

**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, 2006 to December 31, 2007



**FILED**  
12/31/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Helen K. Leinbach	01-01-06 to 12-31-08
Treasurer	Teresa Frey	01-01-06 to 12-31-08
President of the Board	Dana Krull Brenda Rigdon	01-01-06 to 12-31-06 01-01-07 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2006 to December 31, 2007. 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.

Financial information presented for examination was incomplete and not reflective of the activity of the Library's funds. The records presented did not provide sufficient information to examine receipts and disbursements or the accuracy or correctness of the transactions or fund cash balances.

Because of the restrictions on our examination as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the financial information referred to above presents fairly, in all material respects, the cash transactions and fund cash balances of the Library for the years ended December 31, 2006 and 2007, 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. The Schedule 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

October 30, 2008

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 7,860	\$ 357,894	\$ 199,587	\$ 166,167
Gift	126,939	17,337	52,874	91,402
Library Improvement Reserve	-	30,000	-	30,000
Totals	<u>\$ 134,799</u>	<u>\$ 405,231</u>	<u>\$ 252,461</u>	<u>\$ 287,569</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 166,167	\$ 443,432	\$ 325,680	\$ 283,919
Gift	91,402	14,997	25,012	81,387
Rainy Day	-	30,000	-	30,000
Library Improvement Reserve	30,000	30,000	-	60,000
Totals	<u>\$ 287,569</u>	<u>\$ 518,429</u>	<u>\$ 350,692</u>	<u>\$ 455,306</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 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.

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

As of December 31, 2007

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:	
Machinery and equipment	<u>\$ 244,901</u>

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Library's funds. The records presented did not provide sufficient information to audit or establish receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. We were unable to accurately report receipts and disbursements for 2006 and 2007. The December 31, 2007, cash balances reported are based on the reconciliation to the bank balances. The operating fund has been adjusted so that the total of all funds agrees to the reconciliation.

Fund cash balances shown on the Library Financial and Appropriation Record (Record) at December 31, 2006 and 2007, do not agree to the balances shown in the annual reports provided to us. For example, the December 31, 2006, General Fund cash balance is \$165,034 in the Record, but \$170,328 in the annual report. The January 1, 2007, General Fund cash balance is \$166,167 in the Record. At December 31, 2006, the total cash balance of all funds is \$286,436 in the Record, but \$295,726 in the annual report.

Our tests show that none of the interest earned during 2007 on the money market bank account was posted to the 2007 Library Financial and Appropriation Record.

The December 31, 2007, General Fund cash balance is \$332,639 in the Record, but \$321,314 in the annual report. For the total of all funds' cash balances to match with the reconciliation, we reported an adjusted \$283,919 General Fund cash balance.

The Library Financial and Appropriation Record did not reflect monthly or annual totals of receipts or disbursements.

In our sample tests, we found receipts posted to the Library Financial and Appropriation Record (Record) in error. For example, \$66.05 was posted to the Record on November 2, 2007, but there was no matching deposit and the amount was not posted to the Daily Record of Collections. In another instance, a deposit for \$48.75 was posted to the Daily Record of Collections, but not to the Record.

In our sample tests, we also found an instance where a disbursement was posted to the Library Financial and Appropriation Record in error. We found three instances where a disbursement was not posted to the Record.

Board minutes show that a Rainy Day Fund was established in 2007 with a transfer of \$30,000 of unencumbered 2006 appropriation balances. We were unable to verify the appropriation balances because the 2006 Library Financial and Appropriation Record were incomplete and did not show appropriation balances.

The 2007 Library Financial and Appropriation Record (Record) did not show a Rainy Day Fund. The Library Director explained this Fund was established with a transfer of \$30,000 within the money market account, but not posted to the Record.

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)

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

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)

PUBLIC RECORDS RETENTION

The following records were not available or provided to us for our examination:

2006 money market account bank statements

2006 reconcilements of record balance to bank balance

Page one of the 2007 second quarter employees' quarterly payroll summary

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

ANNUAL REPORT

An annual report for 2007 was not filed with the State Examiner of the Indiana State Board of Accounts. The 2006 annual report was properly filed.

