

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF NAPPANEE

ELKHART COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
10/03/2012



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kimberly A. Ingle	01-01-08 to 12-31-15
Mayor	Larry L. Thompson	01-01-08 to 12-31-15
President of the Board of Public Works and Safety	Larry L. Thompson	01-01-08 to 12-31-15
President of the Common Council	Larry L. Thompson	01-01-08 to 12-31-15
Superintendent of Utilities	Gale Gerber	01-01-11 to 12-31-12



**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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the City of Nappanee (City), for the period of January 1, 2011 to December 31, 2011. The City's management is responsible for the financial statement. 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 statement 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 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.

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, 2011, on the basis of accounting described in Note 1.

Included in the financial statement are 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 examination performed by the State Board of Accounts and, in our opinion, are fairly stated, in all material respects, in relation to the financial statement.

The Combining Schedule 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 statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The City's response to the Examination Result and Comment identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, City Council, and others within the entity 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

August 2, 2012

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF NAPPANEE  
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	\$ 1,341,286	\$ 3,637,575	\$ 3,504,961	\$ 1,473,900
Motor Vehicle Highway	564,331	400,490	431,230	533,591
Local Road And Street	221,142	58,594	-	279,736
Aviation	76,315	42,079	61,957	56,437
Law Enforcement Continuing Ed	18,165	4,274	2,924	19,515
Riverboat	137,664	41,991	82,632	97,023
Emergency Telephone System	38,344	31,422	29,077	40,689
Parks And Recreation	440,855	685,180	683,435	442,600
User Fee	4,970	1,536	1,004	5,502
Rainy Day	538,010	-	-	538,010
Hazardous Materials	517	-	-	517
Levy Excess	9,198	-	9,198	-
Major Moves Construction	1,140,221	3,666	-	1,143,887
Cumulative Capital Development	317,780	80,228	10,500	387,508
Cumulative Fire	275,237	2,600	4,679	273,158
Cumulative Capital Improvement	249,543	19,270	62,985	205,828
Cedit Capital Projects	1,212,095	284,445	413,890	1,082,650
Police Pension	119,674	99,054	90,923	127,805
Rent House Regis. Non Revert	-	1,600	-	1,600
United Health Holding	-	650,361	598,093	52,268
Lincoln Finan. Holding	-	15,287	14,757	530
Gift	206,733	36,563	47,913	195,383
Aviation Rotary	29,624	44,200	42,286	31,538
Golf Crs. Capital Outlays	101	-	-	101
P & R Spec. Non-Rev./Day Camp	9,625	-	-	9,625
Special Recreation Fund	32,126	40,794	38,138	34,782
Sidewalk Program	-	7,686	7,686	-
Fireworks Fund	5,397	-	-	5,397
Insurance Reimbursement	28,678	19,350	22,400	25,628
Vehicle Inspection Fund	1,861	-	-	1,861
Home & School Safety Fund	236	113	280	69
Crime Forfeitures Fund	7,973	1,156	1,649	7,480
1990 G.O. Bonds	849	-	-	849
Elkhart County Drug Grant	274	-	-	274
Tif - City Wide	884,098	1,083,639	400,927	1,566,810
Tif - Downtown	18,356	459	574	18,241
Tif - West Industrial Pk.	255,004	-	-	255,004
Utility Sale	1,046,349	3,093	3,218	1,046,224
Court Clerk Perpetuation Fund	16,149	1,292	1,925	15,516
Payroll	58,048	3,135,425	3,152,377	41,096
Ambulance Fee Reimburse	373	532	724	181
Court Costs Due County	-	6,412	6,412	-
Assess. Reg. - Cty. Tr.	4	264	256	12
P & R Cleaning Dep. Reimb.	1,670	2,580	2,750	1,500
Anthem Bc/Bs - Holding	51,887	12,403	58,521	5,769
Utility Employment Taxes	-	37,073	37,073	-
Nappanee Bus Impr Dist	10,998	12,113	10,244	12,867
Sales Tax Payable	214	12,281	12,421	74
City Court	5,530	97,287	100,557	2,260
Nappanee Fight Crime Fund	2,675	40	2,385	330
Storm Water Utility-Operating	320,871	88,012	55,243	353,640
Wastewater Utility-Operating	1,301,452	1,247,866	1,276,360	1,272,958
Wastewater Util-Bond And Interest	298,856	259,262	350,889	207,229
Wastewater Utility-Deprec/Improve	157,900	19,792	-	177,692
Wastewater Utility-Other #1	340,066	123,947	1,330	462,683
Water Utility-Operating	799,752	1,481,988	1,556,098	725,642
Water Utility-Bond And Interest	300,823	193,050	191,448	302,425
Water Utility-Depreciation/Improve	24,968	53	-	25,021
Water Utility-Construction	42,539	99	-	42,638
Water Utility-Other #1	330,600	225,437	475,403	80,634
<b>Totals</b>	<b>\$ 13,298,006</b>	<b>\$ 14,253,913</b>	<b>\$ 13,859,732</b>	<b>\$ 13,692,187</b>

