

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

FRANKFORT COMMUNITY PUBLIC LIBRARY

CLINTON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
11/30/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Michelle Bradley	01-01-10 to 12-31-12
Treasurer	Carolyn Sharp	01-01-10 to 12-31-12
President of the Board	Devena Cook	01-01-10 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF FRANKFORT COMMUNITY PUBLIC LIBRARY, CLINTON COUNTY, INDIANA

We have examined the accompanying financial statements of Frankfort Community 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 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

October 30, 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.

FRANKFORT COMMUNITY 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	\$ 4,197	\$ 3,002,183	\$ 2,392,791	\$ 613,589
Petty Cash	-	270	-	270
Gift	703,331	93,799	92,340	704,790
Literacy	1,129	24,890	22,153	3,866
Children's Art Enrichment	3,144	3,691	1,926	4,909
Staff Fund	267	669	545	391
Levy Excess	-	2,055	-	2,055
Library Improvement Reserve	5,852	289,971	14,802	281,021
Building	2,933	13,196	1,233	14,896
Other Funds	62,638	-	8,837	53,801
Payroll	(333)	195,610	195,018	259
Plac Card	30	50	30	50
Rainy Day	35,801	62,050	28,432	69,419
Totals	<u>\$ 818,989</u>	<u>\$ 3,688,434</u>	<u>\$ 2,758,107</u>	<u>\$ 1,749,316</u>

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

FRANKFORT COMMUNITY 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	\$ 613,589	\$ 2,039,571	\$ 1,767,898	\$ 885,262
Levy Excess	2,055	-	2,055	-
Library Improvement Reserve	281,021	68,000	101,083	247,938
Plac Card	50	50	100	-
Other Funds	53,801	24,284	27,365	50,720
Petty Cash	270	30	-	300
Gift	704,789	118,042	102,774	720,057
Literacy	3,866	23,146	23,232	3,780
Children's Art Enrichment	4,909	1,877	4,500	2,286
Staff Fund	392	242	147	487
Building	14,896	8,904	23,749	51
Rainy Day	69,419	-	69,419	-
Payroll	259	208,834	208,834	259
Totals	<u>\$ 1,749,316</u>	<u>\$ 2,492,980</u>	<u>\$ 2,331,156</u>	<u>\$ 1,911,140</u>

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

FRANKFORT COMMUNITY 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, 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.

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.

FRANKFORT COMMUNITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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, 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

FRANKFORT COMMUNITY 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 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.

FRANKFORT COMMUNITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

	Operating	Petty Cash	Gift	Literacy	Children's Art Enrichment	Staff Fund	Levy Excess
Cash and investments - beginning	\$ 4,197	\$ -	\$ 703,331	\$ 1,129	\$ 3,144	\$ 267	\$ -
Receipts:							
Taxes	1,305,137	-	-	-	-	-	-
Intergovernmental	326,167	-	-	-	-	-	2,055
Charges for services	1,088,948	-	-	-	-	-	-
Fines and forfeits	20,114	-	-	80	16	-	-
Other receipts	261,817	270	93,799	24,810	3,675	669	-
Total receipts	<u>3,002,183</u>	<u>270</u>	<u>93,799</u>	<u>24,890</u>	<u>3,691</u>	<u>669</u>	<u>2,055</u>
Disbursements:							
Personal services	1,092,474	-	-	21,455	-	-	-
Supplies	40,291	-	14,962	121	239	520	-
Other services and charges	238,203	-	25,123	141	800	-	-
Capital outlay	271,309	-	28,677	149	887	-	-
Other disbursements	750,514	-	23,578	287	-	25	-
Total disbursements	<u>2,392,791</u>	<u>-</u>	<u>92,340</u>	<u>22,153</u>	<u>1,926</u>	<u>545</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>609,392</u>	<u>270</u>	<u>1,459</u>	<u>2,737</u>	<u>1,765</u>	<u>124</u>	<u>2,055</u>
Cash and investments - ending	<u>\$ 613,589</u>	<u>\$ 270</u>	<u>\$ 704,790</u>	<u>\$ 3,866</u>	<u>\$ 4,909</u>	<u>\$ 391</u>	<u>\$ 2,055</u>

