

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

ANNUAL FINANCIAL REPORT

2010

CITY OF NAPPANEE

ELKHART COUNTY, INDIANA



FILED
08/09/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kimberly A. Ingle	01-01-08 to 12-31-11
Mayor	Larry L. Thompson	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Larry L. Thompson	01-01-08 to 12-31-11
President of the Common Council	Larry L. Thompson	01-01-08 to 12-31-11
Superintendent of Utilities	Gale Gerber	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statement of the City of Nappanee (City), for the year ended December 31, 2010. This financial statement is the responsibility of the City's management. Our responsibility is to express opinions on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 1, the City prepares its financial statement 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 basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 26, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Included in the financial statement is the receipts and disbursements activity from emergency telephone system fees (IC 36-8-16) and enhanced wireless emergency telephone fees (IC 36-8-16.5). In accordance with Indiana Code 36-8-16-14 and Indiana Code 36-8-16.5-41 these fees have been subject to an annual audit performed by the State Board of Accounts and, in our opinion, are fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 26, 2011



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302 WEST WASHINGTON STREET
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the City of Nappanee (City), for the year ended December 31, 2010, and have issued our report thereon dated July 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 26, 2011

FINANCIAL STATEMENT(S)

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

	Cash and Investments		Cash and Investments	
	01-01-10	Receipts	Disbursements	12-31-10
General	\$ 1,593,939	\$ 3,715,313	\$ 3,967,966	\$ 1,341,286
Motor Vehicle Highway	491,370	503,424	430,463	564,331
Local Road And Street	303,447	59,996	142,301	221,142
Aviation	106,953	50,693	81,331	76,315
Law Enforcement Continuing Education	27,893	7,208	16,936	18,165
Riverboat	95,673	41,991	-	137,664
Emergency Telephone System	38,191	29,958	29,805	38,344
Parks And Recreation	387,198	717,511	663,854	440,855
User Fee	4,227	2,348	1,605	4,970
Gift	222,215	28,730	44,212	206,733
Rainy Day	441,580	96,430	-	538,010
Hazardous Materials	517	-	-	517
Levy Excess	-	9,198	-	9,198
Major Moves Construction	1,134,884	5,337	-	1,140,221
Aviation Rotary	17,357	37,499	25,232	29,624
Golf Course Capital Outlays	101	-	-	101
P & R Spec. Non-Rev./Day Camp	9,625	-	-	9,625
Special Recreation Fund	26,524	46,172	40,570	32,126
Sidewalk Program	-	4,441	4,441	-
Fireworks Fund	5,397	-	-	5,397
Insurance Reimbursement	32,379	28,072	31,773	28,678
Vehicle Inspection Fund	1,890	-	29	1,861
Home & School Safety Fund	294	126	184	236
Crime Forfeitures Fund	285	11,589	3,901	7,973
1990 G.O. Bonds	849	-	-	849
Elkhart County Drug Grant	274	-	-	274
TIF - City Wide	839,543	418,352	373,797	884,098
TIF - Heritage Farms	301,323	-	301,323	-
TIF - Downtown	18,356	-	-	18,356
TIF - West Industrial Pk.	255,004	-	-	255,004
Utility Sale	1,046,224	6,218	6,093	1,046,349
Court Clerk Perpetuation Fund	16,442	2,180	2,473	16,149
Cumulative Capital Development	254,418	88,098	24,736	317,780
Cumulative Fire	284,582	-	9,345	275,237
Cumulative Capital Improvement	230,589	19,647	693	249,543
CEDIT Capital Projects	1,231,862	320,424	340,191	1,212,095
Police Pension	120,247	81,691	82,265	119,673
Payroll	45,538	3,127,331	3,114,821	58,048
Ambulance Fee Reimburse	165	1,796	1,588	373
Court Costs Due County	-	9,920	9,920	-
Assess. Reg. - Cty. Tr.	8	372	376	4
P & R Cleaning Dep. Reimb.	1,165	3,095	2,590	1,670
Anthem BC/BS - Holding	57,563	690,386	696,062	51,887
Utility Employment Taxes	-	37,574	37,574	-
Nappanee Bus Impr Dist	18,035	12,221	19,258	10,998
Sales Tax Payable	171	13,145	13,102	214
City Court	6,116	158,683	159,269	5,530
Nappanee Fight Crime Fund	2,675	-	-	2,675
Storm Water Utility-Operating	260,770	87,806	27,705	320,871
Wastewater Utility-Operating	1,245,194	1,236,297	1,180,039	1,301,452
Wastewater Utility-Bond And Interest	48,460	259,026	8,630	298,856
Wastewater Utility-Depreciation	138,091	19,809	-	157,900
Wastewater Utility-Improvement	310,572	125,179	95,685	340,066
Water Utility-Operating	809,108	1,447,212	1,456,568	799,752
Water Utility-Bond And Interest	294,462	194,503	188,142	300,823
Water Utility-Depreciation	24,904	64	-	24,968
Water Utility-Construction	42,409	130	-	42,539
Water Utility-Improvement	461,060	444,469	574,929	330,600
Totals	\$ 13,308,118	\$ 14,201,664	\$ 14,211,777	\$ 13,298,005

