

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

EXAMINATION REPORT
OF
NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
KOSCIUSKO COUNTY, INDIANA
January 1, 2010 to October 31, 2010



FILED
03/03/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Supplementary Information:	
Schedule of Capital Assets.....	6
Examination Results and Comments:	
Penalties and Interest – Indiana Department of Revenue	7
Penalties and Interest – Internal Revenue Service	7-8
Penalties and Interest – Indiana Department of Workforce Development	8-9
Unauthorized Payments to Former Bookkeeper	9-10
Late Payments – Retirement Plan.....	10
Bond Coverage.....	10
Exit Conference.....	11
Summary	12
Affidavit	13

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Helen Leinbach	01-01-10 to 12-31-10
Treasurer	Teresa Frey	01-01-10 to 12-31-10
President of the Board of Trustees	Dana Krull	01-01-10 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE NORTH WEBSTER COMMUNITY
PUBLIC LIBRARY, KOSCIUSKO COUNTY, INDIANA

We have examined the financial information presented herein of the North Webster Community Public Library (Library), for the period of January 1, 2010 to October 31, 2010. 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 period January 1, 2010 to October 31, 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets, 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 the schedule.

STATE BOARD OF ACCOUNTS

December 29, 2010

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Ten Months Ended October 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 10-31-10
Governmental Funds:				
General	\$ 322,526	\$ 369,263	\$ 481,385	\$ 210,404
Gift	64,013	4,299	9,865	58,447
Rainy Day	65,892	90,015	-	155,907
Library Improvement Reserve	343,046	-	39,526	303,520
Fiduciary Funds:				
Payroll Withholdings	-	33,776	26,769	7,007
PLAC	510	400	350	560
Totals	<u>\$ 795,987</u>	<u>\$ 497,753</u>	<u>\$ 557,895</u>	<u>\$ 735,845</u>

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

NORTH WEBSTER COMMUNITY 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 or 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.

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
As of October 31, 2010

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.

	Ending <u>Balance</u>
<u>Primary Government</u>	
Governmental activities:	
Capital assets, not being depreciated:	
Furniture and equipment	<u>\$ 267,669</u>

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

PENALTIES AND INTEREST - INDIANA DEPARTMENT OF REVENUE

The former Bookkeeper, Kristi Rhodes, made late payments of payroll withholding taxes to the Indiana Department of Revenue for the periods listed below. As a result, the Library incurred penalties and interest totaling \$1,585.10 as noted.

Period	Penalty and Interest
October 2008	\$ 51.51
March 2009	110.45
June 2009	120.45
July 2009	101.81
August 2009	101.71
September 2009	104.49
October 2009	93.43
November 2009	95.56
December 2009	160.00
January 2010	211.23
February 2010	95.29
March 2010	80.68
April 2010	82.73
May 2010	90.23
June 2010	85.53
Total	\$ 1,585.10

We have asked the former Bookkeeper, Kristi Rhodes, to repay the Library \$1,585.10 for the penalties and interest paid to the Indiana Department of Revenue. (See Summary, page 12)

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

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)

PENALTIES AND INTEREST - INTERNAL REVENUE SERVICE

The Library has paid or been assessed penalties and interest totaling \$22,196.04 to the Internal Revenue Service, due to underpayments or late payments of federal withholdings, medicare and social security, as noted on the following schedule:

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

<u>Quarter Ending</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total Penalty and Interest</u>	<u>Paid by Library</u>	<u>Unpaid</u>
September 2006	\$ 4,184.67	\$ -	\$ 4,184.67	\$ 4,184.67	\$ -
December 2006	3,465.38	33.76	3,499.14	3,041.87	457.27
June 2007	285.50	-	285.50	285.50	-
September 2007	40.05	-	40.05	-	40.05
June 2009	1,561.72	223.99	1,785.71	223.99	1,561.72
September 2009	3,715.57	468.70	4,184.27	468.70	3,715.57
December 2009	3,640.45	351.70	3,992.15	351.70	3,640.45
March 2010	2,183.27	177.97	2,361.24	177.97	2,183.27
June 2010	1,806.02	57.29	1,863.31	57.29	1,806.02
Totals	<u>\$ 20,882.63</u>	<u>\$ 1,313.41</u>	<u>\$ 22,196.04</u>	<u>\$ 8,791.69</u>	<u>\$ 13,404.35</u>

The Library has paid the interest of \$1,313.41 to the Internal Revenue Service and requested that the penalties for 2009 and 2010 be waived, in a letter dated December 15, 2010.

