

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

EXAMINATION REPORT
OF
MONTPELIER-HARRISON TOWNSHIP
PUBLIC LIBRARY
BLACKFORD COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
11/29/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Laura E. Lee	01-01-09 to 12-31-11
Treasurer	Howard W. Pence	01-01-09 to 12-31-11
President of the Board	Ronald D. Twibell Jerry Ickes	01-01-09 to 02-22-10 02-23-10 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE MONTPELIER-HARRISON TOWNSHIP
PUBLIC LIBRARY, BLACKFORD COUNTY, INDIANA

We have examined the financial statements of the Montpelier-Harrison Township Public Library (Library), for the period of January 1, 2009 to December 31, 2010. The Library's management is responsible for the financial statements. Our responsibility is to express an opinion 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, 2009 and 2010, on the basis of accounting described in Note 1.

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 and the Library Board, 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 20, 2011

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FINANCIAL STATEMENTS

MONTPELIER-HARRISON TOWNSHIP PUBLIC LIBRARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Operating	\$ 32,160	\$ 137,011	\$ 115,991	\$ 53,180
Petty Cash	45	-	5	40
Cash Change	25	-	-	25
Memorial and Gift	12,364	221	10,747	1,838
LIRF	22,509	21,043	20,004	23,548
Levy Excess	-	356	-	356
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 67,103</u>	<u>\$ 158,631</u>	<u>\$ 146,747</u>	<u>\$ 78,987</u>

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

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

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Operating	\$ 53,180	\$ 100,932	\$ 92,613	\$ 61,499
Petty Cash	40	-	-	40
Cash Change	25	-	-	25
Memorial and Gift	1,838	2,734	1,385	3,187
Rainy Day	-	1,486	-	1,486
Levy Excess	356	201	-	557
LIRF	23,548	44	-	23,592
Totals	<u>\$ 78,987</u>	<u>\$ 105,397</u>	<u>\$ 93,998</u>	<u>\$ 90,386</u>

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

MONTPELIER-HARRISON TOWNSHIP 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 (primary government), and does not include financial information for any of the Library's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Library (primary government).

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 may include, but are not limited to, 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.

Licenses and permits which include amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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

MONTPELIER-HARRISON TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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).

Utility fees which are comprised mostly of charges for current services.

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 may include, but are not limited to, 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 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.

MONTPELIER-HARRISON TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

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 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.

MONTPELIER-HARRISON TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. These risks may also be mitigated by the Library by recording as a disbursement and 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 PERF 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.

PERF 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:

MONTPELIER-HARRISON TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

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

MONTPELIER-HARRISON TOWNSHIP PUBLIC LIBRARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	Operating	Petty Cash	Cash Change	Memorial and Gift	LIRF	Levy Excess	Totals
Cash and investments - beginning	\$ 32,160	\$ 45	\$ 25	\$ 12,364	\$ 22,509	\$ -	\$ 67,103
Receipts:							
Taxes	88,224	-	-	-	-	-	88,224
Intergovernmental	25,862	-	-	-	-	-	25,862
Fines and forfeits	2,871	-	-	-	-	-	2,871
Other receipts	20,054	-	-	221	21,043	356	41,674
Total receipts	137,011	-	-	221	21,043	356	158,631
Disbursements:							
Personal services	58,220	-	-	-	-	-	58,220
Supplies	1,608	-	-	-	-	-	1,608
Other services and charges	18,041	-	-	-	-	-	18,041
Capital outlay	16,766	-	-	-	-	-	16,766
Other disbursements	21,356	5	-	10,747	20,004	-	52,112
Total disbursements	115,991	5	-	10,747	20,004	-	146,747
Excess (deficiency) of receipts over disbursements	21,020	(5)	-	(10,526)	1,039	356	11,884
Cash and investments - ending	\$ 53,180	\$ 40	\$ 25	\$ 1,838	\$ 23,548	\$ 356	\$ 78,987

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

	Operating	Petty Cash	Cash Change	Memorial and Gift	Rainy Day	Levy Excess	LIRF	Totals
Cash and investments - beginning	\$ 53,180	\$ 40	\$ 25	\$ 1,838	\$ -	\$ 356	\$ 23,548	\$ 78,987
Receipts:								
Taxes	70,166	-	-	-	-	-	-	70,166
Intergovernmental	26,986	-	-	-	1,486	201	-	28,673
Fines and forfeits	3,482	-	-	-	-	-	-	3,482
Other receipts	298	-	-	2,734	-	-	44	3,076
Total receipts	<u>100,932</u>	<u>-</u>	<u>-</u>	<u>2,734</u>	<u>1,486</u>	<u>201</u>	<u>44</u>	<u>105,397</u>
Disbursements:								
Personal services	55,962	-	-	-	-	-	-	55,962
Supplies	1,511	-	-	785	-	-	-	2,296
Other services and charges	17,667	-	-	-	-	-	-	17,667
Capital outlay	17,473	-	-	600	-	-	-	18,073
Total disbursements	<u>92,613</u>	<u>-</u>	<u>-</u>	<u>1,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,998</u>
Excess (deficiency) of receipts over disbursements	<u>8,319</u>	<u>-</u>	<u>-</u>	<u>1,349</u>	<u>1,486</u>	<u>201</u>	<u>44</u>	<u>11,399</u>
Cash and investments - ending	<u>\$ 61,499</u>	<u>\$ 40</u>	<u>\$ 25</u>	<u>\$ 3,187</u>	<u>\$ 1,486</u>	<u>\$ 557</u>	<u>\$ 23,592</u>	<u>\$ 90,386</u>

MONTPELIER-HARRISON TOWNSHIP PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 500
Buildings	10,000
Improvements	12,200
Machinery and equipment	3,736
Books	<u>353,580</u>
Total governmental activities, capital assets not being depreciated	<u><u>\$ 380,016</u></u>

MONTPELIER-HARRISON TOWNSHIP PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

Desk collection receipts were deposited later than the next business day. Routinely, desk collections are allowed to accumulate from two to three weeks prior to deposit. A similar comment appeared in prior Report B35302.

Indiana Code 5-13-6-1 (c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the several local boards of finance that have jurisdiction of the funds. . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

LATE PAYMENT FEES

In some cases, amounts payable to Vectren Energy Delivery were not paid on a timely basis resulting in late fees of \$76 being incurred and paid during the examination period.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

SUPPORTING DOCUMENTATION

On March 10, 2009, a payment was made to Vectren Energy Delivery in the amount of \$3,495 which did not contain supporting documentation. Due to the lack of supporting information, the validity and accountability for this disbursement could not be established.

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 4)

MONTPELIER-HARRISON TOWNSHIP PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on October 20, 2011, with Laura E. Lee, Director. The official concurred with our findings.