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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

NAPPANEE PUBLIC LIBRARY

ELKHART COUNTY, INDIANA

January 1, 2010 to December 31, 2011

FILED
02/13/2013

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SCHEDULE OF OFFICIALS

Office	Official	Term
Director	Lissa Krull	01-01-10 to 12-31-13
Treasurer	Angie Stillson	01-01-10 to 12-31-12
President of the Board	Brad Newcomer	01-01-10 to 12-31-12

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE NAPPANEE PUBLIC LIBRARY, ELKHART COUNTY, INDIANA

We have examined the accompanying financial statements of the Nappanee Public Library (Library), for the period of January 1, 2010 to December 31, 2011. The financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on the financial statements 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the 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. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Library for the period of January 1, 2010 to December 31, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Library for the period of January 1, 2010 to December 31, 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Library's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 15, 2013

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FINANCIAL STATEMENTS

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.

NAPPANEE PUBLIC LIBRARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	$ 1,055,243	$ 1,063,680	$ 1,075,084	$ 1,043,839
Petty Cash	40	-	-	40
Cash Change	95	-	-	95
Gift	4,849	86,652	10,047	81,454
Rainy Day	42,824	17,953	-	60,777
Levy Excess	-	2,848	-	2,848
Heritage Collection Gift Fund	22,601	67	2,553	20,115
State Technology Fund Grant	8,400	4,529	6,950	5,979
Bond And Interest Redemption	105,286	228,484	237,000	96,770
Library Capital Projects	48,200	102	-	48,302
Library Improvement Reserve	325,837	50,691	-	376,528
Payroll	4,648	27,206	28,401	3,453
Plac Card	30	150	130	50
Niccl	29,693	-	29,693	-
Leadership Academy	3,136	1,107	879	3,364
Totals	$ 1,650,882	$ 1,483,469	$ 1,390,737	$ 1,743,614

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

NAPPANEE PUBLIC LIBRARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	$ 1,043,839	$ 1,013,538	$ 1,293,412	$ 763,965
Rainy Day	60,777	150,000	-	210,777
Levy Excess	2,848	-	2,848	-
Library Capital Projects	48,302	93	-	48,395
Library Improvement Reserve	376,528	100,830	-	477,358
Plac Card	50	50	100	-
Petty Cash	40	-	-	40
Cash Change	95	20	-	115
Gift	81,454	32,259	7,843	105,870
Heritage Collection Gift Fund	20,115	38	664	19,489
State Technology Fund Grant	5,979	5,800	6,335	5,444
Bond And Interest Redemption	96,770	214,725	214,000	97,495
Payroll	3,453	35,366	33,937	4,882
Leadership Academy	3,364	106	725	2,745
Totals	$ 1,743,614	$ 1,552,825	$ 1,559,864	$ 1,736,575

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Library was established under the laws of the State of Indiana. The Library operates under an appointed governing board and provides culture services.

The accompanying financial statements present the financial information for the Library.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the 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. Receipts are recorded when received and disbursements are recorded when paid.

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 may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers 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 which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution 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 which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived 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 which include amounts received from various sources which can include, but are 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 may include, but are not limited to, the following uses:

Personal services include outflows 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 which include 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 office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Library. It includes all expenditures for the reduction of the principal and interest of the Library's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are 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, transfer money 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 money 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 money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Library in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Library submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Library in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize 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.

Note 5. Risk Management

The Library may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Library to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Library authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Library's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Library's Annual Report information for years 2011 and later can be found on the Gateway website: https://gateway.ifionline.org/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Library which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Library. It is presented as intended by the Library.

NAPPANEE PUBLIC LIBRARY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010

	General	Petty Cash	Cash Change	Gift	Rainy Day	Levy Excess	Heritage Collection Gift Fund	State Technology Fund Grant
Cash and investments - beginning	$ 1,055,243	$ 40	$ 95	$ 4,849	$ 42,824	$ -	$ 22,601	$ 8,400
Receipts:								
Taxes	706,806	-	-	-	-	2,848	-	-
Intergovernmental	325,175	-	-	-	17,953	-	-	-
Charges for services	8,810	-	-	-	-	-	-	-
Fines and forfeits	10,325	-	-	-	-	-	-	-
Other receipts	12,564	-	-	86,652	-	-	67	4,529
Total receipts	1,063,680	-	-	86,652	17,953	2,848	67	4,529
Disbursements:								
Personal services	547,792	-	-	-	-	-	-	-
Supplies	64,445	-	-	200	-	-	-	-
Other services and charges	233,640	-	-	7,607	-	-	-	-
Capital outlay	129,207	-	-	84	-	-	-	-
Other disbursements	100,000	-	-	2,156	-	-	2,553	6,950
Total disbursements	1,075,084	-	-	10,047	-	-	2,553	6,950
Excess (deficiency) of receipts over disbursements	(11,404)	-	-	76,605	17,953	2,848	(2,486)	(2,421)
Cash and investments - ending	$ 1,043,839	$ 40	$ 95	$ 81,454	$ 60,777	$ 2,848	$ 20,115	$ 5,979

