

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

EXAMINATION REPORT

OF

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY

MONTGOMERY COUNTY, INDIANA

January 1, 2008 to September 30, 2010



FILED
01/25/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Sara S. Baldwin (Vacant) Richard Payne	01-01-08 to 09-07-10 09-08-10 to 09-30-10 10-01-10 to 12-31-10
Treasurer	Cindy Bennett Sarah Phillips	01-01-08 to 03-31-09 04-01-09 to 12-31-10
President of the Board	Frank Moss	01-01-08 to 12-31-10



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WAVELAND-BROWN TOWNSHIP
PUBLIC LIBRARY, MONTGOMERY COUNTY, INDIANA

We have examined the financial information presented herein of the Waveland-Brown Township Public Library (Library), for the period of January 1, 2008 to September 30, 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 periods ended December 31, 2008 and 2009 and September 30, 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 it.

STATE BOARD OF ACCOUNTS

November 4, 2010

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Periods Ended December 31, 2008 and 2009 and September 30, 2010

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (4,821)	\$ 147,848	\$ 137,660	\$ 5,367
Gift	6,143	3,193	1,979	7,357
Rainy Day	800	-	-	800
State Technology Grant	118	264	271	111
Library Improvement Reserve	169,738	42,284	36,988	175,034
Totals	<u>\$ 171,978</u>	<u>\$ 193,589</u>	<u>\$ 176,898</u>	<u>\$ 188,669</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 5,367	\$ 136,930	\$ 114,976	\$ 27,321
Gift	7,357	2,230	3,912	5,675
Rainy Day	800	-	-	800
State Technology Grant	111	260	271	100
Library Improvement Reserve	175,034	23,847	94,401	104,480
Totals	<u>\$ 188,669</u>	<u>\$ 163,267</u>	<u>\$ 213,560</u>	<u>\$ 138,376</u>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 09-30-10
Governmental Funds:				
General	\$ 27,321	\$ 84,621	\$ 84,984	\$ 26,958
Gift	5,675	33	153	5,555
Rainy Day	800	1,607	-	2,407
State Technology Grant	100	231	165	166
Library Improvement Reserve	104,480	1,463	11,823	94,120
Levy Excess	-	151	-	151
Totals	<u>\$ 138,376</u>	<u>\$ 88,106</u>	<u>\$ 97,125</u>	<u>\$ 129,357</u>

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

WAVELAND-BROWN 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 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.

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.

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Period Ended September 30, 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land/building	\$ 66,152
Furniture and equipment	51,071
Library materials	<u>205,911</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 323,134</u></u>

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

PERSONAL EXPENSES

Sara S. Baldwin, former Library Director, purchased video game systems, video games, textbooks, and sporting goods for personal use with Library funds. We identified personal items on vendor sales receipts that were attached to claim forms prepared by Mrs. Baldwin. The claim forms supported the disbursement reimbursement to Mrs. Baldwin or the payment directly to the vendor. In many instances claim forms and supporting documentation were not available for review. Mrs. Baldwin has admitted to law enforcement authorities that she set fire and destroyed financial records of the Library. The following personal expenses were paid from Library funds on behalf of former Library Director, Sara S. Baldwin:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Totals</u>
Unknown Reimbursements to Sara S. Baldwin	\$ 153.21	\$2,815.18	\$ 2,290.53	\$ 5,258.92
Video Games/Systems	154.38	1,184.92	601.41	1,940.71
Textbooks	-	1,171.44	-	1,171.44
Clothing	-	-	94.98	94.98
Corner TV Stand	-	-	94.00	94.00
Tennis Teacher video	-	47.15	-	47.15
Kroger Gift Cards	-	40.00	-	40.00
DVD on Demand	-	37.45	-	37.45
Dick's Sporting Goods - Baseballs	29.99	-	-	29.99
Totals	<u>\$ 337.58</u>	<u>\$5,296.14</u>	<u>\$ 3,080.92</u>	<u>\$ 8,714.64</u>

We requested Sara S. Baldwin repay \$8,714.64 to the Waveland Brown Township Public Library. (See Summary, page 13)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

FINANCE CHARGES AND LATE FEES

The Library incurred, and subsequently paid, finance charges and late fees for delinquent payment of vendor invoices of \$29.00 in 2008 and \$54.64 in 2009.

We requested Sara S. Baldwin repay \$83.64 to the Waveland Brown Township Public Library for finance charges and late fees. (See summary, page 13)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

AUDIT COSTS

The State of Indiana incurred additional audit fees in the investigation of the misappropriated funds. The State of Indiana is requesting reimbursement of audit fees incurred in the amount of \$6,998.55.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

DEPOSITS

Of the receipts tested, eight receipts were deposited later than the next business day.

IC 5-13-6-1 (c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the several local boards of finance that have jurisdiction of the funds. Public funds deposited under this subsection shall be deposited in the same form in which they were received."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized.
- (3) Claims were not always certified by Treasurer.
- (4) Claims were not examined or reviewed by Library Board.
- (5) Claims or invoices did not have evidence to support receipt of goods or services.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

ANNUAL REPORT

An annual report for 2009 was not presented for examination.

IC 5-11-1-4 states:

"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. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

PUBLIC RECORDS RETENTION

Sara S. Baldwin, former Library Director, set fire to certain financial records of the Library. The burnt remains of the financial records were identified, but could not be examined. The following records were not presented for examination due to destruction by fire:

The Ledger of Receipts, Disbursements and Balances
Claims and supporting documentation for many disbursements during the examination period
Bank Statements from February 2009 to December 2009

However, the Library obtained copies of the bank statements and cancelled checks to present for examination. The Library also hired an accountant to recreate the Ledger of Receipts, Disbursements and Balances to present for examination.

IC 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)

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The following expenditures were in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Library Improvement Reserve	2008	\$ 1,988
General	2009	15,565
Library Improvement Reserve	2009	42,246

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."

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on November 4, 2010, with Frank Moss, President of the Board. The official concurred with our findings.

The contents of this report were discussed on November 4, 2010, with Sarah Phillips, Treasurer, and Eldon Ray Haile, Library Board member.

The contents of this report were discussed on November 4, 2010, with Sara S. Baldwin, former Library Director.

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sara S. Baldwin, former Library Director:			
Personal Expenses, page 7	\$ 8,714.64	\$	\$
Finance Charges and Late Fees, page 7	83.64		
Audit Costs, page 8	6,998.55		
Paid January 11, 2011, Cashiers Check No. 029395	<u> </u>	<u>15,796.83</u>	<u> </u> -
 Totals	 <u>\$ 15,796.83</u>	 <u>\$ 15,796.83</u>	 <u>\$ </u> -