

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

UNION COUNTY PUBLIC LIBRARY

UNION COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
08/21/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Karen Kahl	01-01-11 to 12-31-13
Treasurer	Robert Barnard	01-01-11 to 12-31-13
President of the Board	Joan Mathews	01-01-11 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE UNION COUNTY PUBLIC LIBRARY, UNION COUNTY, INDIANA

We have examined the accompanying financial statement of the Union County Public Library (Library), for the period of January 1, 2011 to December 31, 2012. The financial statement is 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 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 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Library for the period of January 1, 2011 to December 31, 2012.

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 period of January 1, 2011 to December 31, 2012, 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 statement. 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 statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Bruce Hartman
State Examiner

July 27, 2013

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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.

UNION COUNTY PUBLIC LIBRARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 175,459	\$ 418,703	\$ 399,292	\$ 194,870	\$ 445,328	\$ 424,608	\$ 215,590
Rainy Day	7,059	-	-	7,059	-	-	7,059
Summer Reading	-	3,050	3,050	-	3,476	3,476	-
Levy Excess Fund	-	-	-	-	1,311	-	1,311
LSTA Grant Fund	-	-	-	-	-	4,207	(4,207)
Haunted Library Fund	-	-	-	-	1,715	1,715	-
Gift	-	9,115	5,284	3,831	5,187	5,219	3,799
Memorial	6,038	825	96	6,767	377	-	7,144
Debt Service Fund	67,621	145,159	143,000	69,780	152,457	147,700	74,537
Parking Lot Fund	533	-	395	138	1,000	-	1,138
Silent Auction Fund	328	693	771	250	-	250	-
Tacky	36	-	36	-	-	-	-
Window Fund	2,952	-	2,952	-	-	-	-
Payroll	3,307	44,240	45,184	2,363	40,887	40,309	2,941
Totals	<u>\$ 263,333</u>	<u>\$ 621,785</u>	<u>\$ 600,060</u>	<u>\$ 285,058</u>	<u>\$ 651,738</u>	<u>\$ 627,484</u>	<u>\$ 309,312</u>

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

UNION COUNTY 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.

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 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.

UNION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(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 statement. 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.

UNION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

UNION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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.

UNION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of a fund for an approved LSTA grant. The reimbursement for expenditures made by the Library was not received by December 31, 2012

Note 8. Restatements

For the year ended December 31, 2011, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the Library. The following schedule presents a summary of restated beginning balances.

Fund Name	Balance as of December 31, 2010	New Fund	Prior Period Adjustment	Balance as of January 1, 2011
General	\$ 160,459	General	\$ 15,000	\$ 175,459

Note 9. Holding Corporation

The Library has entered into a capital lease with the Union County Public Library Leasing Corporation, Indiana (the lessor). The lessor was organized as a not for profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Library. The lessor has been determined to be a related party of the Library. Lease payments during the years 2011 and 2012 totaled \$172,000 and \$174,000, respectively.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Library's 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 statement 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.

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

	General	Rainy Day	Summer Reading	Gift	Memorial	Debt Service Fund
Cash and investments - beginning	\$ 175,459	\$ 7,059	\$ -	\$ -	\$ 6,038	\$ 67,621
Receipts:						
Taxes	268,884	-	-	-	-	134,877
Intergovernmental	134,188	-	-	-	-	10,282
Charges for services	8,205	-	-	-	-	-
Other receipts	7,426	-	3,050	9,115	825	-
Total receipts	<u>418,703</u>	<u>-</u>	<u>3,050</u>	<u>9,115</u>	<u>825</u>	<u>145,159</u>
Disbursements:						
Personal services	269,016	-	-	-	-	-
Supplies	11,573	-	3,050	5,284	-	-
Other services and charges	82,118	-	-	-	-	1,000
Debt service - principal and interest	-	-	-	-	-	142,000
Capital outlay	36,585	-	-	-	-	-
Other disbursements	-	-	-	-	96	-
Total disbursements	<u>399,292</u>	<u>-</u>	<u>3,050</u>	<u>5,284</u>	<u>96</u>	<u>143,000</u>
Excess (deficiency) of receipts over disbursements	<u>19,411</u>	<u>-</u>	<u>-</u>	<u>3,831</u>	<u>729</u>	<u>2,159</u>
Cash and investments - ending	<u>\$ 194,870</u>	<u>\$ 7,059</u>	<u>\$ -</u>	<u>\$ 3,831</u>	<u>\$ 6,767</u>	<u>\$ 69,780</u>

