

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

HANCOCK COUNTY PUBLIC LIBRARY

HANCOCK COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
01/28/2014

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------|-------------------------------------|--|
| Director | Diane Osborne David Gray | 01-01-11 to 04-30-13 05-01-13 to 12-31-13 |
| Treasurer | Debora R. Barnhart Robert Varner | 01-01-11 to 02-28-13 03-01-13 to 12-31-13 |
| President of the Board | Margaret Pritzke Beverly Gard | 01-01-11 to 12-31-12 01-01-13 to 12-31-13 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the Hancock 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 statement 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 Indiana 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, 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.

The Library's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Library's response and, accordingly, we express no opinion on it.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 11, 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.

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HANCOCK 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 |
|-------------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Operating | \$ 3,450,789 | \$ 3,562,567 | \$ 4,206,854 | \$ 2,806,502 | \$ 3,688,066 | \$ 4,013,667 | \$ 2,480,901 |
| Rainy Day Fund | 1,921,696 | 3,296 | 50 | 1,924,942 | 3,001 | - | 1,927,943 |
| Lif | 666,567 | 3,250 | - | 669,817 | 1,281 | - | 671,098 |
| Plac | - | 1,600 | 1,600 | - | 1,100 | - | 1,100 |
| Ameriana Daily Receipts Fund | - | 692,945 | 29 | 692,916 | 58,836 | 2,796 | 748,956 |
| Big Read Grant | - | 8,850 | 12,637 | (3,787) | 9,450 | 5,663 | - |
| NASA Grant | - | - | - | - | 600 | 600 | - |
| Capital Campaign | 1,826 | - | - | 1,826 | 45,843 | 43,227 | 4,442 |
| Endowment Grant | 250 | - | - | 250 | - | - | 250 |
| Gift Fund | 10,441 | 426 | - | 10,867 | 1,450 | 1,950 | 10,367 |
| Youth As Resources Grant | 401 | 131 | 491 | 41 | 851 | 530 | 362 |
| Credit Card Sales | 131,091 | 40,508 | 3,616 | 167,983 | 50,881 | 5,738 | 213,126 |
| Meeting Room Reservation Fund | 2,345 | - | - | 2,345 | - | - | 2,345 |
| Bond Interest Redemption | 290,723 | 99,077 | 349,999 | 39,801 | 337,300 | 341,954 | 35,147 |
| Gift Fund Restricted | 3,608 | 550 | 344 | 3,814 | 105 | - | 3,919 |
| Totals | \$ 6,479,737 | \$ 4,413,200 | \$ 4,575,620 | \$ 6,317,317 | \$ 4,198,764 | \$ 4,416,125 | \$ 6,099,956 |

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

HANCOCK 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 Indiana 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.

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.

HANCOCK COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENT
(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 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.

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.

HANCOCK COUNTY 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.

HANCOCK COUNTY 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; 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.

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.

Note 7. Cash Balance Deficits

The financial statement contains one fund, the Big Read Grant Fund, with a deficit in cash at December 31, 2011, in the amount of \$3,787. Purchases were made for the Big Read Program prior to the funds being available. The first installment for the Big Read Program was posted in March 2012 for \$7,360 which covered the deficit.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Library's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Library's Annual Report information for years 2011 and later 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.

