

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

FINANCIAL STATEMENT REVIEW REPORT

OF

MORRISSON-REEVES LIBRARY

WAYNE COUNTY, INDIANA

January 1, 2016 to December 31, 2018



**FILED**  
03/26/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Paris Pegg	01-01-16 to 12-31-20
Treasurer	Kent Klinge Susan Isaacs	01-01-16 to 12-31-16 01-01-17 to 12-31-20
President of the Library Board	Mary Ann Hanes Adam Reising Jennifer Lewis	01-01-16 to 12-31-16 01-01-17 to 12-31-18 01-01-19 to 12-31-20



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the Morrison-Reeves 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 misstatement whether due to fraud or error.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with *Statement 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

December 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.

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

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
General Fund	\$ 1,663,329	\$ 2,133,910	\$ 1,957,528	\$ 1,839,711	\$ 2,376,471	\$ 2,091,567	\$ 2,124,615
Levy Excess Fund	156	-	156	-	-	-	-
Brown Trust Investment	1,103,363	22,682	-	1,126,045	32,811	-	1,158,856
Lumpkin Trust Investment	1,595,771	8,896	-	1,604,667	11,514	-	1,616,181
Petty Cash Fund	110	-	-	110	-	-	110
Change Fund	595	-	-	595	-	-	595
Gift Fund	145,611	190,977	183,519	153,069	175,791	145,197	183,663
Plac Fund	4,763	129	65	4,827	-	-	4,827
Rainy Day Fund	11,695	52,800	-	64,495	-	-	64,495
Payroll Withholdings	25,256	1,063,710	1,063,590	25,376	1,009,129	1,007,822	26,683
Library Improvement Reserve Fund	180,077	61,485	72,340	169,222	20,938	187,943	2,217
Contractual Library	26,322	125,994	130,477	21,839	111,810	101,639	32,010
Totals	<u>\$ 4,757,048</u>	<u>\$ 3,660,583</u>	<u>\$ 3,407,675</u>	<u>\$ 5,009,956</u>	<u>\$ 3,738,464</u>	<u>\$ 3,534,168</u>	<u>\$ 5,214,252</u>

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

MORRISSON-REEVES LIBRARY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
General Fund	\$ 2,124,615	\$ 2,197,722	\$ 2,186,377	\$ 2,135,960
Brown Trust Investment	1,158,856	36,005	175,211	1,019,650
Lumpkin Trust Investment	1,616,181	46,375	369,087	1,293,469
Petty Cash Fund	110	-	-	110
Change Fund	595	-	-	595
Gift Fund	183,663	259,867	283,762	159,768
Plac Fund	4,827	-	-	4,827
Rainy Day Fund	64,495	-	-	64,495
Payroll Withholdings	26,683	1,128,356	1,124,630	30,409
Library Improvement Reserve Fund	2,217	82	-	2,299
Contractual Library	<u>32,010</u>	<u>119,172</u>	<u>133,434</u>	<u>17,748</u>
Totals	<u>\$ 5,214,252</u>	<u>\$ 3,787,579</u>	<u>\$ 4,272,501</u>	<u>\$ 4,729,330</u>

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

MORRISSON-REEVES 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.

MORRISSON-REEVES 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.

MORRISSON-REEVES 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.

MORRISSON-REEVES LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 6. Pension Plan**

*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.

MORRISSON-REEVES LIBRARY  
REVIEW RESULT AND COMMENT

**ANNUAL FINANCIAL REPORT**

The Library's financial information was entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statements.

1. Bank-to-Bank Transfers:

Overstatements of both receipts and disbursements, due to inclusion of bank-to-bank transfers in the AFR and financial statement, were noted in the General Fund each of the three review years and in the Library Improvement Reserve Fund in 2016:

- General Fund overstatements of \$4,125,541 in 2016
- Library Improvement Reserve Fund overstatements of \$326,082 in 2016
- General Fund overstatements of \$3,686,900 in 2017
- General Fund overstatements of \$6,027,794 in 2018

Adjustments to the financial statements were proposed, approved by management, and made to the financial statements.

2. Investment Accounts:

The Library did not consistently report investment account activity in the AFR and financial statements for the three Review years. The reconciled fund balance was reported in 2016 and 2017, while 2018 investment activity was reported at market value.

- The variance (overstatement) between the ending cash and investment balance reported in the financial statements and the market value of the Lumpkin Trust Investment fund was \$59,432 at December 31, 2016.
- The variance (understatement) between the ending cash and investment balance reported in the financial statements and the market value of the Brown Trust Investment fund was (\$21,032) at December 31, 2017.

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](#)."

January 2, 2020

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

On behalf of the Morrison-Reeves Library, I want to thank you for this opportunity to make an official response to the comment in our recent SBoA audit exit conference, which is reflected in the auditor's report.

The following comment is an identifiable instance of noncompliance found as a result of the procedures performed by the auditor assigned to the Wayne County Contractual Library for the purpose of this audit.

### **ANNUAL FINANCIAL REPORT**

The Library's financial information was entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statement.

#### **1. Bank-to-Bank Transfers:**

Overstatements of both receipts and disbursements, due to inclusion of bank-to-bank transfers in the AFR and financial statement, were noted in the General Fund each of the three Review years and in the Library Improvement Reserve Fund in 2016:

- General Fund overstatements of \$4,125,541 in 2016
- Library Improvement Reserve Fund overstatements of \$326,082 in 2016
- General Fund overstatements of \$3,686,900 in 2017
- General Fund overstatements of \$6,027,794 in 2018

Adjustments to the financial statement were proposed and approved by management.

**RESPONSE: This overstatement of both receipts and disbursements was identified by our DLGF Field Representative and corrected in 2019.**

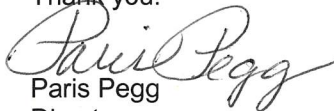
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The Library did not consistently report investment account activity in the AFR and financial statement for the three Review years. The reconciled fund balance was reported in 2016 and 2017, while 2018 investment activity was reported at market value.

- The variance (overstatement) between the ending cash and investment balance reported in the financial statement and the market value of the Lumpkin Trust Investment fund was \$59,432 at December 31, 2016.
- The variance (understatement) between the ending cash and investment balance reported in the financial statement and the market value of the Brown Trust Investment fund was (\$21,032) at December 31, 2017.

**RESPONSE: This discrepancy has been duly noted, and the investment activity for both the Lumpkin Trust Investment fund and the Brown Trust Investment fund will be consistently reported at year-end market value beginning with year-end 2019.**

Thank you!

  
Paris Pegg  
Director

MORRISSON-REEVES LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on December 31, 2019, with Paris Pegg, Director; Barbara Judy, Accounting Administrator; Susan Isaacs, Treasurer; and Jennifer Lewis, President of the Library Board.