resulted in the cash balances of the Capital Projects and Library Improvement Reserve Funds to be understated \$24,757.65 and \$50,000.00, respectively, at December 31, 2005 and 2006.

At all times, the manual and 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)

LOWELL PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on January 23, 2007, with Brenda Wunderink, President of the Board; Kathy Spencer, Treasurer; and Sandra L. Morgan, Interim Director. The officials concurred with our findings.