The notes to the financial statement(s) are an integral part of this statement.

CITY OF NAPPANEE
NOTES TO FINANCIAL STATEMENT(S)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

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 City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF NAPPANEE
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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).

Utility fees which are comprised mostly of charges for current services.

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 City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF NAPPANEE
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

Utility operating expenses which include all outflows for operating the utilities.

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 City 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 City. 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 City. 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 City 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 City 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 City 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.

CITY OF NAPPANEE
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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 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.

Note 5. Risk Management

The City 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 City 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. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan(s)

A. 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 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 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.

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:

CITY OF NAPPANEE
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by 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 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

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

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

C. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

PERF 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:

CITY OF NAPPANEE
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

Funding Policy

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

Note 7. Restatements and Reclassifications

For the year ended December 31, 2009, a change has been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balance by fund.

Fund	Balance as Reported December 31, 2009	Prior Period Adjustments	Balance as Restated January 1, 2010
City Court	\$ 6,165	\$ (49)	\$ 6,116
Wastewater Utility-Bond and Interest	-	48,460	48,460
Water Utility-Operating	809,358	(250)	809,108

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of Nappanee's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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

	General	Motor Vehicle Highway	Local Road And Street	Aviation	Law Enforcement Continuing Education	Riverboat	Emergency Telephone System
Cash and investments - beginning	\$ 1,593,939	\$ 491,370	\$ 303,447	\$ 106,953	\$ 27,893	\$ 95,673	\$ 38,191
Receipts:							
Taxes	2,169,860	179,464	-	36,754	-	-	-
Licenses and permits	35,283	-	-	-	-	-	-
Intergovernmental	1,026,899	311,636	59,996	1,689	-	41,991	-
Charges for services	263,856	-	-	-	-	-	29,958
Fines and forfeits	19,261	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	200,154	12,324	-	12,250	7,208	-	-
Total receipts	3,715,313	503,424	59,996	50,693	7,208	41,991	29,958
Disbursements:							
Personal services	2,732,763	310,490	-	-	-	-	-
Supplies	191,394	59,507	-	2,368	12,941	-	-
Other services and charges	880,729	32,557	-	46,298	3,995	-	29,805
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	34,147	27,909	142,301	32,665	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	128,933	-	-	-	-	-	-
Total disbursements	3,967,966	430,463	142,301	81,331	16,936	-	29,805
Excess (deficiency) of receipts over disbursements	(252,653)	72,961	(82,305)	(30,638)	(9,728)	41,991	153
Cash and investments - ending	<u>\$ 1,341,286</u>	<u>\$ 564,331</u>	<u>\$ 221,142</u>	<u>\$ 76,315</u>	<u>\$ 18,165</u>	<u>\$ 137,664</u>	<u>\$ 38,344</u>

