

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

EXAMINATION REPORT  
OF  
MONTEZUMA PUBLIC LIBRARY  
PARKE COUNTY, INDIANA  
January 1, 2009 to December 31, 2010



**FILED**  
09/21/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Nancy Mattson Brenda Willhite Jayanne Rumpel	01-01-09 to 05-14-09 05-15-09 to 08-17-09 08-18-09 to 12-31-11
Treasurer	Malcolm L. Moore	01-01-09 to 12-31-11
President of the Board	Eleanor Ann Stanley	01-01-09 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE MONTEZUMA PUBLIC LIBRARY, PARKE COUNTY, INDIANA

We have examined the financial statement of the Montezuma Public Library (Library), for the period of January 1, 2009 to December 31, 2010. The Library's management is responsible for the financial statement. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Library for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Library's management, the Library Board, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 12, 2011

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FINANCIAL STATEMENT

MONTEZUMA PUBLIC LIBRARY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
As Of And For The Years Ended December 31, 2009 And 2010

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:							
General	\$ 66,722	\$ 57,149	\$ 46,515	\$ 77,356	\$ 66,656	\$ 63,048	\$ 80,964
Gift	-	205	205	-	50	-	50
Memorial Donations	-	812	330	482	-	215	267
Rainy Day	911	764	-	1,675	1,035	-	2,710
Levy Excess	-	-	-	-	101	-	101
Totals	<u>\$ 67,633</u>	<u>\$ 58,930</u>	<u>\$ 47,050</u>	<u>\$ 79,513</u>	<u>\$ 67,842</u>	<u>\$ 63,263</u>	<u>\$ 84,092</u>

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

MONTEZUMA PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Library was established under the laws of the State of Indiana. The Library operates under an appointed governing board and provides culture services.

The accompanying financial statements presents the financial information for the Library (primary government), and does not include financial information for any of the Library's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Library (primary government).

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Library.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

MONTEZUMA PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Library. It includes all expenditures for the reduction of the principal and interest of the Library's general obligation indebtedness.

MONTEZUMA PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The Library may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Library. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Library. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Library in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Library submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Library in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

MONTEZUMA PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. *Deposits and Investments***

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. *Risk Management***

The Library may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Library to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Library by recording as a disbursement and replacement items purchased.

MONTEZUMA PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS

***ANNUAL REPORTS***

Annual reports for 2009 and 2010 were presented for examination but did not trace to the ledger. For 2009, the library did not include all transactions for the different funds. For 2010, the library only included the General Fund and not any other funds. The unit printed out a Financial Report for 2009 and 2010 from their software system which was used for the financial statement. Because the annual reports were not accurately filed, combining statements were not presented.

Indiana Code 5-11-1-4(a) 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. 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."

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

***TIMELY DEPOSITS***

A review of the bank statements indicated that the library is making deposits weekly, which is not in compliance with the public depository law. Two of the local distributions from the County Auditor were not deposited timely. One was deposited three weeks after receipt.

Indiana Code 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."

***INTERNAL CONTROLS***

Two of the local distributions from the County Auditor were posted to the wrong fund.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

MONTEZUMA PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**RECEIPT ISSUANCE**

Receipts are not issued for every transaction.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

**ORDINANCES AND RESOLUTIONS**

The Library did not prepare a salary resolution for 2010. However, the June 30, 2009, minutes approved a 3 percent increase for all salaries for 2010. Since the Library did not have a salary resolution for 2010, the Bookkeeper used the budgeted amounts for salaried employees to process payroll for 2010. This resulted in Allen Cobb, Bookkeeper, receiving an overpayment of \$41.64. The overpayment was refunded to the Library on July 7, 2011, on Receipt 3686.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

**ERRORS ON CLAIMS**

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

1. Some claims tested did not have an itemized invoice attached.
2. Some claims tested did not have evidence to support the receipt of goods or services.

Each payment must be supported by a fully itemized invoice or other documentation. The documentation should be available to the board for their review before approval. The library director must certify to the board before payment that each claim is true and correct and that the goods or services were received. This certification must be on Library Form No. 4, which should be completed with information regarding the payee, invoice date and number, description of service or material, amount to be paid, and the account to be charged. (Accounting and Uniform Compliance Guidelines for Libraries, Chapter 3)

MONTEZUMA PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on July 12, 2011, with Malcolm L. Moore, Treasurer. The official concurred with our findings.

The contents of this report were discussed on July 12, 2011, with Jayanne Rumble, Director.