

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

GARY PUBLIC LIBRARY

LAKE COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
12/16/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Diana Morrow	01-01-16 to 12-31-19
Controller/Treasurer	Fred McMillon	01-01-16 to 12-31-19
President of the Library Board	Odis Richardson	01-01-16 to 06-27-16
	Robert Buggs	06-28-16 to 06-30-17
	Odis Richardson	07-01-17 to 06-30-18
	Tyrell Anderson	07-01-18 to 06-30-20



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE GARY PUBLIC LIBRARY, LAKE COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Gary Public Library (Library), for the period of January 1, 2016 to December 31, 2018. 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

October 31, 2019

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.

GARY PUBLIC LIBRARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2016 and 2017

	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
General Operating Fund	\$ 1,532,713	\$ 3,166,633	\$ 3,511,645	\$ 1,187,701	\$ 4,665,914	\$ 4,700,328	\$ 1,153,287
Library Reserve Improvement	926,719	581	443,202	484,098	419	151,167	333,350
Petty Cash - General Fund	475	200	200	475	34	-	509
Library Gift/Trust Fund	28,849	7,271	-	36,120	18	-	36,138
Trust Indiana Investment Account	481,498	2,001	150,000	333,499	1,133,360	1,200,000	266,859
Library Rainy Day Fund	(50,944)	468,534	24,238	393,352	150,331	525,827	17,856
Library Payroll Account	(1,017)	796,961	796,444	(500)	783,596	784,446	(1,350)
Totals	<u>\$ 2,918,293</u>	<u>\$ 4,442,181</u>	<u>\$ 4,925,729</u>	<u>\$ 2,434,745</u>	<u>\$ 6,733,672</u>	<u>\$ 7,361,768</u>	<u>\$ 1,806,649</u>

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

GARY PUBLIC LIBRARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BA
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
General Operating Fund	\$ 1,153,287	\$ 4,735,639	\$ 4,421,178	\$ 1,467,748
Library Reserve Improvement	333,350	475,387	708,580	100,157
Petty Cash - General Fund	509	52	84	477
Library Gift/Trust Fund	36,138	18	-	36,156
Trust Indiana Investment Account	266,859	1,609,383	1,800,000	76,242
Library Rainy Day Fund	17,856	9	-	17,865
Library Payroll Account	<u>(1,350)</u>	<u>863,712</u>	<u>862,362</u>	<u>-</u>
Totals	<u>\$ 1,806,649</u>	<u>\$ 7,684,200</u>	<u>\$ 7,792,204</u>	<u>\$ 1,698,645</u>

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

GARY 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 a 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.

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 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.

GARY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

GARY 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 December 31 of the year preceding the budget year or January 15 of the budget year if the Library is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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, 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.

GARY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund Defined Benefit Plan (PERF DB) is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Library authority to contribute to the plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

The Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Library authority to contribute to the plan.

New employees hired have a one-time election to join either the PERF Hybrid or the My Choice.

Financial Report

INPRS 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. (844) 464-6777

Contributions

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

B. Additional Pension Plan

The Library offers, as a payroll deduction, Hoosier Start - an Indiana deferred compensation plan, to all interested employees. Information regarding these plans may be obtained from the Library.

GARY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 7. Cash Balance Deficits

The financial statements contain the Library Payroll Account fund with deficits in cash at December 31, 2016 and 2017. This is a result of outstanding reconciling items. The deficit balance was corrected by December 31, 2018.

Note 8. Restatement

For the year ended December 31, 2016, a \$54 increase has been made to the Library Reserve Improvement fund beginning balance of the financial statements to more appropriately reflect financial activity of the Library. The December 31, 2015 ending balance of \$926,665 was increased and reported as \$926,719 as of January 1, 2016.

GARY PUBLIC LIBRARY
REVIEW RESULTS AND COMMENTS

SEVERANCE PAY

A similar comment also appeared in prior Report B47981, entitled *SALARIES, WAGES, AND OTHER PAY*.

Condition and Context

From January 1, 2016 through December 31, 2018, six individuals left employment with the Library. Severance paid for accumulated vacation and sick leave balances was based upon their current hourly wages. Employees were also paid for vacation leave for the subsequent year.

Without an approved resolution addressing severance pay, it could not be determined if the severance pay was calculated in accordance with the Library Board approved guidelines.

Criteria

Unless specifically authorized by law, severance pay, or other payments to employees upon separation from employment, must be supported by the written opinion of the attorney for the unit stating that the payments are in accordance with all laws, including IC 35-44.1-1-3, and a properly enacted Home Rule ordinance/resolution. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

LEAVE POLICIES

A similar comment also appeared in prior Report B47981, entitled *PAYROLL RECORDS AND LEAVE POLICIES*.

Condition and Context

Vacation leave accruals were posted on the first day of the year for the entire year, instead of being accrued monthly as required by the approved vacation policy and Union Contract. Sick leave was accrued monthly, but as personal leave earned.

