

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

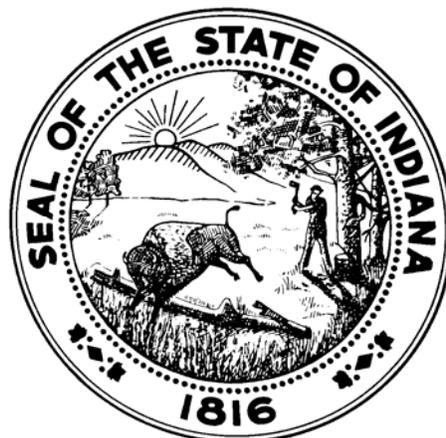
AUDIT REPORT

OF

ST. JOSEPH COUNTY PUBLIC LIBRARY

ST. JOSEPH COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
11/06/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Donald Napoli	01-01-04 to 12-31-06
Treasurer	Shirleen R. Martens	01-01-04 to 12-31-06
President of the Board	Rebecca Fischer Dr. Mark Green	01-01-04 to 12-31-04 01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE ST. JOSEPH COUNTY PUBLIC LIBRARY, ST. JOSEPH COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Joseph County Public Library (Library), as of and for the years ended December 31, 2004 and 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Library prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the Library as of December 31, 2004 and 2005, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

The Schedule of Funding Progress as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Library has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 14, 2006

ST. JOSEPH COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2004

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipt and Changes in Net Assets</u>
		Charges for Services	Contributions	<u>Primary Government Governmental Activities</u>
Primary government:				
Governmental activities:				
General government	\$ 10,793,812	\$ 264,431	\$ 55,439	\$ (10,473,942)
Interest on long-term debt	50,700	-	-	(50,700)
Total primary government	\$ 10,844,512	\$ 264,431	\$ 55,439	(10,524,642)
General receipts:				
Property taxes				5,733,155
Other local sources				2,023,651
Fines and forfeits				665,651
Unrestricted investment earnings				119,164
Total general receipts				8,541,621
Change in net assets				(1,983,021)
Net assets - beginning				11,639,869
Net assets - ending				\$ 9,656,848
 <u>Assets</u>				
Cash and investments				\$ 8,960,979
Restricted assets:				
Cash and investments				695,869
Total assets				\$ 9,656,848
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 695,869
Unrestricted				8,960,979
Total net assets				\$ 9,656,848

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

ST. JOSEPH COUNTY PUBLIC LIBRARY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2004

	General	Bond and Interest	LIRF	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 4,884,355	\$ 389,881	\$ -	\$ 458,919	\$ 5,733,155
Intergovernmental	1,945,037	65,324	-	13,290	2,023,651
Charges for services	138,516	-	-	125,915	264,431
Fines and forfeits	665,651	-	-	-	665,651
Other	115,081	-	-	59,522	174,603
Total receipts	<u>7,748,640</u>	<u>455,205</u>	<u>-</u>	<u>657,646</u>	<u>8,861,491</u>
Disbursements:					
General government	10,425,161	1,238	-	39,125	10,465,524
Debt service:					
Interest	-	50,700	-	-	50,700
Capital outlay:					
Buildings and equipment	-	-	194,641	133,647	328,288
Total disbursements	<u>10,425,161</u>	<u>51,938</u>	<u>194,641</u>	<u>172,772</u>	<u>10,844,512</u>
Excess (deficiency) of receipts over disbursements	<u>(2,676,521)</u>	<u>403,267</u>	<u>(194,641)</u>	<u>484,874</u>	<u>(1,983,021)</u>
Other financing sources (uses)					
Interfund loans	-	239,700	-	(239,700)	-
Transfers in	-	-	600,000	301,953	901,953
Transfers out	(901,953)	-	-	-	(901,953)
Total other financing sources (uses)	<u>(901,953)</u>	<u>239,700</u>	<u>600,000</u>	<u>62,253</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(3,578,474)</u>	<u>642,967</u>	<u>405,359</u>	<u>547,127</u>	<u>(1,983,021)</u>
Cash and investment fund balance - beginning	<u>7,544,514</u>	<u>52,902</u>	<u>1,615,252</u>	<u>2,427,201</u>	<u>11,639,869</u>
Cash and investment fund balance - ending	<u>\$ 3,966,040</u>	<u>\$ 695,869</u>	<u>\$ 2,020,611</u>	<u>\$ 2,974,328</u>	<u>\$ 9,656,848</u>
Cash and Investment Assets - December 31					
Cash and investments	\$ 3,966,040	\$ -	\$ 2,020,611	\$ 2,974,328	\$ 8,960,979
Restricted assets:					
Cash and investments	-	695,869	-	-	695,869
Total cash and investment assets - December 31	<u>\$ 3,966,040</u>	<u>\$ 695,869</u>	<u>\$ 2,020,611</u>	<u>\$ 2,974,328</u>	<u>\$ 9,656,848</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Debt service	\$ -	\$ 695,869	\$ -	\$ -	\$ 695,869
Unrestricted	3,966,040	-	2,020,611	2,974,328	8,960,979
Total cash and investment fund balance - December 31	<u>\$ 3,966,040</u>	<u>\$ 695,869</u>	<u>\$ 2,020,611</u>	<u>\$ 2,974,328</u>	<u>\$ 9,656,848</u>