We have asked the former Bookkeeper, Kristi Rhodes, to repay the Library \$8,791.69 for the penalties and interest paid to the Internal Revenue Service. (See Summary, page 12)

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

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)

PENALTIES AND INTEREST – INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT

Penalties and interest totaling \$1,032.05 were paid to the Indiana Department of Workforce Development as shown in the following schedule:

<u>Quarter Ending</u>	<u>Penalty and Interest</u>
March 2009	\$ 229.49
June 2009	101.72
September 2009	66.36
December 2009	40.91
March 2010	425.57
June 2010	168.00
Total	<u>\$ 1,032.05</u>

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

We have asked the former Bookkeeper, Kristi Rhodes, to repay the Library \$1,032.05 for the penalties and interest paid to the Indiana Department of Workforce Development. (See Summary, page 12)

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

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)

UNAUTHORIZED PAYMENTS TO FORMER BOOKKEEPER

The following schedule shows checks paid to the former Bookkeeper, Kristi Rhodes, which were not authorized by the Library Director or Board. These checks were not posted to the ledger, at the time of payment. The Library Treasurer did not sign these checks.

Date on Check	Check Number	Amt	Date Cashed
12-12-08	3387	\$ 441.67	12-12-08
12-31-08	3524	598.33	12-31-08
03-26-09	3654	299.01	03-26-09
05-26-09	3814	653.49	06-12-09
06-26-09	4153	717.79	06-30-09
10-02-09	4388	311.78	10-09-09
10-13-09	4418	975.00	10-23-09
10-26-09	4427	658.46	10-26-09
11-13-09	4457	948.47	11-16-09
11-13-09	4486	948.47	11-20-09
12-14-09	4531	854.22	12-16-09
02-15-10	4724	424.81	02-24-10
02-24-10	4728	497.63	02-26-10
03-15-10	4818	1,126.60	03-29-10
05-13-10	4919	998.31	05-14-10
05-26-10	4972	741.92	06-03-10
06-14-10	5014	948.45	06-25-10
07-13-10	5091	872.20	08-06-10
07-26-10	5136	656.89	07-30-10
08-13-10	5147	585.25	08-13-10
08-26-10	5195	802.55	08-27-10
08-26-10	5227	802.55	09-10-10
09-27-10	5281	566.82	10-01-10
09-27-10	5314	559.62	10-07-10
Total		<u>\$ 16,990.29</u>	

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

We have asked the former Bookkeeper, Kristi Rhodes, to repay to the Library \$16,990.29, for the unauthorized checks she received. (See Summary, page 12)

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)

LATE PAYMENTS - RETIREMENT PLAN

Checks totaling \$26,826.56, paid to Great West Retirement Services for employees' withholdings and employer's share of the plan, were posted to the disbursement ledger from June 26, 2010 through August 26, 2010, but were not remitted the vendor until October 2010. All 28 checks cleared the bank on October 6, 2010.

Interest lost on the employees' investments has not been determined.

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)

BOND COVERAGE

The following is a schedule of blanket bond coverage for employees of the North Webster Community Public Library:

<u>Surety</u>	<u>Period of Coverage</u>	<u>Number</u>	<u>Amount</u>
Western Surety Company	04-25-05 to 04-25-11	69897007	\$ 5,000

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on December 29, 2010, with Helen Leinbach, Director; Teresa Frey, Treasurer; and Dana Krull, President of the Board of Trustees. The officials concurred with our findings.

The contents of this report were transmitted by email on January 24, 2011, to Kristi Rhodes, former Bookkeeper.

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kristi Rhodes, former Bookkeeper:			
Penalties and Interest - Indiana			
Department of Revenue, page 7	\$ 1,585.10	\$ -	\$ 1,585.10
Penalties and Interest - Internal			
Revenue Service, pages 7 and 8	8,791.69	-	8,791.69
Penalties and Interest - Indiana Department			
of Workforce Development, pages 8 and 9	1,032.05	-	1,032.05
Unauthorized Payments to Former Bookkeeper,			
pages 9 and 10	<u>16,990.29</u>	<u>-</u>	<u>16,990.29</u>
Totals - Kristi Rhodes, former Bookkeeper	<u>\$ 28,399.13</u>	<u>\$ -</u>	<u>\$ 28,399.13</u>

AFFIDAVIT

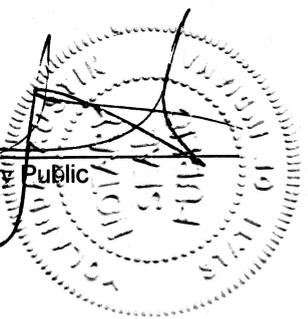
STATE OF INDIANA)
St Joseph COUNTY)

I, David P. Shearer, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of North Webster Community Public Library, Kosciusko County, Indiana, for the period from January 1, 2010 to October 31, 2010, is true and correct to the best of my knowledge and belief.

David P Shearer
Field Examiner

Subscribed and sworn to before me this 14 day of February, 2011

[Signature]
Notary Public

A circular notary seal for Yolanda Austin, Notary Public, St. Joseph County, Indiana. The seal contains the text "NOTARY PUBLIC", "ST. JOSEPH COUNTY", "INDIANA", and "STATE OF INDIANA".

My Commission Expires:
County of Residence:

YOLANDA AUSTIN
St. Joseph County
My Commission Expires
January 6, 2018