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

	Parks And Recreation	User Fee	Gift	Rainy Day	Hazardous Materials	Levy Excess	Major Moves Construction
Cash and investments - beginning	\$ 387,198	\$ 4,227	\$ 222,215	\$ 441,580	\$ 517	\$ -	\$ 1,134,884
Receipts:							
Taxes	382,799	-	-	-	-	9,198	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	17,593	-	-	96,430	-	-	-
Charges for services	310,610	-	-	-	-	-	-
Fines and forfeits	-	2,348	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	6,509	-	28,730	-	-	-	5,337
Total receipts	<u>717,511</u>	<u>2,348</u>	<u>28,730</u>	<u>96,430</u>	<u>-</u>	<u>9,198</u>	<u>5,337</u>
Disbursements:							
Personal services	379,382	-	-	-	-	-	-
Supplies	105,160	-	27,542	-	-	-	-
Other services and charges	141,875	1,605	6,170	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	37,437	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	10,500	-	-	-	-
Total disbursements	<u>663,854</u>	<u>1,605</u>	<u>44,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>53,657</u>	<u>743</u>	<u>(15,482)</u>	<u>96,430</u>	<u>-</u>	<u>9,198</u>	<u>5,337</u>
Cash and investments - ending	<u>\$ 440,855</u>	<u>\$ 4,970</u>	<u>\$ 206,733</u>	<u>\$ 538,010</u>	<u>\$ 517</u>	<u>\$ 9,198</u>	<u>\$ 1,140,221</u>

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

	Aviation Rotary	Golf Course Capital Outlays	P & R Spec. Non-Rev./ Day Camp	Special Recreation Fund	Sidewalk Program	Fireworks Fund	Insurance Reimbursement
Cash and investments - beginning	\$ 17,357	\$ 101	\$ 9,625	\$ 26,524	\$ -	\$ 5,397	\$ 32,379
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	46,172	4,441	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	37,499	-	-	-	-	-	28,072
Total receipts	<u>37,499</u>	<u>-</u>	<u>-</u>	<u>46,172</u>	<u>4,441</u>	<u>-</u>	<u>28,072</u>
Disbursements:							
Personal services	-	-	-	15,346	-	-	-
Supplies	25,232	-	-	15,202	-	-	-
Other services and charges	-	-	-	10,022	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	4,441	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	31,773
Total disbursements	<u>25,232</u>	<u>-</u>	<u>-</u>	<u>40,570</u>	<u>4,441</u>	<u>-</u>	<u>31,773</u>
Excess (deficiency) of receipts over disbursements	<u>12,267</u>	<u>-</u>	<u>-</u>	<u>5,602</u>	<u>-</u>	<u>-</u>	<u>(3,701)</u>
Cash and investments - ending	<u>\$ 29,624</u>	<u>\$ 101</u>	<u>\$ 9,625</u>	<u>\$ 32,126</u>	<u>\$ -</u>	<u>\$ 5,397</u>	<u>\$ 28,678</u>

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

	Vehicle Inspection Fund	Home & School Safety Fund	Crime Forfeitures Fund	1990 G.O. Bonds	Elkhart County Drug Grant	TIF - City Wide	TIF - Heritage Farms
Cash and investments - beginning	\$ 1,890	\$ 294	\$ 285	\$ 849	\$ 274	\$ 839,543	\$ 301,323
Receipts:							
Taxes	-	-	-	-	-	417,257	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	126	11,589	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	1,095	-
Total receipts	-	126	11,589	-	-	418,352	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	29	-	3,901	-	-	-	-
Other services and charges	-	184	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	373,797	301,323
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	29	184	3,901	-	-	373,797	301,323
Excess (deficiency) of receipts over disbursements	(29)	(58)	7,688	-	-	44,555	(301,323)
Cash and investments - ending	<u>\$ 1,861</u>	<u>\$ 236</u>	<u>\$ 7,973</u>	<u>\$ 849</u>	<u>\$ 274</u>	<u>\$ 884,098</u>	<u>\$ -</u>

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

	TIF - Downtown	TIF - West Industrial Pk.	Utility Sale	Court Clerk Perpetuation Fund	Cumulative Capital Development	Cumulative Fire	Cumulative Capital Improvement
Cash and investments - beginning	\$ 18,356	\$ 255,004	\$ 1,046,224	\$ 16,442	\$ 254,418	\$ 284,582	\$ 230,589
Receipts:							
Taxes	-	-	-	-	84,223	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,875	-	19,647
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	2,180	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	6,218	-	-	-	-
Total receipts	-	-	6,218	2,180	88,098	-	19,647
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	628	-	-	-
Other services and charges	-	-	-	1,845	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	24,736	9,345	693
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	6,093	-	-	-	-
Total disbursements	-	-	6,093	2,473	24,736	9,345	693
Excess (deficiency) of receipts over disbursements	-	-	125	(293)	63,362	(9,345)	18,954
Cash and investments - ending	\$ 18,356	\$ 255,004	\$ 1,046,349	\$ 16,149	\$ 317,780	\$ 275,237	\$ 249,543