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

ST. JOSEPH COUNTY PUBLIC LIBRARY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2004

	Agency Funds
Additions:	
Agency fund additions	\$ 5,151,389
Deductions:	
Agency fund deductions	5,214,357
Deficiency of total additions over total deductions	(62,968)
Cash and investment fund balance - beginning	100,688
Cash and investment fund balance - ending	\$ 37,720

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

ST. JOSEPH COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipt and Changes in Net Assets</u>
		Charges for Services	Contributions	<u>Primary Government Governmental Activities</u>
Primary government:				
Governmental activities:				
General government	\$ 13,451,954	\$ 191,142	\$ 58,686	\$ (13,202,126)
Interest on long-term debt	<u>126,300</u>	<u>-</u>	<u>-</u>	<u>(126,300)</u>
Total primary government	<u><u>\$ 13,578,254</u></u>	<u><u>\$ 191,142</u></u>	<u><u>\$ 58,686</u></u>	<u><u>(13,328,426)</u></u>
General receipts:				
Property taxes				13,515,841
Other local sources				1,818,449
Bonds and loans				1,699,000
Fines and forfeits				700,083
Unrestricted investment earnings				<u>262,594</u>
Total general receipts				<u>17,995,967</u>
Change in net assets				4,667,541
Net assets - beginning				<u>9,656,848</u>
Net assets - ending				<u><u>\$ 14,324,389</u></u>
 <u>Assets</u>				
Cash and investments				\$ 14,161,128
Restricted assets:				
Cash and investments				<u>163,261</u>
Total assets				<u><u>\$ 14,324,389</u></u>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 163,261
Unrestricted				<u>14,161,128</u>
Total net assets				<u><u>\$ 14,324,389</u></u>

