

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

BRAZIL PUBLIC LIBRARY

CLAY COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
10/15/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Jill Scarbrough	01-01-10 to 12-31-12
Treasurer	Caroline McCullough	01-01-10 to 12-31-12
President of the Board	Mary Ann Gossett	01-01-10 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE BRAZIL PUBLIC LIBRARY, CLAY COUNTY, INDIANA

We have examined the accompanying financial statements of the Brazil 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. The basis noted above is a different basis than that used in the prior year.

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, Schedule of Leases and Debt, and Schedule of Capital Assets, 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 28, 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.

BRAZIL 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
Operating	\$ 66,251	\$ 626,965	\$ 602,786	\$ 90,430
Petty Cash	100	-	-	100
Change Funds	100	-	-	100
Indiana State Technology Grant	4,222	8,722	6,043	6,901
Gift Fund	79,492	4,137	24,337	59,292
Rainy Day Fund	28,496	14,818	-	43,314
Levy Excess	198	13,274	198	13,274
Debt Service	2,064	131,620	129,347	4,337
Lirf	39,098	3,000	-	42,098
Payroll	1,595	-	1,595	-
Plac Card	-	50	50	-
Totals	<u>\$ 221,616</u>	<u>\$ 802,586</u>	<u>\$ 764,356</u>	<u>\$ 259,846</u>

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

BRAZIL 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
Operating	\$ 90,430	\$ 611,220	\$ 624,486	\$ 77,164
Rainy Day Fund	43,314	2,477	-	45,791
Levy Excess	13,274	-	13,274	-
Lirf	42,098	3,450	-	45,548
Petty Cash	100	-	-	100
Change Funds	100	-	-	100
Indiana State Technology Grant	6,901	2,931	5,605	4,227
Gift Fund	59,292	7,572	15,624	51,240
Debt Service	4,337	130,660	122,775	12,222
Payroll	-	2,033	-	2,033
Totals	<u>\$ 259,846</u>	<u>\$ 760,343</u>	<u>\$ 781,764</u>	<u>\$ 238,425</u>

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

BRAZIL 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, 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, 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, fines and fees.

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).

BRAZIL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.

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.

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.

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

BRAZIL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

BRAZIL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 any replacement items purchased.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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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/.

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.

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

	Operating	Petty Cash	Change Funds	Indiana State Technology Grant	Gift Fund	Rainy Day Fund
Cash and investments - beginning	\$ 66,251	\$ 100	\$ 100	\$ 4,222	\$ 79,492	\$ 28,496
Receipts:						
Taxes	256,688	-	-	-	-	-
Intergovernmental	237,667	-	-	-	-	-
Charges for services	3,393	-	-	6,272	-	-
Fines and forfeits	24,292	-	-	-	-	-
Other receipts	104,925	-	-	2,450	4,137	14,818
Total receipts	<u>626,965</u>	<u>-</u>	<u>-</u>	<u>8,722</u>	<u>4,137</u>	<u>14,818</u>
Disbursements:						
Personal services	370,651	-	-	-	-	-
Supplies	8,609	-	-	-	-	-
Other services and charges	50,198	-	-	-	-	-
Capital outlay	49,451	-	-	6,043	-	-
Other disbursements	123,877	-	-	-	24,337	-
Total disbursements	<u>602,786</u>	<u>-</u>	<u>-</u>	<u>6,043</u>	<u>24,337</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>24,179</u>	<u>-</u>	<u>-</u>	<u>2,679</u>	<u>(20,200)</u>	<u>14,818</u>
Cash and investments - ending	<u>\$ 90,430</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 6,901</u>	<u>\$ 59,292</u>	<u>\$ 43,314</u>

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

	Levy Excess	Debt Service	Lif	Payroll	Plac Card	Totals
Cash and investments - beginning	\$ 198	\$ 2,064	\$ 39,098	\$ 1,595	\$ -	\$ 221,616
Receipts:						
Taxes	-	116,694	-	-	-	373,382
Intergovernmental	-	14,926	-	-	-	252,593
Charges for services	-	-	-	-	-	9,665
Fines and forfeits	-	-	-	-	-	24,292
Other receipts	13,274	-	3,000	-	50	142,654
Total receipts	13,274	131,620	3,000	-	50	802,586
Disbursements:						
Personal services	-	-	-	1,595	-	372,246
Supplies	-	-	-	-	-	8,609
Other services and charges	-	500	-	-	-	50,698
Capital outlay	-	-	-	-	-	55,494
Other disbursements	198	128,847	-	-	50	277,309
Total disbursements	198	129,347	-	1,595	50	764,356
Excess (deficiency) of receipts over disbursements	13,076	2,273	3,000	(1,595)	-	38,230
Cash and investments - ending	\$ 13,274	\$ 4,337	\$ 42,098	\$ -	\$ -	\$ 259,846