HANCOCK COUNTY 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 | Lirf | Plac | Ameriana Daily Receipts Fund | Big Read Grant | NASA Grant | Capital Campaign |
|--|---------------------|----------------------|-------------------|--------------|---------------------------------------|----------------------|---------------|---------------------|
| Cash and investments - beginning | \$ 3,450,789 | \$ 1,921,696 | \$ 666,567 | \$ - | \$ - | \$ - | \$ - | \$ 1,826 |
| Receipts: | | | | | | | | |
| Taxes | 73 | - | - | - | - | - | - | - |
| Intergovernmental | 3,094,111 | - | - | - | - | - | - | - |
| Charges for services | 9,664 | - | - | - | 9,314 | - | - | - |
| Fines and forfeits | 13,634 | - | - | - | 53,870 | - | - | - |
| Other receipts | 445,085 | 3,296 | 3,250 | 1,600 | 629,761 | 8,850 | - | - |
| Total receipts | <u>3,562,567</u> | <u>3,296</u> | <u>3,250</u> | <u>1,600</u> | <u>692,945</u> | <u>8,850</u> | <u>-</u> | <u>-</u> |
| Disbursements: | | | | | | | | |
| Personal services | 1,896,674 | - | - | - | - | - | - | - |
| Supplies | 97,906 | - | - | 1,600 | - | 122 | - | - |
| Other services and charges | 616,008 | - | - | - | 29 | 697 | - | - |
| Debt service - principal and interest | 92,386 | - | - | - | - | - | - | - |
| Capital outlay | 877,420 | - | - | - | - | 11,818 | - | - |
| Other disbursements | 626,460 | 50 | - | - | - | - | - | - |
| Total disbursements | <u>4,206,854</u> | <u>50</u> | <u>-</u> | <u>1,600</u> | <u>29</u> | <u>12,637</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>(644,287)</u> | <u>3,246</u> | <u>3,250</u> | <u>-</u> | <u>692,916</u> | <u>(3,787)</u> | <u>-</u> | <u>-</u> |
| Cash and investments - ending | <u>\$ 2,806,502</u> | <u>\$ 1,924,942</u> | <u>\$ 669,817</u> | <u>\$ -</u> | <u>\$ 692,916</u> | <u>\$ (3,787)</u> | <u>\$ -</u> | <u>\$ 1,826</u> |

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

| | Endowment Grant | Gift Fund | Youth As Resources Grant | Credit Card Sales | Meeting Room Reservation Fund | Bond Interest Redemption | Gift Fund Restricted | Totals |
|--|--------------------|--------------|-----------------------------------|-------------------------|--|--------------------------------|----------------------------|--------------|
| Cash and investments - beginning | \$ 250 | \$ 10,441 | \$ 401 | \$ 131,091 | \$ 2,345 | \$ 290,723 | \$ 3,608 | \$ 6,479,737 |
| Receipts: | | | | | | | | |
| Taxes | - | - | - | - | - | - | - | 73 |
| Intergovernmental | - | - | - | - | - | 38,928 | - | 3,133,039 |
| Charges for services | - | - | - | 2,307 | - | - | - | 21,285 |
| Fines and forfeits | - | - | - | 38,092 | - | - | - | 105,596 |
| Other receipts | - | 426 | 131 | 109 | - | 60,149 | 550 | 1,153,207 |
| Total receipts | - | 426 | 131 | 40,508 | - | 99,077 | 550 | 4,413,200 |
| Disbursements: | | | | | | | | |
| Personal services | - | - | - | - | - | - | - | 1,896,674 |
| Supplies | - | - | 491 | - | - | - | - | 100,119 |
| Other services and charges | - | - | - | 2,016 | - | - | - | 618,750 |
| Debt service - principal and interest | - | - | - | - | - | 349,999 | - | 442,385 |
| Capital outlay | - | - | - | - | - | - | 344 | 889,582 |
| Other disbursements | - | - | - | 1,600 | - | - | - | 628,110 |
| Total disbursements | - | - | 491 | 3,616 | - | 349,999 | 344 | 4,575,620 |
| Excess (deficiency) of receipts over disbursements | - | 426 | (360) | 36,892 | - | (250,922) | 206 | (162,420) |
| Cash and investments - ending | \$ 250 | \$ 10,867 | \$ 41 | \$ 167,983 | \$ 2,345 | \$ 39,801 | \$ 3,814 | \$ 6,317,317 |

