

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

EXAMINATION REPORT

OF

CITY OF NAPPANEE

ELKHART COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
10/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kimberly A. Ingle	01-01-04 to 12-31-11
Mayor	Larry L. Thompson	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	Larry L. Thompson	01-01-04 to 12-31-11
President of the Common Council	Larry L. Thompson	01-01-04 to 12-31-11
Superintendent of Water and Wastewater Utilities	Gale Gerber	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF NAPPANEE, ELKHART COUNTY, INDIANA

We have examined the financial information presented herein of the City of Nappanee (City), for the period of January 1, 2007 to December 31, 2007. The City'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 City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 18, 2008

CITY OF NAPPANEE
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, BUSINESS-TYPE, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,952,654	\$ 3,873,823	\$ 4,012,437	\$ 1,814,040
Park and recreation	421,983	666,160	694,730	393,413
County economic development income tax	1,027,779	556,784	460,843	1,123,720
Local major moves	1,023,527	313,936	258,603	1,078,860
Sale of utility	1,046,224	3,194,353	3,194,353	1,046,224
Motor vehicle highway	560,186	701,162	609,524	651,824
Local road and street	220,375	67,603	-	287,978
Law enforcement continuing education	18,251	7,437	1,000	24,688
Riverboat	69,277	42,312	100,000	11,589
Rainy day	31,443	334,455	15,222	350,676
Gift	203,405	81,852	75,869	209,388
Aviation	259,027	98,538	275,601	81,964
Park and recreation special non-reverting	9,310	20,737	21,826	8,221
Sidewalk Improvement	-	750	750	-
Special recreation	25,211	47,868	48,356	24,723
Volunteer fire hazmat cleanup	516	-	-	516
Aviation rotary	22,892	39,500	31,632	30,760
Fireworks	5,397	-	-	5,397
Insurance reimbursement	37,537	71,530	93,468	15,599
Levy excess	32,315	-	32,315	-
Vehicle Inspection	2,736	-	-	2,736
Clerk's records perpetuation	10,617	1,965	-	12,582
School and home safety	1,519	413	768	1,164
Emergency telephone service	92,191	36,015	102,125	26,081
COPS in school grant	125,237	-	125,237	-
Law enforcement assistance grant	100,000	-	100,000	-
User fee	4,029	1,671	1,458	4,242
1981 CDBG	7,735	25	7,760	-
1983 CDBG community focus grant	9,143	37	9,180	-
1992 IHFA	56,316	2,174	58,490	-
1997 community focus grant	2,142	-	2,142	-
Crime forfeitures	2,273	4,150	6,043	380
Court - BMV project reimbursement	2,117	-	2,117	-
1990 general obligation bonds	849	-	-	849
Cumulative capital improvement	189,593	23,568	8,580	204,581
Cumulative capital development	154,471	120,455	75,823	199,103
Golf course capital outlay	20,339	23,716	27,738	16,317
Building and firefighting equipment	163,482	115,120	116,754	161,848
TIF district downtown	1,367	-	900	467
TIF west industrial park	376,289	252,335	419,014	209,610
TIF heritage farms	196,332	185,404	159,997	221,739
FEMA snow emergency	-	11,904	11,904	-
ECCF Tornado Assistance Grant	-	22,100	18,066	4,034
Business-type Activities:				
Water Utility - Operating	376,723	1,043,028	1,006,395	413,356
Water Utility - Bond and Interest	328,768	197,573	183,093	343,248
Water Utility - Depreciation	23,131	1,097	-	24,228
Water Utility - Construction	39,525	1,793	-	41,318
Water Utility - Improvement	264,359	368,046	72,210	560,195
Wastewater Utility - Operating	1,696,925	800,791	1,114,207	1,383,509
Wastewater Utility - Bond and Interest	9,693	149	-	9,842
Wastewater Utility - Depreciation	217,736	30,644	17,987	230,393
Wastewater Utility - Improvement	121,398	241,116	65,806	296,708
Wastewater Utility - Storm Water	98,839	94,382	27,499	165,722
Fiduciary Funds:				
Police pension	62,987	123,057	100,166	85,878
Payroll	47,905	3,085,326	3,086,418	46,813
Ambulance fee reimbursement	228	1,040	1,099	169
Anthem small business holding	40,911	509,533	506,853	43,591
Court costs due county	-	10,573	10,573	-
Assessment registration county transfer	16	724	704	36
Park and recreation cleaning deposits	800	1,675	1,425	1,050
Sales tax	229	10,687	10,726	190
City court	5,519	141,891	142,517	4,893
Building improvement district	15,231	17,638	19,271	13,598
Utility unemployment tax	-	36,297	36,297	-
Totals	\$ 11,837,009	\$ 17,636,912	\$ 17,583,871	\$ 11,890,050

The accompanying notes are an integral part of the financial information

CITY OF NAPPANEE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City 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 or highway use taxes are received 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 City 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

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 City 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.

CITY OF NAPPANEE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The City 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 City 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.

b. 1925 Police Officers' Pension Plan

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by the state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by the state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for the 1925 Police Officers' Pension Plan are established by state statute.

CITY OF NAPPANEE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 7. Subsequent Event

The Nappanee Wastewater Utility is planning to issue \$3,500,000 of sewage works revenue bonds. The proceeds of the revenue bonds will be used to finance improvements to the wastewater treatment plant.

On May 5, 2008, the Common Council approved Ordinances 1417 and 1418 establishing new rates and charges for the Water and Wastewater Utilities, respectively. These rates and charges were effective on the July billing for June 2008 usage.

CITY OF NAPPANEE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 As of December 31, 2007

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.

General infrastructure assets completed since 2004 have been reported. The city has decided not to retroactively report general infrastructure.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,279,980
Infrastructure	112,278
Buildings	3,961,728
Improvements other than buildings	4,062,930
Machinery and equipment	3,873,538
Construction in progress	<u>1,257,998</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 14,548,452</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 218,830
Construction in progress	87,608
Buildings	1,611,228
Improvements other than buildings	4,634,698
Machinery and equipment	<u>261,036</u>
 Total Water Utility capital assets	 <u>6,813,400</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	22,787
Construction in progress	640,190
Buildings	2,636,598
Improvements other than buildings	6,859,390
Machinery and equipment	<u>248,094</u>
 Total Wastewater Utility capital assets	 <u>10,407,059</u>
 Total business-type activities capital assets	 <u><u>\$ 17,220,459</u></u>

CITY OF NAPPANEE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 As of December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
1999 Waterworks additions and improvements	\$ 735,000	\$ 15,000
2003 Waterworks refunding	<u>375,000</u>	<u>120,000</u>
Total business-type activities debt:	<u>\$ 1,110,000</u>	<u>\$ 135,000</u>

CITY OF NAPPANEE
OTHER REPORT

The report presented herein was prepared in addition to another official report prepared for the individual City office listed below:

Water and Wastewater Utilities Report

CITY OF NAPPANEE
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2008, with Kimberly A. Ingle, Clerk-Treasurer. Our examination disclosed no material items that warrant comment at this time.