

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

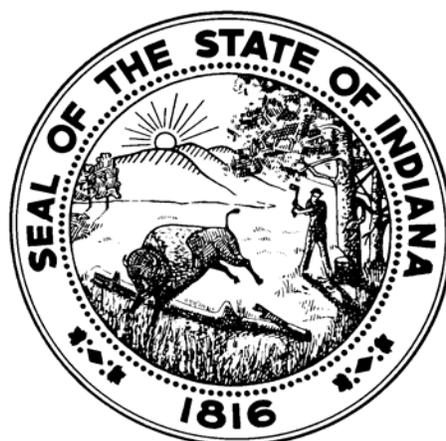
EXAMINATION REPORT

OF

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY

ST. JOSEPH COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
11/15/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Connie Jo Swanson	01-01-05 to 12-31-07
Treasurer	Lee A. Morton	01-01-05 to 12-31-07
President of the Board	Todd Whitteberry	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WALKERTON-LINCOLN TOWNSHIP  
PUBLIC LIBRARY, ST. JOSEPH COUNTY, INDIANA

We have examined the financial information presented herein of the Walkerton-Lincoln Township 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.

STATE BOARD OF ACCOUNTS

October 9, 2007

WALKERTON-LINCOLN TOWNSHIP 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	\$ 11,427	\$ 115,929	\$ 109,879	\$ 17,477
Rainy Day	16,766	10,428	11,953	15,241
Bond and Interest Redemption	(2,501)	12,197	9,976	(280)
Library Improvement Reserve	14,600	1,000	-	15,600
Fiduciary Funds:				
Payroll Withholdings	1,615	10,686	11,717	584
PLAC	156	1,872	644	1,384
Totals	<u>\$ 42,063</u>	<u>\$ 152,112</u>	<u>\$ 144,169</u>	<u>\$ 50,006</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 17,477	\$ 108,036	\$ 94,132	\$ 31,381
Rainy Day	15,241	-	-	15,241
State Technology Fund Grant	-	4,500	375	4,125
Bond and Interest Redemption	(280)	10,172	9,495	397
Library Improvement Reserve	15,600	-	-	15,600
Fiduciary Funds:				
Payroll Withholdings	584	13,685	13,916	353
PLAC	1,384	806	1,725	465
Totals	<u>\$ 50,006</u>	<u>\$ 137,199</u>	<u>\$ 119,643</u>	<u>\$ 67,562</u>

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

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Library was established under the laws of the State of Indiana. The Library provides cultural and recreational 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.

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

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 Event

The Walkerton-Lincoln Township Public Library was given land in 2005 for the construction of a new building by a family from the Town of Walkerton. The Library has been advised by this family that they would like to construct a new library building for the Town at a cost of \$2.5 million and would work with the Library on design and specifications. They are currently working with an architect. The Library is working on fundraising and grant writing for furnishings, technology, books and materials to be housed in this new structure, for which they hope construction will begin in the spring of 2009.

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior Report B25888, were again present during our period of examination:

1. Remittance for the Public Library Access Card (PLAC) for the first quarter of 2005 amounting to \$1,088 was never made to the Indiana State Library. PLAC receipts in the amount of \$1,359 were transferred to the Operating Fund in January 2006. Then in December 2006, first and third quarter remittances of \$248 and \$186 were paid, but not posted to any fund.
2. The Payroll Fund balance is understated at December 31, 2005, by \$260.12 and at December 31, 2006, by \$661.
3. Improper posting of payroll and other payable vouchers made it impossible for the sum of all funds to equal the total column of all funds in the ledger.
4. Two quarters of PERF payments were submitted late and PERF was overpaid \$43.96 in 2005. Incorrect rates were used for the employer's share of PERF for two quarters in 2005. Errors were made when posting PERF expenses.
5. The beginning ledger balance at January 1, 2005, is \$2,315 lower than the ending ledger balance at December 31, 2004.
6. Payroll withholding remittance records for 2006 (W-2 and 941 forms) were not presented for examination.
7. There were a considerable number of posting errors. These errors included checks not recorded to the proper expense accounts or not expensed at all and posting payroll withholdings incorrectly.
8. Some transactions were recorded as "negative" disbursements.

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)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$15.59 were paid to the Internal Revenue Service on April 26, 2006, for the third quarter of 2005 for which payroll taxes of \$54 were paid late.

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)

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PAYROLL DEDUCTIONS

Incorrect wage amounts were used for one employee for part of the year 2005. This caused the amount of withholding for social security and medicare to be incorrect. The form 941 filings for two quarters of 2005 used incorrect total wages. Also the federal withholding amount for the fourth quarter as listed on the form 941 did not match the employee's earnings record.

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)

LIBRARY ANNUAL REPORT NOT FILED

The Library did not file the Library Annual Financial Report for the years 2005 and 2006 with the State Board of Accounts. This Examination Result and Comment appeared in the prior Report B25888.

Public libraries are required to file an annual financial report with the State Board of Accounts pursuant to IC 5-11-1-4 no later than sixty (60) days after the end of each year. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

CONDITION OF RECORDS – RECONCILEMENTS

The total balance of individual funds shown on the Financial and Appropriation Record did not agree with either the total balance of all funds or the bank balance in the years 2005 and 2006. This same comment appeared in the prior Report B25888 for the years 2003 and 2004. The following balances and variances, as of December 31, 2005 and 2006, are noted below:

	<u>December 31, 2005</u>	<u>December 31, 2006</u>
Total individual funds added together	\$ 50,006.25	\$ 67,561.45
Total all funds control account	50,012.67	65,904.48
Variance	6.42	(1,656.97)
Reconciled bank balance	50,012.67	65,894.62
Variance	-	(9.86)

The Treasurer should reconcile all funds' balances to the total and to the bank.

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)

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CAPITAL ASSET RECORDS

The Library did not present a listing of capital assets for examination.

Every governmental unit should have a complete inventory of all capital assets owned, which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken 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)

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2007, with Lee A. Morton, Treasurer; and  
Connie Jo Swanson, Director.