

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

BROWNSTOWN PUBLIC LIBRARY

JACKSON COUNTY, INDIANA

January 1, 2010 to December 31, 2010



**FILED**  
12/05/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Sherri L. May	01-01-10 to 12-31-11
Treasurer	Amy Jo Hartley	09-01-09 to 08-31-12
President of the Board	Terry Lyon-McCarthy	09-01-09 to 08-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE BROWNSTOWN PUBLIC LIBRARY, JACKSON COUNTY, INDIANA

We have examined the financial statement of the Brownstown Public Library (Library), for the period of January 1, 2010 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 statement 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 statements 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 year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Library's management and 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

October 25, 2011

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Library. The financial statement and notes are presented as intended by the Library.

BROWNSTOWN PUBLIC LIBRARY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Operating	\$ 47,916	\$ 602,257	\$ 493,062	\$ 157,111
Petty Cash	25	-	-	25
Cash Change	100	75	-	175
State Technology Fund Grant	4,620	3,397	4,365	3,652
Gift	919	2,401	3,015	305
Rainy Day	35,510	189,485	137,386	87,609
Levy Excess	-	783	-	783
Bond And Interest Redemption	4,641	65,436	61,557	8,520
Library Improvement Reserve	41,957	28,540	41,200	29,297
Payroll	-	48,062	48,062	-
PLAC	-	50	50	-
Totals	<u>\$ 135,688</u>	<u>\$ 940,486</u>	<u>\$ 788,697</u>	<u>\$ 287,477</u>

The notes to the financial statement are an integral part of this statement.

BROWNSTOWN 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 statement 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 statement is 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 statement. 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.

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.

BROWNSTOWN PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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).

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.

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

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.

BROWNSTOWN PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

**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.

BROWNSTOWN PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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; 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.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Library's Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Library which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and approved by management of the Library. It is presented as intended by the Library.

BROWNSTOWN PUBLIC LIBRARY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	Operating	Petty Cash	Cash Change	State Technology Fund Grant	Gift	Rainy Day
Cash and investments - beginning	\$ 47,916	\$ 25	\$ 100	\$ 4,620	\$ 919	\$ 35,510
Receipts:						
Taxes	367,063	-	-	-	-	-
Intergovernmental	152,309	-	-	3,397	-	8,727
Charges for services	7,513	-	-	-	-	-
Fines and forfeits	9,786	-	-	-	-	-
Other receipts	65,586	-	75	-	2,401	180,758
Total receipts	<u>602,257</u>	<u>-</u>	<u>75</u>	<u>3,397</u>	<u>2,401</u>	<u>189,485</u>
Disbursements:						
Personal services	223,934	-	-	-	-	-
Supplies	16,271	-	-	-	2,561	548
Other services and charges	33,990	-	-	4,365	115	1,250
Capital outlay	105,872	-	-	-	339	2,432
Other disbursements	112,995	-	-	-	-	133,156
Total disbursements	<u>493,062</u>	<u>-</u>	<u>-</u>	<u>4,365</u>	<u>3,015</u>	<u>137,386</u>
Excess (deficiency) of receipts over disbursements	<u>109,195</u>	<u>-</u>	<u>75</u>	<u>(968)</u>	<u>(614)</u>	<u>52,099</u>
Cash and investments - ending	<u>\$ 157,111</u>	<u>\$ 25</u>	<u>\$ 175</u>	<u>\$ 3,652</u>	<u>\$ 305</u>	<u>\$ 87,609</u>

BROWNSTOWN PUBLIC LIBRARY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Levy Excess	Bond And Interest Redemption	Library Improvement Reserve	Payroll	PLAC	Totals
Cash and investments - beginning	\$ -	\$ 4,641	\$ 41,957	\$ -	\$ -	\$ 135,688
Receipts:						
Taxes	-	39,539	-	-	-	406,602
Intergovernmental	-	7,703	-	-	-	172,136
Charges for services	-	-	-	-	-	7,513
Fines and forfeits	-	-	-	-	-	9,786
Other receipts	783	18,194	28,540	48,062	50	344,449
Total receipts	783	65,436	28,540	48,062	50	940,486
Disbursements:						
Personal services	-	-	-	-	-	223,934
Supplies	-	-	-	-	-	19,380
Other services and charges	-	35,971	-	-	-	75,691
Capital outlay	-	-	20,600	-	-	129,243
Other disbursements	-	25,586	20,600	48,062	50	340,449
Total disbursements	-	61,557	41,200	48,062	50	788,697
Excess (deficiency) of receipts over disbursements	783	3,879	(12,660)	-	-	151,789
Cash and investments - ending	\$ 783	\$ 8,520	\$ 29,297	\$ -	\$ -	\$ 287,477

BROWNSTOWN PUBLIC LIBRARY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 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 Balance
Other:	
Capital assets, not being depreciated:	
Land	\$ 50,000
Buildings	604,461
Improvements other than buildings	22,011
Machinery and equipment	884,615
Other capital assets not being depreciated	\$ 1,561,087

BROWNSTOWN PUBLIC LIBRARY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/Department
Bonds payable:			
General obligation bonds:			
1993 Public library district library bonds	\$ <u>75,000</u>	\$ <u>39,043</u>	Bond And Interest Redemption

BROWNSTOWN PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2011, with Amy Jo Hartley, Treasurer, and Sherri L. May, Director. Our examination disclosed no material items that warrant comment at this time.