

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

PIKE COUNTY PUBLIC LIBRARY

PIKE COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
02/28/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Review Report.....	3-4
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	6-7
Notes to Financial Statements.....	8-12
Review Results and Comments:	
Annual Financial Report	13
Bank Account Reconciliations	13
Investment Records.....	14
Exit Conference.....	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Ginger Rogers	01-01-12 to 01-24-13
	(Vacant)	01-25-13 to 04-21-13
	Sara Oldencamp	04-22-13 to 01-25-14
	Thomas Behme (interim)	01-26-14 to 10-18-14
	Dana Hughes (interim)	10-19-14 to 08-20-15
	(Vacant)	08-21-15 to 08-23-16
	Bart Stinson	08-24-15 to 06-13-16
	(Vacant)	06-14-16 to 09-15-16
Treasurer	Stephanie Rawlins	09-16-16 to 12-31-17
	James Lemoin Woods	01-01-12 to 04-09-12
President of the Board	Robin Whaley	04-10-12 to 12-31-17
	Donna Poehlein	01-01-12 to 12-31-12
	Phil Elkin	01-01-13 to 12-31-13
Bookkeeper	M. Frank Ropp	01-01-14 to 12-31-17
	Thomas Behme	01-01-12 to 10-18-14
	(Vacant)	10-19-14 to 11-16-14
	Deb McCrary	11-17-14 to 12-31-17



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the Pike County Public Library (Library) for the period of January 1, 2012 to December 31, 2015. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Library's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory 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. This includes determining that the basis of accounting the Library uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

January 11, 2017

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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.

PIKE COUNTY PUBLIC LIBRARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
Rainy Day Fund	\$ -	\$ -	\$ -	\$ -	\$ 52,349	\$ -	\$ 52,349
Library Improvement Reserve	259,778	10,350	153,191	116,937	104,577	116,937	104,577
Library Preschool Fund	726	750	116	1,360	-	1,292	68
USDA GRANT	-	200,000	200,000	-	-	-	-
Evergreen Indiana Fund	-	15	-	15	-	-	15
Evergreen Pass-through Fund	-	-	-	-	91	-	91
Book Between Bites	-	-	-	-	75	15	60
Pike Co Com Foundation Grant	-	-	-	-	1,000	-	1,000
Operating Fund	237,163	577,310	463,779	350,694	594,224	506,763	438,155
Brick Donations	13,868	2,750	2,663	13,955	350	778	13,527
Building Fund	100	-	-	100	-	-	100
Perf	233	1,272	1,430	75	746	786	35
Payroll Withholding-Federal	-	20,679	20,679	-	18,986	18,986	-
Payroll Withholding-State	-	9,757	9,757	-	9,820	9,820	-
Payroll Withholding-Local Tax	-	1,531	1,531	-	2,139	2,139	-
Payroll Withholding-Medicare	-	15,042	15,042	-	20,804	20,804	-
Gift Fund	1,274	1,943	3,170	47	999	544	502
Friends Summer Fund	305	-	99	206	633	839	-
Genealogy Gift Fund	1,267	172	760	679	171	575	275
Nichols Fund	5,832	-	-	5,832	5,832	5,832	5,832
Boonshot Fund	11,696	-	-	11,696	11,696	11,696	11,696
Tweens Book Fund	326	1,880	-	2,206	-	2,206	-
Jar Donations	905	300	709	496	660	723	433
Aflac	145	3,577	3,568	154	1,754	1,754	154
Tree Plaque	704	-	-	704	-	-	704
Totals	\$ 534,322	\$ 847,328	\$ 876,494	\$ 505,156	\$ 826,906	\$ 702,489	\$ 629,573