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

	CEDIT Capital Projects	Police Pension	Payroll	Ambulance Fee Reimburse	Court Costs Due County	Assess. Reg - Cty. Tr.
Cash and investments - beginning	\$ 1,231,862	\$ 120,247	\$ 45,538	\$ 165	\$ -	\$ 8
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	304,824	81,186	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	15,600	505	3,127,331	1,796	9,920	372
Total receipts	<u>320,424</u>	<u>81,691</u>	<u>3,127,331</u>	<u>1,796</u>	<u>9,920</u>	<u>372</u>
Disbursements:						
Personal services	-	82,090	-	-	-	-
Supplies	159	-	-	-	-	-
Other services and charges	340,032	175	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	3,114,821	1,588	9,920	376
Total disbursements	<u>340,191</u>	<u>82,265</u>	<u>3,114,821</u>	<u>1,588</u>	<u>9,920</u>	<u>376</u>
Excess (deficiency) of receipts over disbursements	<u>(19,767)</u>	<u>(574)</u>	<u>12,510</u>	<u>208</u>	<u>-</u>	<u>(4)</u>
Cash and investments - ending	<u>\$ 1,212,095</u>	<u>\$ 119,673</u>	<u>\$ 58,048</u>	<u>\$ 373</u>	<u>\$ -</u>	<u>\$ 4</u>

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

	P & R Cleaning Dep. Reimb.	Anthem BC/BS- Holding	Utility Employment Taxes	Nappanee Bus Impr Dist	Sales Tax Payable	City Court
Cash and investments - beginning	\$ 1,165	\$ 57,563	\$ -	\$ 18,035	\$ 171	\$ 6,116
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	3,095	690,386	37,574	12,221	13,145	158,683
Total receipts	<u>3,095</u>	<u>690,386</u>	<u>37,574</u>	<u>12,221</u>	<u>13,145</u>	<u>158,683</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	2,590	696,062	37,574	19,258	13,102	159,269
Total disbursements	<u>2,590</u>	<u>696,062</u>	<u>37,574</u>	<u>19,258</u>	<u>13,102</u>	<u>159,269</u>
Excess (deficiency) of receipts over disbursements	<u>505</u>	<u>(5,676)</u>	<u>-</u>	<u>(7,037)</u>	<u>43</u>	<u>(586)</u>
Cash and investments - ending	<u>\$ 1,670</u>	<u>\$ 51,887</u>	<u>\$ -</u>	<u>\$ 10,998</u>	<u>\$ 214</u>	<u>\$ 5,530</u>

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

	Nappanee Fight Crime Fund	Storm Water Utility-Operating	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Wastewater Utility- Depreciation	Wastewater Utility- Improvement
Cash and investments - beginning	\$ 2,675	\$ 260,770	\$ 1,245,194	\$ 48,460	\$ 138,091	\$ 310,572
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	85,633	1,196,327	-	-	-
Penalties	-	1,319	19,881	-	-	-
Other receipts	-	854	20,089	259,026	19,809	125,179
Total receipts	-	87,806	1,236,297	259,026	19,809	125,179
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	8,630	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	27,691	678,103	-	-	95,685
Other disbursements	-	14	501,936	-	-	-
Total disbursements	-	27,705	1,180,039	8,630	-	95,685
Excess (deficiency) of receipts over disbursements	-	60,101	56,258	250,396	19,809	29,494
Cash and investments - ending	<u>\$ 2,675</u>	<u>\$ 320,871</u>	<u>\$ 1,301,452</u>	<u>\$ 298,856</u>	<u>\$ 157,900</u>	<u>\$ 340,066</u>