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

	Parking Lot Fund	Silent Auction Fund	Tacky	Window Fund	Payroll	Totals
Cash and investments - beginning	\$ 533	\$ 328	\$ 36	\$ 2,952	\$ 3,307	\$ 263,333
Receipts:						
Taxes	-	-	-	-	-	403,761
Intergovernmental	-	-	-	-	-	144,470
Charges for services	-	-	-	-	-	8,205
Other receipts	-	693	-	-	44,240	65,349
Total receipts	-	693	-	-	44,240	621,785
Disbursements:						
Personal services	-	-	-	-	45,184	314,200
Supplies	-	-	36	-	-	19,943
Other services and charges	395	-	-	2,952	-	86,465
Debt service - principal and interest	-	-	-	-	-	142,000
Capital outlay	-	771	-	-	-	37,356
Other disbursements	-	-	-	-	-	96
Total disbursements	395	771	36	2,952	45,184	600,060
Excess (deficiency) of receipts over disbursements	(395)	(78)	(36)	(2,952)	(944)	21,725
Cash and investments - ending	\$ 138	\$ 250	\$ -	\$ -	\$ 2,363	\$ 285,058

UNION COUNTY PUBLIC LIBRARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Rainy Day	Summer Reading	Levy Excess Fund	LSTA Grant Fund	Haunted Library Fund	Gift
Cash and investments - beginning	\$ 194,870	\$ 7,059	\$ -	\$ -	\$ -	\$ -	\$ 3,831
Receipts:							
Taxes	283,189	-	-	-	-	-	-
Intergovernmental	151,170	-	-	-	-	-	-
Charges for services	3,173	-	-	-	-	-	-
Fines and forfeits	4,301	-	-	-	-	-	-
Other receipts	3,495	-	3,476	1,311	-	1,715	5,187
Total receipts	<u>445,328</u>	<u>-</u>	<u>3,476</u>	<u>1,311</u>	<u>-</u>	<u>1,715</u>	<u>5,187</u>
Disbursements:							
Personal services	266,593	-	-	-	-	-	-
Supplies	16,612	-	-	-	-	1,615	4,028
Other services and charges	93,269	-	3,476	-	-	100	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	46,823	-	-	-	4,207	-	752
Other disbursements	1,311	-	-	-	-	-	439
Total disbursements	<u>424,608</u>	<u>-</u>	<u>3,476</u>	<u>-</u>	<u>4,207</u>	<u>1,715</u>	<u>5,219</u>
Excess (deficiency) of receipts over disbursements	<u>20,720</u>	<u>-</u>	<u>-</u>	<u>1,311</u>	<u>(4,207)</u>	<u>-</u>	<u>(32)</u>
Cash and investments - ending	<u>\$ 215,590</u>	<u>\$ 7,059</u>	<u>\$ -</u>	<u>\$ 1,311</u>	<u>\$ (4,207)</u>	<u>\$ -</u>	<u>\$ 3,799</u>

UNION COUNTY PUBLIC LIBRARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Memorial	Debt Service Fund	Parking Lot Fund	Silent Auction Fund	Payroll	Totals
Cash and investments - beginning	\$ 6,767	\$ 69,780	\$ 138	\$ 250	\$ 2,363	\$ 285,058
Receipts:						
Taxes	-	140,826	-	-	-	424,015
Intergovernmental	-	10,731	-	-	-	161,901
Charges for services	-	-	-	-	-	3,173
Fines and forfeits	-	-	-	-	-	4,301
Other receipts	377	900	1,000	-	40,887	58,348
Total receipts	377	152,457	1,000	-	40,887	651,738
Disbursements:						
Personal services	-	-	-	-	-	266,593
Supplies	-	-	-	-	-	22,255
Other services and charges	-	3,700	-	-	-	100,545
Debt service - principal and interest	-	144,000	-	-	-	144,000
Capital outlay	-	-	-	181	-	51,963
Other disbursements	-	-	-	69	40,309	42,128
Total disbursements	-	147,700	-	250	40,309	627,484
Excess (deficiency) of receipts over disbursements	377	4,757	1,000	(250)	578	24,254
Cash and investments - ending	\$ 7,144	\$ 74,537	\$ 1,138	\$ -	\$ 2,941	\$ 309,312

UNION COUNTY PUBLIC LIBRARY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Union County Public Library Leasing Corporation	Building and Renovation	<u>\$ 138,000</u>	12-31-12	12-31-23

UNION COUNTY PUBLIC LIBRARY
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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	\$ 79,621
Buildings	2,190,203
Improvements other than buildings	56,698
Machinery, equipment, and vehicles	673,960
Books and other	43,345
Total governmental activities	3,043,827
Total capital assets	\$ 3,043,827

UNION COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2012, with Karen Kahl, Director, and Robert Barnard, Treasurer. Our examination disclosed no material items that warrant comment at this time.