

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

HENRY HENLEY PUBLIC LIBRARY

RUSH COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
10/10/2012



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	6-7
Notes to Financial Statements .....	8-10
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	12-13
Schedule of Leases and Debt .....	14
Examination Results and Comments:	
Capital Asset Records .....	15
Errors on Claims .....	15
Appropriations.....	15-16
Penalties, Interest, and Other Charges .....	16
Deposits.....	16
Prescribed Forms .....	16
Exit Conference.....	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Shelli Wilson	01-01-10 to 12-31-12
Treasurer	Kimberly Heim	07-01-09 to 06-30-13
President of the Board	Marlene Eickhoff James Neal	07-01-09 to 06-30-11 07-01-11 to 06-30-13



**STATE OF INDIANA**  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE HENRY HENLEY PUBLIC LIBRARY, RUSH COUNTY, INDIANA

We have examined the accompanying financial statements of the Henry Henley Public Library (Library), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on the financial statements 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Library for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Library's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Library's management, Library Board, and others within the entity 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

August 9, 2012

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## FINANCIAL STATEMENTS

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

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 44,980	\$ 13,503	\$ 13,842	\$ 44,641
Levy Excess	-	6	-	6
Totals	<u>\$ 44,980</u>	<u>\$ 13,509</u>	<u>\$ 13,842</u>	<u>\$ 44,647</u>

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

HENRY HENSLEY PUBLIC LIBRARY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 44,641	\$ 31,241	\$ 32,323	\$ 43,559
Levy Excess	<u>6</u>	<u>-</u>	<u>6</u>	<u>-</u>
Totals	<u>\$ 44,647</u>	<u>\$ 31,241</u>	<u>\$ 32,329</u>	<u>\$ 43,559</u>

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

HENRY HENLEY PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS

**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 present the financial information for the Library.

*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 include 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, 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, financial institution tax received from the state, auto excise surtax received from the state, and commercial vehicle excise tax received from the state.

Charges for services which can include, but are not limited to the following: copies of public records, copy machine charges, and fines and fees.

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; and fiduciary receipts.

HENRY HENLEY PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include 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, 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

HENRY HENLEY PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

**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.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Library's 2010 Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Library's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Library which are 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 approved by management of the Library. It is presented as intended by the Library.

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

	<u>General</u>	<u>Levy Excess</u>	<u>Totals</u>
Cash and investments - beginning	\$ 44,980	\$ -	\$ 44,980
Receipts:			
Taxes	1,075	-	1,075
Intergovernmental	10,528	-	10,528
Other receipts	<u>1,900</u>	<u>6</u>	<u>1,906</u>
Total receipts	<u>13,503</u>	<u>6</u>	<u>13,509</u>
Disbursements:			
Personal services	5,260	-	5,260
Supplies	78	-	78
Other services and charges	<u>8,504</u>	<u>-</u>	<u>8,504</u>
Total disbursements	<u>13,842</u>	<u>-</u>	<u>13,842</u>
Excess (deficiency) of receipts over disbursements	<u>(339)</u>	<u>6</u>	<u>(333)</u>
Cash and investments - ending	<u>\$ 44,641</u>	<u>\$ 6</u>	<u>\$ 44,647</u>

HENRY HENSLEY PUBLIC LIBRARY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	<u>General</u>	<u>Levy Excess</u>	<u>Totals</u>
Cash and investments - beginning	\$ 44,641	\$ 6	\$ 44,647
Receipts:			
Taxes	2,388	-	2,388
Intergovernmental	10,698	-	10,698
Charges for services	350	-	350
Other receipts	<u>17,805</u>	<u>-</u>	<u>17,805</u>
Total receipts	<u>31,241</u>	<u>-</u>	<u>31,241</u>
Disbursements:			
Personal services	5,506	-	5,506
Supplies	541	-	541
Other services and charges	7,787	-	7,787
Capital outlay	17,538	-	17,538
Other disbursements	<u>951</u>	<u>6</u>	<u>957</u>
Total disbursements	<u>32,323</u>	<u>6</u>	<u>32,329</u>
Deficiency of receipts over disbursements	<u>(1,082)</u>	<u>(6)</u>	<u>(1,088)</u>
Cash and investments - ending	<u>\$ 43,559</u>	<u>\$ -</u>	<u>\$ 43,559</u>

HENRY HENSLEY PUBLIC LIBRARY  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Building Repairs	<u>\$ 13,453</u>	<u>\$ 1,724</u>

HENRY HENLEY PUBLIC LIBRARY  
RUSH COUNTY  
EXAMINATION RESULTS AND COMMENTS

***CAPITAL ASSET RECORDS***

The Library is not maintaining capital asset records.

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 form. 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)

***ERRORS ON CLAIMS***

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

1. Claims were not prepared for all disbursements.
2. All claims did not have board approval.
3. Claims or invoices did not have evidence to support receipt of goods or services.

Indiana Code 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;
- (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."

***APPROPRIATIONS***

The Library entered into a promissory note for \$14,000 with their official depository for repair to the existing library building. The Library did not ask for an additional appropriation for that project and additional expenditures, and General fund expenditures were \$15,163 in excess of budgeted appropriations.

HENRY HENLEY PUBLIC LIBRARY  
RUSH COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 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."

***PENALTIES, INTEREST, AND OTHER CHARGES***

Penalties and interest totaling \$69.42 were paid to the Internal Revenue Service on May 8, 2011, for the period December 31, 2010.

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)

***DEPOSITS***

As stated in the prior report, in numerous instances, receipts were deposited later than the next business day. Depository statements indicate that deposits are made only once or twice each month.

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."

***PRESCRIBED FORMS***

The prescribed or approved form, Library Form 4 - Accounts Payable Voucher, was not in use. Without the Vouchers, there was no indication that invoices had been certified by the proper official or approved by the governing board.

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)

HENRY HENLEY PUBLIC LIBRARY  
RUSH COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2012, with Kimberly Heim, Treasurer.