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**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, 2007 to December 31, 2009



**FILED**  
12/27/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Connie Jo Swanson Scott Klingerman (Interim)	01-01-07 to 02-17-10 02-18-10 to 12-31-10
Treasurer	Lee A. Morton	01-01-07 to 07-20-10 Position vacant at present
President of the Board	Todd Whitteberry Karyn Hesters	01-01-07 to 12-31-08 01-01-09 to 12-31-10



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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, 2007 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.

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 examine receipts, disbursements, and ending balances, or the accuracy of the transactions.

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 of the Library for the years ended December 31, 2007, 2008, and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 12, 2010

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, 2007, 2008 And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 31,381	\$ 134,284	\$ 140,654	\$ 25,011
Rainy Day	15,241	11,666	-	26,907
State Technology Fund Grant	4,125	4,500	8,625	-
Bond and Interest Redemption	397	-	397	-
Library Improvement Reserve	15,600	-	2,181	13,419
Fiduciary Funds:				
Payroll Withholdings	353	-	353	-
PLAC	465	-	465	-
Totals	<u>\$ 67,562</u>	<u>\$ 150,450</u>	<u>\$ 152,675</u>	<u>\$ 65,337</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 25,011	\$ 125,733	\$ 150,744	\$ -
Rainy Day	26,907	-	7,450	19,457
State Technology Fund Grant	-	4,500	4,500	-
Library Improvement Reserve	13,419	-	7,465	5,954
Totals	<u>\$ 65,337</u>	<u>\$ 130,233</u>	<u>\$ 170,159</u>	<u>\$ 25,411</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ -	\$ 171,587	\$ 168,831	\$ 2,756
Rainy Day	19,457	-	-	19,457
State Technology Fund Grant	-	4,500	4,500	-
Library Improvement Reserve	5,954	-	-	5,954
Totals	<u>\$ 25,411</u>	<u>\$ 176,087</u>	<u>\$ 173,331</u>	<u>\$ 28,167</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 administrative, 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 or highway use taxes are received 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.

WALKERTON-LINCOLN TOWNSHIP 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.

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS

RECORD INFORMATION

The Library Financial and Appropriation Record (Library Form 1) was not used and reconciled to the bank account balance. Fund financial records presented for examination were incomplete and not reflective of the activity of the Library for 2007 through 2009. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

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)

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)

ANNUAL REPORT

Annual reports for 2007, 2008, and 2009 were not presented for examination.

IC 5-3-1-4 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. . . . (b) The following shall prepare, verify, and file the reports required under subsection (a) not later than sixty (60) days after the end of each year. . . (2) A public library."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination for the entire audit period, 2007 through 2009. We prepared a preliminary review and comparison of bank account balances to available library records and no material problems were noted.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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 responsibility for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

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

COMPENSATION AND BENEFITS

Employee time, attendance, or service records were not presented for examination. A salary schedule was not available either; therefore the accuracy of compensation paid to employees could not be determined.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

PAYROLL DEDUCTIONS

Form W-2's, Form 941's, and other payroll withholding records were not presented for examination. As a result, the appropriateness and timeliness of payments to the Internal Revenue Service and the Indiana Department of Revenue could not be verified.

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)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$145.14 were paid to the Internal Revenue Service in 2009 for the late payment of withholding taxes for payroll periods during 2004 and 2005. Also, the Library paid penalties and interest totaling \$125.03 to the Indiana Department of Revenue for late withholding tax payments made for payroll periods during 2008.

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)

DISBURSEMENTS WITHOUT APPROPRIATIONS

Disbursements were made from the Library's General Fund during 2009. A formal budget and appropriations were not found to have been approved by the Department of Local Government Finance for these disbursements.

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."

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 at least 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 12, 2010, with Karyn Hesters, President of the Board, and Scott Klingerman, Interim Director. The official response has been made a part of this report and may be found on page 11.

Walkerton-Lincoln Public Library

Official Response to Examination Results and Comments

The Walkerton-Lincoln Public Library acknowledges the shortcomings of the State Board of Accounts audit of the library. The libraries Interim Director and Board of Trustees have set in place corrective actions to remedy the situation. Both the Director and Treasurer of the time of the audit period are no longer employed by the library. The Board of Trustees accepted the resignation of the Director effective February 15, 2010. The Treasurer was terminated in March of 2010. Currently the Interim Director is working with staff to educate and mentor employees on proper accounting and recordkeeping procedures.

Scott Klingerman

Interim Director