NAPPANEE PUBLIC LIBRARY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Bond And Interest Redemption	Library Capital Projects	Library Improvement Reserve	Payroll	Plac Card	Niccl	Leadership Academy	Totals
Cash and investments - beginning	$ 105,286	$ 48,200	$ 325,837	$ 4,648	$ 30	$ 29,693	$ 3,136	$ 1,650,882
Receipts:								
Taxes	215,853	-	-	-	-	-	-	925,507
Intergovernmental	12,352	-	-	-	-	-	-	355,480
Charges for services	-	-	-	-	-	-	-	8,810
Fines and forfeits	-	-	-	-	-	-	-	10,325
Other receipts	279	102	50,691	27,206	150	-	1,107	183,347
Total receipts	228,484	102	50,691	27,206	150	-	1,107	1,483,469
Disbursements:								
Personal services	-	-	-	-	-	-	-	547,792
Supplies	-	-	-	-	-	-	-	64,645
Other services and charges	237,000	-	-	-	-	-	-	478,247
Capital outlay	-	-	-	-	-	-	-	129,291
Other disbursements	-	-	-	28,401	130	29,693	879	170,762
Total disbursements	237,000	-	-	28,401	130	29,693	879	1,390,737
Excess (deficiency) of receipts over disbursements	(8,516)	102	50,691	(1,195)	20	(29,693)	228	92,732
Cash and investments - ending	$ 96,770	$ 48,302	$ 376,528	$ 3,453	$ 50	$ -	$ 3,364	$ 1,743,614

NAPPANEE PUBLIC LIBRARY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011

	General	Rainy Day	Levy Excess	Library Capital Projects	Library Improvement Reserve	Plac Card	Petty Cash	Cash Change
Cash and investments - beginning	$ 1,043,839	$ 60,777	$ 2,848	$ 48,302	$ 376,528	$ 50	$ 40	$ 95
Receipts:								
Taxes	718,569	-	-	-	-	-	-	-
Intergovernmental	263,469	-	-	-	-	-	-	-
Charges for services	8,186	-	-	-	-	50	-	-
Fines and forfeits	13,492	-	-	-	-	-	-	-
Other receipts	9,822	150,000	-	93	100,830	-	-	20
Total receipts	1,013,538	150,000	-	93	100,830	50	-	20
Disbursements:								
Personal services	606,159	-	-	-	-	-	-	-
Supplies	56,347	-	-	-	-	-	-	-
Other services and charges	273,083	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	157,823	-	-	-	-	-	-	-
Other disbursements	200,000	-	2,848	-	-	100	-	-
Total disbursements	1,293,412	-	2,848	-	-	100	-	-
Excess (deficiency) of receipts over disbursements	(279,874)	150,000	(2,848)	93	100,830	(50)	-	20
Cash and investments - ending	$ 763,965	$ 210,777	$ -	$ 48,395	$ 477,358	$ -	$ 40	$ 115

NAPPANEE PUBLIC LIBRARY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Gift	Heritage Collection Gift Fund	State Technology Fund Grant	Bond And Interest Redemption	Payroll	Leadership Academy	Totals
Cash and investments - beginning	$ 81,454	$ 20,115	$ 5,979	$ 96,770	$ 3,453	$ 3,364	$ 1,743,614
Receipts:							
Taxes	-	-	-	202,641	-	-	921,210
Intergovernmental	-	-	-	11,875	-	-	275,344
Charges for services	-	-	-	-	-	-	8,236
Fines and forfeits	-	-	-	-	-	-	13,492
Other receipts	32,259	38	5,800	209	35,366	106	334,543
Total receipts	32,259	38	5,800	214,725	35,366	106	1,552,825
Disbursements:							
Personal services	-	-	-	-	-	-	606,159
Supplies	209	-	-	-	-	-	56,556
Other services and charges	5,358	-	-	-	-	-	278,441
Debt service - principal and interest	-	-	-	210,975	-	-	210,975
Capital outlay	393	-	-	-	-	-	158,216
Other disbursements	1,883	664	6,335	3,025	33,937	725	249,517
Total disbursements	7,843	664	6,335	214,000	33,937	725	1,559,864
Excess (deficiency) of receipts over disbursements	24,416	(626)	(535)	725	1,429	(619)	(7,039)
Cash and investments - ending	$ 105,870	$ 19,489	$ 5,444	$ 97,495	$ 4,882	$ 2,745	$ 1,736,575

NAPPANEE PUBLIC LIBRARY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	$ 14,267	$ -

NAPPANEE PUBLIC LIBRARY
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Revenue bonds	Building Addition	$ 980,000	$ 210,245

NAPPANEE PUBLIC LIBRARY
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	$ 198,000
Buildings	2,406,692
Machinery, equipment and vehicles	636,486
Books and other	671,601
Total capital assets	$ 3,912,779

NAPPANEE PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on January 15, 2013, with Angie Stillson, Treasurer; Lissa Krull, Director; and Lynette Kirkdorffer, Bookkeeper. Our examination disclosed no material items that warrant comment at this time.