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

	Operating	Rainy Day Fund	Levy Excess	Lirf	Petty Cash	Change Funds
Cash and investments - beginning	\$ 90,430	\$ 43,314	\$ 13,274	\$ 42,098	\$ 100	\$ 100
Receipts:						
Taxes	248,007	-	-	-	-	-
Intergovernmental	193,446	-	-	-	-	-
Charges for services	3,054	-	-	-	-	-
Fines and forfeits	21,146	-	-	-	-	-
Other receipts	<u>145,567</u>	<u>2,477</u>	<u>-</u>	<u>3,450</u>	<u>-</u>	<u>-</u>
Total receipts	<u>611,220</u>	<u>2,477</u>	<u>-</u>	<u>3,450</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	373,501	-	-	-	-	-
Supplies	8,662	-	-	-	-	-
Other services and charges	49,732	-	-	-	-	-
Debt service - principal and interest	131,995	-	-	-	-	-
Capital outlay	54,690	-	-	-	-	-
Other disbursements	<u>5,906</u>	<u>-</u>	<u>13,274</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>624,486</u>	<u>-</u>	<u>13,274</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(13,266)</u>	<u>2,477</u>	<u>(13,274)</u>	<u>3,450</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 77,164</u>	<u>\$ 45,791</u>	<u>\$ -</u>	<u>\$ 45,548</u>	<u>\$ 100</u>	<u>\$ 100</u>

BRAZIL PUBLIC LIBRARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Indiana State Technology Grant	Gift Fund	Debt Service	Payroll	Totals
Cash and investments - beginning	\$ 6,901	\$ 59,292	\$ 4,337	\$ -	\$ 259,846
Receipts:					
Taxes	2,931	-	113,391	-	364,329
Intergovernmental	-	-	13,517	-	206,963
Charges for services	-	-	-	-	3,054
Fines and forfeits	-	-	-	-	21,146
Other receipts	-	7,572	3,752	2,033	164,851
Total receipts	<u>2,931</u>	<u>7,572</u>	<u>130,660</u>	<u>2,033</u>	<u>760,343</u>
Disbursements:					
Personal services	-	-	-	-	373,501
Supplies	-	-	-	-	8,662
Other services and charges	5,605	-	-	-	55,337
Debt service - principal and interest	-	-	122,275	-	254,270
Capital outlay	-	-	-	-	54,690
Other disbursements	-	15,624	500	-	35,304
Total disbursements	<u>5,605</u>	<u>15,624</u>	<u>122,775</u>	<u>-</u>	<u>781,764</u>
Excess (deficiency) of receipts over disbursements	<u>(2,674)</u>	<u>(8,052)</u>	<u>7,885</u>	<u>2,033</u>	<u>(21,421)</u>
Cash and investments - ending	<u>\$ 4,227</u>	<u>\$ 51,240</u>	<u>\$ 12,222</u>	<u>\$ 2,033</u>	<u>\$ 238,425</u>

BRAZIL 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:			
General obligation bonds	renovation & addition to existing building	\$ 1,265,000	\$ 124,455
Totals		<u>\$ 1,265,000</u>	<u>\$ 124,455</u>

BRAZIL PUBLIC LIBRARY
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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>Ending Balance</u>
Governmental activities:	
Land	\$ 60,000
Infrastructure	350,000
Buildings	3,914,000
Improvements other than buildings	125,201
Machinery, equipment and vehicles	478,677
Books and other	<u>841,941</u>
Total governmental activities	<u>5,769,819</u>
Total capital assets	<u>\$ 5,769,819</u>

BRAZIL PUBLIC LIBRARY
EXAMINATION RESULT AND COMMENT

EMPLOYEE GIFTS

We noted gifts of \$50 to \$25 being given to employees on their 10, 15, and 25 year anniversary dates of service with the Library. The amounts were given as cash disbursements with no payroll taxes being withheld.

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 Special Districts, Chapter 10)

BRAZIL PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2012, with Jill Scarbrough, Director, and M. Darlene Shepard, Business Manager. The officials concurred with our finding.