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

| | Operating | Rainy Day Fund | Lirf | Plac | Ameriana Daily Receipts Fund | Big Read Grant | NASA Grant | Capital Campaign |
|--|---------------------|----------------------|-------------------|-----------------|---------------------------------------|----------------------|---------------|---------------------|
| Cash and investments - beginning | \$ 2,806,502 | \$ 1,924,942 | \$ 669,817 | \$ - | \$ 692,916 | \$ (3,787) | \$ - | \$ 1,826 |
| Receipts: | | | | | | | | |
| Intergovernmental | 3,283,168 | - | - | - | - | - | - | - |
| Charges for services | 10,436 | - | - | 1,100 | 8,429 | - | - | - |
| Fines and forfeits | - | - | - | - | 48,885 | - | - | - |
| Other receipts | 394,462 | 3,001 | 1,281 | - | 1,522 | 9,450 | 600 | 45,843 |
| Total receipts | <u>3,688,066</u> | <u>3,001</u> | <u>1,281</u> | <u>1,100</u> | <u>58,836</u> | <u>9,450</u> | <u>600</u> | <u>45,843</u> |
| Disbursements: | | | | | | | | |
| Personal services | 2,079,127 | - | - | - | - | - | - | - |
| Supplies | 100,905 | - | - | - | - | 730 | - | 4,649 |
| Other services and charges | 536,372 | - | - | - | - | 4,476 | - | - |
| Debt service - principal and interest | 100,000 | - | - | - | - | - | - | - |
| Capital outlay | 1,017,140 | - | - | - | - | 457 | 600 | 38,578 |
| Other disbursements | 180,123 | - | - | - | 2,796 | - | - | - |
| Total disbursements | <u>4,013,667</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,796</u> | <u>5,663</u> | <u>600</u> | <u>43,227</u> |
| Excess (deficiency) of receipts over disbursements | <u>(325,601)</u> | <u>3,001</u> | <u>1,281</u> | <u>1,100</u> | <u>56,040</u> | <u>3,787</u> | <u>-</u> | <u>2,616</u> |
| Cash and investments - ending | <u>\$ 2,480,901</u> | <u>\$ 1,927,943</u> | <u>\$ 671,098</u> | <u>\$ 1,100</u> | <u>\$ 748,956</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,442</u> |

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

| | Endowment Grant | Gift Fund | Youth As Resources Grant | Credit Card Sales | Meeting Room Reservation Fund | Bond Interest Redemption | Gift Fund Restricted | Totals |
|--|--------------------|--------------|-----------------------------------|-------------------------|--|--------------------------------|----------------------------|--------------|
| Cash and investments - beginning | \$ 250 | \$ 10,867 | \$ 41 | \$ 167,983 | \$ 2,345 | \$ 39,801 | \$ 3,814 | \$ 6,317,317 |
| Receipts: | | | | | | | | |
| Intergovernmental | - | - | - | - | - | 337,300 | - | 3,620,468 |
| Charges for services | - | - | - | 2,259 | - | - | - | 22,224 |
| Fines and forfeits | - | - | - | 47,480 | - | - | - | 96,365 |
| Other receipts | - | 1,450 | 851 | 1,142 | - | - | 105 | 459,707 |
| Total receipts | - | 1,450 | 851 | 50,881 | - | 337,300 | 105 | 4,198,764 |
| Disbursements: | | | | | | | | |
| Personal services | - | - | - | - | - | - | - | 2,079,127 |
| Supplies | - | - | 530 | - | - | - | - | 106,814 |
| Other services and charges | - | 1,950 | - | 3,342 | - | - | - | 546,140 |
| Debt service - principal and interest | - | - | - | - | - | 341,954 | - | 441,954 |
| Capital outlay | - | - | - | - | - | - | - | 1,056,775 |
| Other disbursements | - | - | - | 2,396 | - | - | - | 185,315 |
| Total disbursements | - | 1,950 | 530 | 5,738 | - | 341,954 | - | 4,416,125 |
| Excess (deficiency) of receipts over disbursements | - | (500) | 321 | 45,143 | - | (4,654) | 105 | (217,361) |
| Cash and investments - ending | \$ 250 | \$ 10,367 | \$ 362 | \$ 213,126 | \$ 2,345 | \$ 35,147 | \$ 3,919 | \$ 6,099,956 |

HANCOCK COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations contained unexplained variances and errors for all four months tested, including December 2011 and 2012. We found that this continued throughout the examination period. There was an unexplained cash-long amount of \$640.38 at December 31, 2012.