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

ST. JOSEPH COUNTY PUBLIC LIBRARY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Bond and Interest	LIRF	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 11,869,908	\$ 949,738	\$ -	\$ 696,195	\$ 13,515,841
Intergovernmental	1,752,346	39,116	-	26,987	1,818,449
Charges for services	90,894	-	-	100,248	191,142
Fines and forfeits	700,083	-	-	-	700,083
Other	249,406	-	-	71,874	321,280
	<u>14,662,637</u>	<u>988,854</u>	<u>-</u>	<u>895,304</u>	<u>16,546,795</u>
Total receipts					
Disbursements:					
General government	10,786,984	-	-	107,533	10,894,517
Debt service:					
Principal	-	1,320,000	-	-	1,320,000
Interest	-	126,300	-	-	126,300
Capital outlay:					
Building and equipment	-	1,262	944,595	291,580	1,237,437
	<u>10,786,984</u>	<u>1,447,562</u>	<u>944,595</u>	<u>399,113</u>	<u>13,578,254</u>
Total disbursements					
Excess (deficiency) of receipts over disbursements	<u>3,875,653</u>	<u>(458,708)</u>	<u>(944,595)</u>	<u>496,191</u>	<u>2,968,541</u>
Other financing sources (uses)					
Bond proceeds	-	-	-	1,699,000	1,699,000
Interfund loans	-	(73,900)	-	73,900	-
Transfers in	-	-	600,000	-	600,000
Transfers out	(600,000)	-	-	-	(600,000)
	<u>(600,000)</u>	<u>(73,900)</u>	<u>600,000</u>	<u>1,772,900</u>	<u>1,699,000</u>
Total other financing sources (uses)					
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,275,653	(532,608)	(344,595)	2,269,091	4,667,541
Cash and investment fund balance - beginning	<u>3,966,040</u>	<u>695,869</u>	<u>2,020,611</u>	<u>2,974,328</u>	<u>9,656,848</u>
Cash and investment fund balance - ending	<u>\$ 7,241,693</u>	<u>\$ 163,261</u>	<u>\$ 1,676,016</u>	<u>\$ 5,243,419</u>	<u>\$ 14,324,389</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 7,241,693	\$ -	\$ 1,676,016	\$ 5,243,419	\$ 14,161,128
Restricted assets:					
Cash and investments	-	163,261	-	-	163,261
Total cash and investment assets - December 31	<u>\$ 7,241,693</u>	<u>\$ 163,261</u>	<u>\$ 1,676,016</u>	<u>\$ 5,243,419</u>	<u>\$ 14,324,389</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ -	\$ 163,261	\$ -	\$ -	\$ 163,261
Unrestricted	<u>7,241,693</u>	<u>-</u>	<u>1,676,016</u>	<u>5,243,419</u>	<u>14,161,128</u>
Total cash and investment fund balance - December 31	<u>\$ 7,241,693</u>	<u>\$ 163,261</u>	<u>\$ 1,676,016</u>	<u>\$ 5,243,419</u>	<u>\$ 14,324,389</u>

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

ST. JOSEPH COUNTY PUBLIC LIBRARY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	Agency Funds
Additions:	
Agency fund additions	\$ 5,371,532
Deductions:	
Agency fund deductions	5,372,390
Deficiency of total additions over total deductions	(858)
Cash and investment fund balance - beginning	37,720
Cash and investment fund balance - ending	\$ 36,862

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

ST. JOSEPH COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

I. 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 and general administrative services.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the Library has not established any enterprise funds.

The Library reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The bond and interest fund is for the purpose of retiring bonds or other evidence of indebtedness, together with any premium or accrued interest that may be received.

The library improvement reserve fund is for the purpose of anticipating necessary future capital expenditures such as the purchase of land, the purchase and construction of buildings or structures, the construction of additions or improvements to existing structures, the purchase of equipment, and all repairs or replacements of buildings or equipment.

Additionally, the Library reports the following fund types:

Agency funds account for assets held by the Library as an agent for the benefit of the employees.

C. Measurement Focus and Basis of Accounting

The government-wide and governmental fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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.

ST. JOSEPH COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the Library utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The Library does not have any proprietary funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds are not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

ST. JOSEPH COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

It is the Library's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided and (2) contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
2. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

ST. JOSEPH COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

On or before August 31, the fiscal officer of the Library submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Library receives approval of the Indiana Department of Local Government Finance.

The Library's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2004 and 2005, were as follows:

Transfer From	Transfer To	2004	2005
General fund	LIRF	\$ 600,000	\$ 600,000
General fund	Other governmental funds	301,953	-
Totals		<u>\$ 901,953</u>	<u>\$ 600,000</u>

The Library typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

IV. Other Information

A. Risk Management

The Library is 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 (excluding postemployment benefits); and natural disasters.

ST. JOSEPH COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents (Excluding Postemployment Benefits)

The Library has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the General Fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$30,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Subsequent Events

The Library has entered into contracts for the construction of two new libraries, one in North Liberty and the other in Lakeville, with an estimated cost of \$1,500,000 each.

