

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

MORRISSON-REEVES PUBLIC LIBRARY

WAYNE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
11/29/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Carol McKey Paris Pegg	01-01-10 to 09-30-11 10-01-11 to 12-31-12
Treasurer	Kent Klinge	01-01-10 to 12-31-12
President of the Board	Linda Ronald	01-01-10 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE MORRISSON-REEVES PUBLIC LIBRARY, WAYNE COUNTY, INDIANA

We have examined the accompanying financial statements of the Morriison-Reeves 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Library for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Library's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Library's management, Library Board, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 18, 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.

MORRISON-REEVES 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
General Fund	\$ (97,436)	\$ 4,748,099	\$ 4,579,438	\$ 71,225
Petty Cash Fund	110	-	-	110
Change Fund	595	-	-	595
Gift Fund	68,350	22,901	23,313	67,938
Plac Fund	4,257	734	780	4,211
Rainy Day Fund	3,155	19,065	10,525	11,695
Payroll Withholdings	30,255	1,131,719	1,130,703	31,271
Lirf Fund	-	68,212	68,212	-
Library Improvement Reserve Fund	176,497	135,484	151,472	160,509
Bond Bank Investment	-	1,708,374	1,707,880	494
Lirf Gift Fund	2,200	5	-	2,205
Levy Excess Fund	-	5,272	-	5,272
Capital Projects Fund	(22,171)	183,736	161,565	-
Contractual Library	30,802	131,960	116,108	46,654
Totals	<u>\$ 196,614</u>	<u>\$ 8,155,561</u>	<u>\$ 7,949,996</u>	<u>\$ 402,179</u>

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

MORRISON-REEVES 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
General Fund	\$ 71,225	\$ 3,561,686	\$ 3,578,336	\$ 54,575
Levy Excess Fund	5,272	-	5,272	-
Petty Cash Fund	110	-	-	110
Change Fund	595	-	-	595
Gift Fund	67,938	38,506	39,614	66,830
Plac Fund	4,211	538	452	4,297
Rainy Day Fund	11,695	-	-	11,695
Payroll Withholdings	31,271	870,674	879,006	22,939
Library Improvement Reserve Fund	160,509	51,045	40,315	171,239
Bond Bank Investment	494	1,552,594	1,452,506	100,582
Lirf Gift Fund	2,205	5	-	2,210
Contractual Library	46,654	118,790	118,140	47,304
Totals	<u>\$ 402,179</u>	<u>\$ 6,193,838</u>	<u>\$ 6,113,641</u>	<u>\$ 482,376</u>

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

MORRISON-REEVES 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 may 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, innkeepers tax, food and beverage 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: financial institution tax received from the state, auto excise surtax received from the state, and commercial vehicle excise tax received from the state.

Charges for services which can include, but are not limited to the following: copies of public records, copy machine charges, and rental fees.

Fines and forfeits which include receipts derived from fines and penalties imposed for overdue books and other materials.

MORRISON-REEVES PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Library. It includes all expenditures for the reduction of the principal and interest of the Library's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Library may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Library. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Library. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some 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.

MORRISON-REEVES PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

MORRISON-REEVES 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.

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

	General Fund	Petty Cash Fund	Change Fund	Gift Fund	Plac Fund	Rainy Day Fund	Payroll Withholdings	Lif Fund
Cash and investments - beginning	\$ (97,436)	\$ 110	\$ 595	\$ 68,350	\$ 4,257	\$ 3,155	\$ 30,255	\$ -
Receipts:								
Taxes	1,187,942	-	-	-	-	-	-	-
Intergovernmental	547,982	-	-	-	83	19,065	-	-
Charges for services	9,292	-	-	-	-	-	-	-
Fines and forfeits	40,475	-	-	-	-	-	-	-
Other receipts	2,962,408	-	-	22,901	651	-	1,131,719	68,212
Total receipts	4,748,099	-	-	22,901	734	19,065	1,131,719	68,212
Disbursements:								
Personal services	1,435,414	-	-	2,000	-	-	1,106,580	-
Supplies	22,371	-	-	-	-	-	-	-
Other services and charges	306,583	-	-	3,252	780	-	-	-
Capital outlay	113,607	-	-	167	-	-	-	-
Other disbursements	2,701,463	-	-	17,894	-	10,525	24,123	68,212
Total disbursements	4,579,438	-	-	23,313	780	10,525	1,130,703	68,212
Excess (deficiency) of receipts over disbursements	168,661	-	-	(412)	(46)	8,540	1,016	-
Cash and investments - ending	\$ 71,225	\$ 110	\$ 595	\$ 67,938	\$ 4,211	\$ 11,695	\$ 31,271	\$ -

