

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

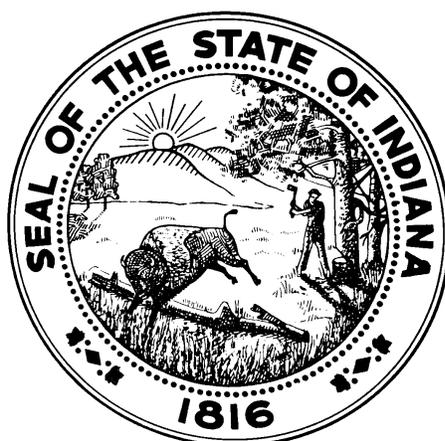
EXAMINATION REPORT

OF

KENDALLVILLE PUBLIC LIBRARY

NOBLE COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED

05/15/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Jenness Draper	01-01-06 to 12-31-08
Treasurer	Randolph Sexton	01-01-06 to 12-31-08
President of the Board	N. Jane Rhea Betty Allen	01-01-06 to 06-30-07 07-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF KENDALLVILLE PUBLIC LIBRARY, NOBLE COUNTY, INDIANA

We have examined the financial information presented herein of Kendallville Public Library (Library), for the period of January 1, 2006 to December 31, 2007. The Library's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Library for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 16, 2008

KENDALLVILLE PUBLIC LIBRARY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 323,354	\$ 1,397,283	\$ 1,632,796	\$ 87,841
Gift	612,367	715,386	466,373	861,380
Bond and Interest Redemption	(32,837)	149,385	115,400	1,148
Library Improvement Reserve	18,922	142	-	19,064
Library Capital Projects	207,194	158,956	305,264	60,886
Construction	-	64,498	-	64,498
Fiduciary Fund:				
PLAC	112	310	422	-
Totals	<u>\$ 1,129,112</u>	<u>\$ 2,485,960</u>	<u>\$ 2,520,255</u>	<u>\$ 1,094,817</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 87,841	\$ 1,700,365	\$ 1,392,143	\$ 396,063
Gift	861,380	456,110	1,342,623	(25,133)
Bond and Interest Redemption	1,148	788,265	569,478	219,935
Library Improvement Reserve	19,064	132	-	19,196
Library Capital Projects	60,886	120,507	173,297	8,096
Construction	64,498	23,764	88,262	-
Fiduciary Fund:				
PLAC	-	300	300	-
Totals	<u>\$ 1,094,817</u>	<u>\$ 3,089,443</u>	<u>\$ 3,566,103</u>	<u>\$ 618,157</u>

The accompanying notes are an integral part of the financial information.

KENDALLVILLE PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Library was established under the laws of the State of Indiana. The Library provides the following services: culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Library uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Library in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the Library to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

KENDALLVILLE PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. 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 this 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 members' 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. That 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

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Holding Corporation

The Library has entered into a capital lease with the Kendallville Building Corporation (the lessor). The lessor was organized as a non-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Kendallville Public Library. The lessor has been determined to be a related party of the Kendallville Public Library. A lease payment of \$245,000 was made in December of 2007.

KENDALLVILLE PUBLIC LIBRARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Library has entered into the following debt:

Description of Debt	Ending Principal Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Kendallville Public Library	\$ 6,135,000	\$ 488,000
Loan payable:		
Tax Anticipation Warrants	<u>375,000</u>	<u>375,000</u>
Total governmental activities long-term debt:	<u>\$ 6,510,000</u>	<u>\$ 863,000</u>

KENDALLVILLE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The cash balance of the Gift Fund was overdrawn by \$25,133 in 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

DAILY RECORD OF DESK COLLECTIONS

Desk collections are required to be recorded daily. Desk collections were recorded twice a week or weekly, several times during the audit period.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

KENDALLVILLE PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2008, with Fred L. Inniger, Vice President of the Board; Jenness Draper, Director; Janice DeLong, Business Manager. The officials concurred with our findings.