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

	Library Improvement Reserve	Building	Other Funds	Payroll	Plac Card	Rainy Day	Totals
Cash and investments - beginning	\$ 5,852	\$ 2,933	\$ 62,638	\$ (333)	\$ 30	\$ 35,801	\$ 818,989
Receipts:							
Taxes	-	-	-	-	-	-	1,305,137
Intergovernmental	-	-	-	-	-	-	328,222
Charges for services	-	-	-	-	-	-	1,088,948
Fines and forfeits	-	-	-	-	-	-	20,210
Other receipts	289,971	13,196	-	195,610	50	62,050	945,917
Total receipts	289,971	13,196	-	195,610	50	62,050	3,688,434
Disbursements:							
Personal services	-	-	-	195,018	-	-	1,308,947
Supplies	-	-	-	-	-	-	56,133
Other services and charges	5,888	425	8,837	-	-	-	279,417
Capital outlay	8,914	808	-	-	-	-	310,744
Other disbursements	-	-	-	-	30	28,432	802,866
Total disbursements	14,802	1,233	8,837	195,018	30	28,432	2,758,107
Excess (deficiency) of receipts over disbursements	275,169	11,963	(8,837)	592	20	33,618	930,327
Cash and investments - ending	\$ 281,021	\$ 14,896	\$ 53,801	\$ 259	\$ 50	\$ 69,419	\$ 1,749,316

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

	Operating	Levy Excess	Library Improvement Reserve	Plac Card	Other Funds	Petty Cash	Gift
Cash and investments - beginning	\$ 613,589	\$ 2,055	\$ 281,021	\$ 50	\$ 53,801	\$ 270	\$ 704,789
Receipts:							
Taxes	719,947	-	-	-	-	-	-
Intergovernmental	299,643	-	-	-	-	-	-
Charges for services	25,470	-	-	50	-	-	-
Fines and forfeits	19,563	-	-	-	-	-	145
Other receipts	974,948	-	68,000	-	24,284	30	117,897
Total receipts	<u>2,039,571</u>	<u>-</u>	<u>68,000</u>	<u>50</u>	<u>24,284</u>	<u>30</u>	<u>118,042</u>
Disbursements:							
Personal services	1,153,253	-	-	-	-	-	-
Supplies	39,522	-	-	-	-	-	23,379
Other services and charges	329,774	-	101,083	-	27,365	-	15,732
Capital outlay	245,319	-	-	-	-	-	57,765
Other disbursements	30	2,055	-	100	-	-	5,898
Total disbursements	<u>1,767,898</u>	<u>2,055</u>	<u>101,083</u>	<u>100</u>	<u>27,365</u>	<u>-</u>	<u>102,774</u>
Excess (deficiency) of receipts over disbursements	<u>271,673</u>	<u>(2,055)</u>	<u>(33,083)</u>	<u>(50)</u>	<u>(3,081)</u>	<u>30</u>	<u>15,268</u>
Cash and investments - ending	<u>\$ 885,262</u>	<u>\$ -</u>	<u>\$ 247,938</u>	<u>\$ -</u>	<u>\$ 50,720</u>	<u>\$ 300</u>	<u>\$ 720,057</u>

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

	Literacy	Children's Art Enrichment	Staff Fund	Building	Rainy Day	Payroll	Totals
Cash and investments - beginning	\$ 3,866	\$ 4,909	\$ 392	\$ 14,896	\$ 69,419	\$ 259	\$ 1,749,316
Receipts:							
Taxes	-	-	-	-	-	-	719,947
Intergovernmental	-	-	-	-	-	-	299,643
Charges for services	-	-	-	-	-	-	25,520
Fines and forfeits	-	-	-	-	-	-	19,708
Other receipts	23,146	1,877	242	8,904	-	208,834	1,428,162
Total receipts	23,146	1,877	242	8,904	-	208,834	2,492,980
Disbursements:							
Personal services	21,455	-	-	-	-	-	1,174,708
Supplies	73	166	147	8,250	-	-	71,537
Other services and charges	535	3,172	-	-	69,419	-	547,080
Capital outlay	297	1,162	-	15,499	-	-	320,042
Other disbursements	872	-	-	-	-	208,834	217,789
Total disbursements	23,232	4,500	147	23,749	69,419	208,834	2,331,156
Excess (deficiency) of receipts over disbursements	(86)	(2,623)	95	(14,845)	(69,419)	-	161,824
Cash and investments - ending	\$ 3,780	\$ 2,286	\$ 487	\$ 51	\$ -	\$ 259	\$ 1,911,140

FRANKFORT COMMUNITY 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.

	Ending Balance
Governmental activities:	
Land	\$ 510,100
Buildings	10,264,300
Improvements other than buildings	98,930
Machinery, equipment and vehicles	507,568
Books and other	799,764
Total governmental activities	12,180,662
Total capital assets	\$ 12,180,662

FRANKFORT COMMUNITY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2012, with Michelle Bradley, Director, and Carolyn Sharp, Treasurer. Our examination disclosed no material items that warrant comment at this time.