MORRISON-REEVES 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 Fund	Bond Bank Investment	Lif Gift Fund	Levy Excess Fund	Capital Projects Fund	Contractual Library	Totals
Cash and investments - beginning	\$ 176,497	\$ -	\$ 2,200	\$ -	\$ (22,171)	\$ 30,802	\$ 196,614
Receipts:							
Taxes	-	-	-	5,272	163,802	-	1,357,016
Intergovernmental	-	-	-	-	16,368	-	583,498
Charges for services	-	-	-	-	-	-	9,292
Fines and forfeits	-	-	-	-	-	-	40,475
Other receipts	135,484	1,708,374	5	-	3,566	131,960	6,165,280
Total receipts	135,484	1,708,374	5	5,272	183,736	131,960	8,155,561
Disbursements:							
Personal services	-	-	-	-	-	68,661	2,612,655
Supplies	-	-	-	-	-	17,849	40,220
Other services and charges	-	6	-	-	161,565	1,724	473,910
Capital outlay	-	-	-	-	-	16	113,790
Other disbursements	151,472	1,707,874	-	-	-	27,858	4,709,421
Total disbursements	151,472	1,707,880	-	-	161,565	116,108	7,949,996
Excess (deficiency) of receipts over disbursements	(15,988)	494	5	5,272	22,171	15,852	205,565
Cash and investments - ending	\$ 160,509	\$ 494	\$ 2,205	\$ 5,272	\$ -	\$ 46,654	\$ 402,179

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

	General Fund	Levy Excess Fund	Petty Cash Fund	Change Fund	Gift Fund	Plac Fund	Rainy Day Fund
Cash and investments - beginning	\$ 71,225	\$ 5,272	\$ 110	\$ 595	\$ 67,938	\$ 4,211	\$ 11,695
Receipts:							
Taxes	1,515,637	-	-	-	-	-	-
Intergovernmental	422,049	-	-	-	-	-	-
Charges for services	9,195	-	-	-	-	538	-
Fines and forfeits	36,939	-	-	-	-	-	-
Other receipts	1,577,866	-	-	-	38,506	-	-
Total receipts	<u>3,561,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,506</u>	<u>538</u>	<u>-</u>
Disbursements:							
Personal services	1,067,960	-	-	-	2,080	-	-
Supplies	19,543	-	-	-	-	-	-
Other services and charges	481,924	-	-	-	3,602	452	-
Capital outlay	88,569	-	-	-	18,273	-	-
Other disbursements	1,920,340	5,272	-	-	15,659	-	-
Total disbursements	<u>3,578,336</u>	<u>5,272</u>	<u>-</u>	<u>-</u>	<u>39,614</u>	<u>452</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(16,650)</u>	<u>(5,272)</u>	<u>-</u>	<u>-</u>	<u>(1,108)</u>	<u>86</u>	<u>-</u>
Cash and investments - ending	<u>\$ 54,575</u>	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ 595</u>	<u>\$ 66,830</u>	<u>\$ 4,297</u>	<u>\$ 11,695</u>

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

	Payroll Withholdings	Library Improvement Reserve Fund	Bond Bank Investment	Lif Gift Fund	Contractual Library	Totals
Cash and investments - beginning	\$ 31,271	\$ 160,509	\$ 494	\$ 2,205	\$ 46,654	\$ 402,179
Receipts:						
Taxes	-	-	-	-	-	1,515,637
Intergovernmental	-	-	-	-	-	422,049
Charges for services	-	-	-	-	134	9,867
Fines and forfeits	-	-	-	-	-	36,939
Other receipts	870,674	51,045	1,552,594	5	118,656	4,209,346
Total receipts	870,674	51,045	1,552,594	5	118,790	6,193,838
Disbursements:						
Personal services	879,006	-	-	-	63,472	2,012,518
Supplies	-	-	-	-	25,727	45,270
Other services and charges	-	-	-	-	1,273	487,251
Capital outlay	-	-	-	-	1,423	108,265
Other disbursements	-	40,315	1,452,506	-	26,245	3,460,337
Total disbursements	879,006	40,315	1,452,506	-	118,140	6,113,641
Excess (deficiency) of receipts over disbursements	(8,332)	10,730	100,088	5	650	80,197
Cash and investments - ending	\$ 22,939	\$ 171,239	\$ 100,582	\$ 2,210	\$ 47,304	\$ 482,376

MORRISON-REEVES PUBLIC LIBRARY
SCHEDULE OF LEASES AND DEBT
December 31, 2011

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities:				
Siemen's Public	Energy Savings Equipment Capital Lease	\$ 121,174	04-11-06	07-01-18
G. E. Capital	(2) Sharp MX-3610N Copiers	3,984	10-06-11	10-06-16
Pitney Bowes	7PLI Postage Meter	<u>1,932</u>	03-30-10	03-30-13
Total governmental activities		<u>127,090</u>		
Total of annual lease payments		<u><u>\$ 127,090</u></u>		

MORRISON-REEVES 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	\$ 205,200
Infrastructure	1,304,554
Buildings	3,093,100
Improvements other than buildings	100,466
Machinery, equipment and vehicles	1,833,145
Books and other	<u>3,232,584</u>
Total governmental activities	<u>9,769,049</u>
Total capital assets	<u>\$ 9,769,049</u>

MORRISON-REEVES PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on October 18, 2012, with Paris Pegg, Director, and Barbara Roll, Business Manager. Our examination disclosed no material items that warrant comment at this time.