Employees used leave time in excess of the leave time earned and accumulated. The Library adjusted the balances at year end for any leave balance exceeded. If all leave balances had been exceeded, the following year leave balances or accruals were adjusted.

The Library Board policy on vacation leave was unclear as to the payment of vacation leave for the subsequent year to employees whose service with the Library was terminated.

Criteria

The Union Contract stated: "This Agreement, except for wages, shall become effective January 1, 2007 and shall remain in effect through December 31, 2009." There were not any extensions to the contract beyond 2009 approved by the Library Board.

GARY PUBLIC LIBRARY
REVIEW RESULTS AND COMMENTS
(Continued)

The Library vacation policy stated:

"Employees begin to accrue vacation on a monthly basis from the first day of employment; however, new full-time employees may not take vacation leave until the probationary period has been completed. . . .

A. Employees will be entitled to take their vacation on a calendar year basis upon completion of the probationary period.

B. The exception is that employees hired between January 1 and May 31 will be allowed one-half of their annual vacation during the calendar year in which they are hired. . . .

E. Vacations are non-cumulative and must be used during the calendar year. When your employment terminates between January 1 and May 31, you are only entitled to one half of your allowed vacation and if more has been taken your final check will be adjusted to reflect the difference. Vacation time will be paid in the event of an indefinite layoff, termination, retirement, or death of an employee."

The Library sick leave policy stated in part:

"A. Sick leave shall accrue to eligible full-time employees as the rate of 7.5 hours for each month of employment. It shall be cumulative

B. Six of the employee's sick leave days may be used annually for personal days. . . . "

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

PAYROLL REPORTS

A similar comment also appeared in prior Report B47981, entitled *PAYROLL RECORDS AND LEAVE POLICIES*.

Condition and Context

The Library did not maintain the prescribed Employee's Earnings Record - General Form 99B (Earnings Record). In lieu of the Earnings Record, the Library maintained a "Detail Payroll Register with Totals" (Payroll Register), which was prepared from the Library's payroll computer software. The Payroll Registers provided information by employee and overall totals for the pay period, and year to date.

The Payroll Registers provided for review were either incomplete or inaccurate. The year-end Payroll Registers excluded the wages and withholdings of employees who left employment during the year.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

GARY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on October 31, 2019, with Diana Morrow, Director; Fred McMillon, Controller/Treasurer; Tyrell Anderson, President of the Library Board; Robert Buggs, Library Board member; Sheleita Miller, Library Board member; Sadie Sheffield, Library Board member; and Lucille Washington, Library Board member.



GARY PUBLIC LIBRARY

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DIANA MORROW
Library Director

November 5, 2019

Indiana State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204-2765

Dear Sir/Madame:

This is in response to the review results and comments to the financial statements of the Gary Public Library as of December 31, 2018, for three years, 2016 – 2018. The management of the Gary Public Library does agree that our financial statements were openly and completely presented to the Indiana State Board of Accounts, and fairly reviewed in accordance with the regulatory basis of accounting 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. Per our exit conference Acknowledgement of Decision for Official Response, we issue this letter as our retort and corrective measures for any notes presented.

SEVERANCE PAY AND LEAVE POLICY

Because these two items were closely related the Library has elected to answer both comments with this one response. Historically, the Gary Public Library did not grant vacation to its eligible full time staff in their first year of employment. This practice dates back to its Vacation Policy instituted in the 1980's. Per this policy, vacation was earned during the first year of employment to be used in the second year. Therefore, employees accrued vacation during the year prior to the year it could be used. This practice has continued throughout the years. This vacation accrual was interpreted as time owed to an employee upon termination. In the 1990's, the staff was unionized and a new policy drafted, which was reviewed during the audit; which did not include the method for vacation accrual. The deletion of the vacation accrual process deemed the current policy ambiguous, at best; yet it did not formally negate the past practice.

However, the Library Director has authorized procedures to eliminate the future year accruals due to the unclear policy, effective immediately. Therefore, severance pay will not include future vacation accruals,

until the Board of Trustees of the Gary Public Library pass or modify the vacation policy, clearly indicating their intent.


PAYROLL REPORT


The Gary Public Library tries to follow all prescribed directions of the Accounting and Uniform Compliance Guidelines Manual for Public Libraries. In doing so, an Excel spreadsheet was created to manage all aspects of compensated time and earnings. This spreadsheet tracks each payroll and the elements entered on an employee's timesheet. Employees are entered on subsequent rows, alphabetically in the document. Termed employees are hidden on future sheets, to avoid errant time input. However, the totals for all employees are documented in the final worksheet. This document is matched to a software report for Forms W-2's to assure all employees are accounted.

So that this document is more viable in future reviews and/or audits, the Library will no longer hide termed employees and will verify that their totals are posted with all other staff. The rows for termed employees shall be locked out to prevent error input, as well.

If you have any questions or require further information, please direct them to the attention of the Library Director at (219)886-2484 extension 320 or to the Controller at (219)886-2484 extension 357.

Sincerely;

Signed: 
Title: Controller/Treasurer
Date: 11/05/19

Signed: 
Title: Library Director
Date: 11/05/19