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

PIKE COUNTY PUBLIC LIBRARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
Teen Food	\$ -	\$ 368	\$ 107	\$ 261	\$ 200	\$ 75	\$ 386
Rainy Day Fund	52,349	53,710	-	106,059	40,945	-	147,004
Summer Reading Fund	-	435	435	-	941	938	3
Library Improvement Reserve	104,577	244,897	227,020	122,454	-	-	122,454
Teen Adult Reading	-	500	31	469	-	103	366
Library Preschool Fund	68	354	313	109	-	96	13
Evergreen Indiana Fund	15	-	15	-	53	-	53
Evergreen Pass-through Fund	91	218	109	200	193	113	280
Book Between Bites	60	-	-	60	-	-	60
Pike Co Com Foundation Grant	1,000	-	1,000	-	-	-	-
Other	-	-	-	-	1,278	859	419
Operating Fund	438,155	809,723	749,163	498,715	615,327	537,213	576,829
Brick Donations	13,527	200	403	13,324	-	125	13,199
Building Fund	100	-	-	100	-	-	100
Perf	35	131	131	35	519	519	35
Payroll Withholding-Federal	-	21,464	20,170	1,294	20,172	21,494	(28)
Payroll Withholding-State	-	10,422	9,993	429	10,011	10,440	-
Payroll Withholding-Local Tax	-	1,178	1,126	52	1,122	1,174	-
Payroll Withholding-Medicare	-	22,330	21,282	1,048	21,412	22,460	-
Gift Fund	502	1,940	849	1,593	663	422	1,834
Friends Summer Fund	-	1,200	632	568	1,200	1,621	147
Genealogy Gift Fund	275	60	270	65	43	-	108
Nichols Fund	5,832	11,705	11,684	5,853	-	-	5,853
Boonshot Fund	11,696	23,475	23,433	11,738	-	-	11,738
Jar Donations	433	476	-	909	120	172	857
Aflac	154	2,152	1,967	339	4,260	4,208	391
Tree Plaque	704	-	-	704	-	-	704
Totals	<u>\$ 629,573</u>	<u>\$ 1,206,938</u>	<u>\$ 1,070,133</u>	<u>\$ 766,378</u>	<u>\$ 718,459</u>	<u>\$ 602,032</u>	<u>\$ 882,805</u>

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

PIKE COUNTY 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 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or nonbusinesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions

PIKE COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received 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. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

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

Personal services. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements. Amounts disbursed for various other purposes including, but 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.

PIKE COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Interfund Transfers

The Library may, from time to time, make transfers 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 amounts 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 amounts 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.

PIKE COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statutes authorize the Library to invest in securities including, but not limited to, the following: 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.

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 a cost-sharing 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
One North Capitol, 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.

PIKE COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 7. Cash Balance Deficit

The financial statements contain a fund with a deficit in cash of \$28. This is a result of an error when calculating the Federal withholdings for the final pay in 2015.

PIKE COUNTY PUBLIC LIBRARY
REVIEW RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The information reported in the Annual Financial Reports for 2013 and 2014 did not match the Library's records. Receipts and disbursements were both understated in 2013 and 2014:

Fund Name	Receipts	Disbursements
2013:		
Library Improvement Reserve	\$ (104,577)	
Library Improvement Reserve		(104,577)
Nichols Fund	(5,832)	
Nichols Fund		(5,832)
Boonshot Fund	(11,696)	
Boonshot Fund		(11,696)
2014:		
Summer Reading Fund	(435)	
Summer Reading Fund		(435)
Nichols Fund	(5,832)	
Nichols Fund		(11,684)
Boonshot Fund	(11,696)	
Boonshot Fund		(23,433)

Review adjustments were proposed, accepted by the Library, and made to the financial statements.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations as of December 31, 2014, and December 31, 2015, could not be verified because the Library did not keep the outstanding checklist used for the reconciliations. In addition, the Library back-dated checks to avoid encumbering money from one year to the next, this resulted in the inability to recreate the outstanding checklist amount that was used in the reconciliations completed by the Library.

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."

PIKE COUNTY PUBLIC LIBRARY
REVIEW RESULTS AND COMMENTS
(Continued)

INVESTMENT RECORDS

Supporting documentation for Certificates of Deposit was not retained and available for review. The Library was able to provide year end investment balances for 2014 and 2015 by requesting additional information from the bank. The originally issued certificate documentation was not retained by the Library for any year of the review period. In addition, the Library did not maintain an investment ledger.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Indiana Code 5-13-9-2 states in part:

". . . (d) The investing officers of the political subdivisions are the legal custodians of securities under this chapter. They shall accept safekeeping receipts or other reporting for securities from:

- (1) a duly designated depository as prescribed in this article; or
- (2) a financial institution located either in or out of Indiana having custody of the securities with a combined capital and surplus of at least ten million dollars (\$10,000,000) according to the last statement of condition filed by the financial institution with its governmental supervisory body.

(e) The state board of accounts may rely on safekeeping receipts or other reporting from any depository or financial institution. . . ."

The Register of Investments is to be kept by the custodian of the securities. A duplicate register may be kept by the custodian of the records.

A separate line should be used for recording each security, and separate sheet(s) should be used for each investment fund. More than one investment may be kept in the same post binder.

The register should be set up as soon as forms are received by entering the data for all investments on hand. Thereafter, entries will be made chronologically as investments are sold and/or purchased. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

PIKE COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on January 11, 2017, with Stephanie Rawlins, Director; M. Frank Ropp, President of the Board; Jared L. Furman, Vice President of the Board; and Deb McCrary, Bookkeeper.