The following conditions were deficiencies identified with the reconciliation:

- The outstanding checklists were not retained and could not be recreated; therefore, we were not able to verify the amounts reported as outstanding checks.
- The Library changed financial systems on January 1, 2011. On that date, outstanding checks of \$688.77 existed. That amount has been carried as a reconciling item since, but those checks are now in excess of two years old and should be voided and receipted back to the funds.
- In addition, there was an error made in the financial system that resulted in a deposit in transit being carried on the reconciliation in the amount of \$11,162.23. It continues to be outstanding through November 2013.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision; or
- (2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

HANCOCK COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

CONDITION OF RECORDS

A review of the records indicated that receipts were not always issued. Additionally, receipts issued during the examination period were not presented. In the Library records there were transaction numbers assigned to each posting and those transaction numbers did not match the receipt numbers; therefore, we were unable to trace money that was collected to a subsequent deposit.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

PUBLIC RECORDS RETENTION

Of the claims tested, 13 percent could not be located. The items that were not able to be found included the claim and the supporting documentation for those respective claims. The amounts of these claims were \$5,051.92.

Additionally, employee pay histories for the year could not be presented for examination. This prevented verification of proper inclusion of each individual pay to the employee's pay history, as well as, verification that the check amount agreed with the net pay amount.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 3)

HANCOCK COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2013, with David Gray, Director; Robert Varner, Treasurer; Beverly Gard, President of the Board; Barbara Roark, Assistant Director; and Catherine Mroz, Bookkeeper. The Official Response has been made a part of this report and may be found on pages 21 and 22.

December 17, 2013

State Board of Accounts
302 Washington St. Room E418
Indianapolis, IN 46204-2765

Att: Field Audit Staff – Tyler W. Michael

Re: "OFFICIAL RESPONSE"
Exit Conference Dated 12/11/2013
Hancock County Public Library
Period Examined: January 1, 2011 – December 31, 2012

Attendees: Tyler W. Michael – Field Audit Staff
Beverly Gard – Library Board President
Dave Gray – Library Director
Barbara Roark – Library Assistant Director
Robert Varner - Treasurer/Business Manager
Catherine Mroz – Library Bookkeeper

This letter is considered the "OFFICIAL RESPONSE" to the RESULTS AND COMMENTS as described in the document provided to the Hancock County Public Library at the referenced exit conference above.

The Hancock County Public Library recognizes the RESULTS AND COMMENTS by the audit and will take any corrective action necessary to comply with those stated. The library's comments are itemized below.

BANK ACCOUNT RECONCILIATIONS – The library recognizes the corrections that need to be made on future handling of the bank reconciliations and will take corrective measures to comply with the outlined comments in the RESULTS AND COMMENTS report.

CONDITION OF RECORDS - Controls have been implemented to insure records of documents (receipts) will be accurate.

PUBLIC RECORDS RETENTION – The library will maintain supporting documentation for all claims and payroll history.

For a matter of record, the Hancock County Public Library went through a major employment position change in 2013 as follows.

New Director of the Library
New Associate Director of the Library
New Business Manager / Treasurer
New Bookkeeper

Thank you for your Results and Comments document which will be kept on file for future referral.

Yours truly,



Robert W. Varner
Business Manager/Treasurer
Hancock County Public Library
900 W. McKenzie Road
Greenfield, IN 46140
rvarner@hcplibrary.org
317-462-5141 ext. 222