Indiana Code 5-11-1-4 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. Except as provided by subsection (b), these reports shall be prepared, verified, and filed with the state examiner not later than thirty (30) days after the close 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 close of each fiscal year: (1) A municipal government. (2) A public library. . . ."

SUPPORTING DOCUMENTATION

We observed several payments which were not supported by adequate documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established. In our sample test of fifteen disbursements, we found four instances in which there was no supporting documentation. Three of these instances were credit card payments that included the credit card statements, but not all of the supporting invoices.

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

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest, in the amount of \$344, were paid to the Internal Revenue Service on June 13, 2007, for the quarter ending March 31, 2007. An additional \$286 and \$457 in penalties for late payments was debited to the Library's bank account on September 7, 2007, and paid to the Internal Revenue Service.

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)

SALARY OVERPAYMENT

In our sample payroll test, we found that an employee, Cheryl A. Brown, was overpaid \$241.02. There was a formula error in totaling the employee's hours worked for the pay period ending September 6, 2007. The employee was paid for 66 hours. The correct total hours were 40.25. This resulted in 25.75 overpaid hours at a rate of \$9.36. On October 16, 2008, \$241.02 was repaid to the Library. (See Summary, page 13)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

INTEREST ON INVESTMENTS

We noted some instances where interest earned on investments was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 9)

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2008, with Teresa Frey, Treasurer; and Helen K. Leinbach, Director. The official response has been made a part of this report and may be found on pages 11 and 12.

**NORTH WEBSTER COMMUNITY PUBLIC LIBRARY**  
**301 NORTH MAIN ST., P.O. BOX 825, NORTH WEBSTER, IN 46555**  
**PHONE & FAX: (574)834-7122**

November 4, 2008

State Board of Accounts  
302 West Washington St., Room E 418  
Indianapolis, Indiana 46204-2765

**OFFICIAL RESPONSE**

To Whom It May Concern:

In response to the audit report of October 30, 2008, we acknowledge that the condition of the records was incomplete. This was due in part from using an inadequate software system and a computer update using Vista that was not compatible with the software. Support for the system was also inadequate with continuing promises to "make it work." As a result, we were unable to access the system for the last 10 months, but continued to think it would be fixed momentarily.

For our official records, we have decided to use a spreadsheet that is a reasonable facsimile of the official ledger sheets. These we will print out each month for our official reports.

For our library board of trustees we will print out these reports:

- Reconciliation Report
- Fund Balance Report
- Appropriation Report
- Income & Expenses Report for All Funds

We will have the Library Board of Trustees ensure that these reports are accurate and in agreement with each other.

The Bookkeeper is re-entering receipts and disbursements beginning in 2006 and plans to finish entering accounts through 2008 by January 31, 2009. This process will correct mistakes and give accurate balances for each fund. Those funds not listed in the Library Financial and Appropriation Record will be listed correctly.

In regards to the missing 2006 records, if we are unable to locate these documents we will obtain copies of the missing records from the bank and redo reconciliations of the record balances to the bank balances.

In regards to the 2007 Annual Report, we will resubmit this report after we have completed re-entering the 2007 records. We had submitted this report electronically in February 2008 but evidently the submission failed.

In regards to supporting documentation, we were unsure, upon examining the files with purportedly missing invoices, what documentation was missing. We make every effort to obtain invoices for every transaction but request instruction regarding what apparently was insufficient documentation.

In regards to late payments to the IRS, these were payments that were made on time electronically but the IRS claimed not to have received them. Henceforth, we will carefully document our payments and enlist the assistance of our attorney if we receive notices of penalties.

In regards to interest on investments, when investments mature, the interest will be paid to the library and posted to the appropriate fund. Each month interest from the Money Market fund will be added to the appropriate fund calculated by the percentage of each fund in the account.

Bank Account Reconciliations will be completed each month upon receipt of bank statements.

Respectfully submitted,

A handwritten signature in cursive script that reads "Helen Leinbach".

Helen Leinbach  
Library Director

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY  
KOSCIUSKO COUNTY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Cheryl A. Brown, employee: Salary Overpayment, page 9	<u>\$ 241.02</u>	<u>\$ 241.02</u>	<u>\$ -</u>