C. Pension Plan

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The Library contributes to the Indiana Public Employees' Retirement Fund (PERF), 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 the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Library authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

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

ST. JOSEPH COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Library's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Library and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 158,244
Interest on net pension obligation	(19,798)
Adjustment to annual required contribution	22,562
Annual pension cost	161,008
Contributions made	188,722
Decrease in net pension obligation	(27,714)
Net pension obligation, beginning of year	(273,080)
Net pension obligation, end of year	\$ (300,794)
Contribution rates:	
Library	5.25%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected Actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

ST. JOSEPH COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 156,865	104%	\$ (228,625)
	06-30-04	136,510	133%	(273,080)
	06-30-05	161,008	138%	(300,794)

ST. JOSEPH COUNTY PUBLIC LIBRARY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 3,390,697	\$ 3,311,665	\$ 79,032	102%	\$ 3,037,176	3%
07-01-04	3,446,595	3,420,471	26,124	101%	3,360,151	1%
07-01-05	3,595,768	3,959,446	(363,678)	91%	3,528,956	(10%)

ST. JOSEPH COUNTY PUBLIC LIBRARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2004

	Capital Projects	Gifts and Bequests	Cluster Network Services	Rainy Day	Totals
Receipts:					
Taxes	\$ 260,872	\$ -	\$ -	\$ 198,047	\$ 458,919
Intergovernmental	13,290	-	-	-	13,290
Charges for services	-	-	125,915	-	125,915
Other	4,083	55,439	-	-	59,522
Total receipts	278,245	55,439	125,915	198,047	657,646
Disbursements:					
Culture and recreation	-	28,110	11,015	-	39,125
Capital outlay:					
Building and equipment	133,647	-	-	-	133,647
Total disbursements	133,647	28,110	11,015	-	172,772
Excess of receipts over disbursements	144,598	27,329	114,900	198,047	484,874
Other financing sources (uses)					
Interfund loans	-	-	-	(239,700)	(239,700)
Transfers in	-	-	-	301,953	301,953
Total other financing sources	-	-	-	62,253	62,253
Excess of receipts and other financing sources over disbursements and other financing uses	144,598	27,329	114,900	260,300	547,127
Cash and investment fund balance - beginning	633,015	579,791	714,395	500,000	2,427,201
Cash and investment fund balance - ending	<u>\$ 777,613</u>	<u>\$ 607,120</u>	<u>\$ 829,295</u>	<u>\$ 760,300</u>	<u>\$ 2,974,328</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	<u>\$ 777,613</u>	<u>\$ 607,120</u>	<u>\$ 829,295</u>	<u>\$ 760,300</u>	<u>\$ 2,974,328</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Unrestricted	<u>\$ 777,613</u>	<u>\$ 607,120</u>	<u>\$ 829,295</u>	<u>\$ 760,300</u>	<u>\$ 2,974,328</u>

ST. JOSEPH COUNTY PUBLIC LIBRARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2004

	<u>PLAC</u>	<u>Payroll Withholdings</u>	<u>Total</u>
Additions:			
Agency fund additions	\$ 10,069	\$ 5,141,320	\$ 5,151,389
Deductions:			
Agency fund deductions	<u>12,960</u>	<u>5,201,397</u>	<u>5,214,357</u>
Deficiency of total additions over total deductions	(2,891)	(60,077)	(62,968)
Cash and investment fund balance - beginning	<u>3,874</u>	<u>96,814</u>	<u>100,688</u>
Cash and investment fund balance - ending	<u>\$ 983</u>	<u>\$ 36,737</u>	<u>\$ 37,720</u>