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

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility- Depreciation	Water Utility- Construction	Water Utility Improvement	Totals
Cash and investments - beginning	\$ 809,108	\$ 294,462	\$ 24,904	\$ 42,409	\$ 461,060	\$ 13,308,118
Receipts:						
Taxes	-	-	-	-	-	3,279,555
Licenses and permits	-	-	-	-	-	35,283
Intergovernmental	-	-	-	-	122,976	2,088,742
Charges for services	-	-	-	-	-	655,037
Fines and forfeits	-	-	-	-	-	35,504
Utility fees	1,205,031	-	-	-	-	2,486,991
Penalties	-	-	-	-	-	21,200
Other receipts	242,181	194,503	64	130	321,493	5,599,352
Total receipts	<u>1,447,212</u>	<u>194,503</u>	<u>64</u>	<u>130</u>	<u>444,469</u>	<u>14,201,664</u>
Disbursements:						
Personal services	-	-	-	-	-	3,520,071
Supplies	-	-	-	-	-	444,063
Other services and charges	-	-	-	-	-	1,495,292
Debt service - principal and interest	-	187,642	-	-	-	196,272
Capital outlay	-	-	-	-	-	988,794
Utility operating expenses	772,578	-	-	-	574,929	2,148,986
Other disbursements	683,990	500	-	-	-	5,418,299
Total disbursements	<u>1,456,568</u>	<u>188,142</u>	<u>-</u>	<u>-</u>	<u>574,929</u>	<u>14,211,777</u>
Excess (deficiency) of receipts over disbursements	<u>(9,356)</u>	<u>6,361</u>	<u>64</u>	<u>130</u>	<u>(130,460)</u>	<u>(10,113)</u>
Cash and investments - ending	<u>\$ 799,752</u>	<u>\$ 300,823</u>	<u>\$ 24,968</u>	<u>\$ 42,539</u>	<u>\$ 330,600</u>	<u>\$ 13,298,005</u>

CITY OF NAPPANEE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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	\$ 1,279,981
Infrastructure	213,438
Buildings	4,331,612
Improvements other than buildings	5,343,701
Machinery and equipment	4,163,092
Construction in progress	<u>1,070,648</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 16,402,472</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	569,470
Buildings	1,228,421
Improvements other than buildings	5,413,310
Machinery and equipment	<u>244,141</u>
 Total Water Utility capital assets	 <u>7,674,172</u>

Wastewater Utility:	
Capital assets, not being depreciated:	
Land	145,387
Construction in progress	5,153,819
Buildings	2,507,884
Improvements other than buildings	7,072,257
Machinery and equipment	<u>258,660</u>
 Total Wastewater Utility capital assets	 <u>15,138,007</u>

Total business-type activities capital assets not being depreciated	<u>\$ 22,812,179</u>
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CITY OF NAPPANEE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
1999 Waterworks additions and improvements	\$ 685,000	\$ 195,028
Wastewater Utility:		
SRF Loan	3,106,000	213,802
Total business-type activities debt	<u>\$ 3,791,000</u>	<u>\$ 408,830</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Nappanee (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2010. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 26, 2011

CITY OF NAPPANEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Elkhart County Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	K8-2008-02-03-07	\$ 404
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Safety Belt Performance Grants	20.609	FY 09-10	<u>3,007</u>
Total for federal grantor agency			<u>3,411</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	2W-00E73001-0	871,396
ARRA-Capitalization Grants for Clean Water State Revolving Funds, Recovery Act	66.458	2W-00E73001-0	<u>1,355,510</u>
Total for federal grantor agency			<u>2,226,906</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Pass-Through Indiana Office of Energy Development ARRA-Energy Efficiency and Conservation Block Grant Program, (EECBG), Recovery Act	81.128	038-ARRA-EECBGX	<u>150,145</u>
Total federal awards expended			<u>\$ 2,380,462</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF NAPPANEE
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Nappanee (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF NAPPANEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported

Type of auditor's report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
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Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds ARRA – Capitalization Grants for Clean Water State Revolving Funds – Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF NAPPANEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF NAPPANEE
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2011, with Kimberly A. Ingle, Clerk-Treasurer, and Larry L. Thompson, Mayor. Our audit disclosed no material items that warrant comment at this time.