ST. JOSEPH COUNTY PUBLIC LIBRARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	Construction	Capital Projects	Gifts and Bequests	Cluster Network Services	Rainy Day	Totals
Receipts:						
Taxes	\$ -	\$ 696,195	\$ -	\$ -	\$ -	\$ 696,195
Intergovernmental	-	26,987	-	-	-	26,987
Charges for services	-	-	-	100,248	-	100,248
Other	-	13,188	58,686	-	-	71,874
Total receipts	<u>-</u>	<u>736,370</u>	<u>58,686</u>	<u>100,248</u>	<u>-</u>	<u>895,304</u>
Disbursements:						
Culture and recreation	-	-	96,017	11,516	-	107,533
Capital outlay:						
Buildings and equipment	<u>73,911</u>	<u>217,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,580</u>
Total disbursements	<u>73,911</u>	<u>217,669</u>	<u>96,017</u>	<u>11,516</u>	<u>-</u>	<u>399,113</u>
Excess (deficiency) of receipts over disbursements	<u>(73,911)</u>	<u>518,701</u>	<u>(37,331)</u>	<u>88,732</u>	<u>-</u>	<u>496,191</u>
Other financing sources						
Bond proceeds	1,699,000	-	-	-	-	1,699,000
Interfund loans	-	-	-	-	73,900	73,900
Total other financing sources	<u>1,699,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,900</u>	<u>1,772,900</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,625,089</u>	<u>518,701</u>	<u>(37,331)</u>	<u>88,732</u>	<u>73,900</u>	<u>2,269,091</u>
Cash and investment fund balance - beginning	<u>-</u>	<u>777,613</u>	<u>607,120</u>	<u>829,295</u>	<u>760,300</u>	<u>2,974,328</u>
Cash and investment fund balance - ending	<u>\$ 1,625,089</u>	<u>\$ 1,296,314</u>	<u>\$ 569,789</u>	<u>\$ 918,027</u>	<u>\$ 834,200</u>	<u>\$ 5,243,419</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	<u>\$ 1,625,089</u>	<u>\$ 1,296,314</u>	<u>\$ 569,789</u>	<u>\$ 918,027</u>	<u>\$ 834,200</u>	<u>\$ 5,243,419</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Unrestricted	<u>\$ 1,625,089</u>	<u>\$ 1,296,314</u>	<u>\$ 569,789</u>	<u>\$ 918,027</u>	<u>\$ 834,200</u>	<u>\$ 5,243,419</u>

ST. JOSEPH COUNTY PUBLIC LIBRARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005

	PLAC	Payroll Withholdings	Total
Additions:			
Agency fund additions	\$ 2,161	\$ 5,369,371	\$ 5,371,532
Deductions:			
Agency fund deductions	1,958	5,370,432	5,372,390
Excess (deficiency) of total additions over total deductions	203	(1,061)	(858)
Cash and investment fund balance - beginning	983	36,737	37,720
Cash and investment fund balance - ending	\$ 1,186	\$ 35,676	\$ 36,862

ST. JOSEPH COUNTY PUBLIC LIBRARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2005

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 34,706,102
Buildings	3,515,531
Improvements other than buildings	368,166
Machinery and equipment	<u>1,022,814</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 39,612,613</u>

ST. JOSEPH COUNTY PUBLIC LIBRARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF DEBT

For The Year Ended December 31, 2005

CAPITAL LEASES

The Library has entered into the following debt:

	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds:		
2002 General Obligation Bond	1,215,000	705,000
2005 General Obligation Bond	<u>1,700,000</u>	<u>215,000</u>
Total governmental activities long-term debt	<u>\$ 2,915,000</u>	<u>\$ 920,000</u>

ST. JOSEPH COUNTY PUBLIC LIBRARY
AUDIT RESULT AND COMMENT

ANNUAL REPORT

The annual reports for 2004 and 2005 presented for audit were incomplete and were not always reflective of the activity of the Library. Annual reports for 2004 and 2005 were not filed, as required by law, within 60 days after the end of each year.

Indiana Code 5-3-1-4 states in part: "(a) 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. . . . (b) The following shall prepare, verify, and file the reports required under subsection (a) not later than sixty (60) days after the end of each year. . . (2) A public library."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

ST. JOSEPH COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2006, with Shirleen R. Martens, Treasurer; and Donald Napoli, Director. The officials concurred with our audit finding.