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

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENT

**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, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

*B. Basis of Accounting*

The financial statement is 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 statement. The aggregate receipts include 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.

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,

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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, 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.

Penalties which include fees received for late payments.

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 statement. The aggregate disbursements include 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 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.

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

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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  
(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 statement. 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 any replacement items purchased.

**Note 6. Pension Plans**

*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 Indiana Public Retirement System (INPRS) 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.

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

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

*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 Indiana Public Retirement System 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 Retirement System (INPRS) 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.

INPRS 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

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy*

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

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is 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 City. It is presented as intended by the City.

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

	General	Motor Vehicle Highway	Local Road And Street	Aviation	Law Enforcement Continuing Ed	Riverboat	Emergency Telephone System
Cash and investments - beginning	\$ 1,341,286	\$ 564,331	\$ 221,142	\$ 76,315	\$ 18,165	\$ 137,664	\$ 38,344
Receipts:							
Taxes	2,340,853	78,517	-	26,462	-	-	-
Licenses and permits	25,008	-	-	-	-	-	-
Intergovernmental	995,754	307,734	58,594	1,267	-	41,991	-
Charges for services	217,770	10,500	-	14,350	-	-	31,422
Fines and forfeits	15,268	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	42,922	3,739	-	-	4,274	-	-
Total receipts	<u>3,637,575</u>	<u>400,490</u>	<u>58,594</u>	<u>42,079</u>	<u>4,274</u>	<u>41,991</u>	<u>31,422</u>
Disbursements:							
Personal services	2,660,701	309,783	-	-	-	-	-
Supplies	179,806	56,609	-	389	324	-	-
Other services and charges	618,450	46,043	-	40,159	2,600	-	29,077
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	46,004	18,795	-	21,409	-	82,632	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>3,504,961</u>	<u>431,230</u>	<u>-</u>	<u>61,957</u>	<u>2,924</u>	<u>82,632</u>	<u>29,077</u>
Excess (deficiency) of receipts over disbursements	<u>132,614</u>	<u>(30,740)</u>	<u>58,594</u>	<u>(19,878)</u>	<u>1,350</u>	<u>(40,641)</u>	<u>2,345</u>
Cash and investments - ending	<u>\$ 1,473,900</u>	<u>\$ 533,591</u>	<u>\$ 279,736</u>	<u>\$ 56,437</u>	<u>\$ 19,515</u>	<u>\$ 97,023</u>	<u>\$ 40,689</u>

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

	Parks And Recreation	User Fee	Rainy Day	Hazardous Materials	Levy Excess	Major Moves Construction	Cumulative Capital Development
Cash and investments - beginning	\$ 440,855	\$ 4,970	\$ 538,010	\$ 517	\$ 9,198	\$ 1,140,221	\$ 317,780
Receipts:							
Taxes	380,439	-	-	-	-	-	76,565
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	18,203	-	-	-	-	-	3,663
Charges for services	286,538	-	-	-	-	-	-
Fines and forfeits	-	1,536	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	3,666	-
Total receipts	<u>685,180</u>	<u>1,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,666</u>	<u>80,228</u>
Disbursements:							
Personal services	382,545	-	-	-	-	-	-
Supplies	98,608	-	-	-	-	-	-
Other services and charges	159,929	1,004	-	-	-	-	10,500
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	42,353	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	9,198	-	-
Total disbursements	<u>683,435</u>	<u>1,004</u>	<u>-</u>	<u>-</u>	<u>9,198</u>	<u>-</u>	<u>10,500</u>
Excess (deficiency) of receipts over disbursements	<u>1,745</u>	<u>532</u>	<u>-</u>	<u>-</u>	<u>(9,198)</u>	<u>3,666</u>	<u>69,728</u>
Cash and investments - ending	<u>\$ 442,600</u>	<u>\$ 5,502</u>	<u>\$ 538,010</u>	<u>\$ 517</u>	<u>\$ -</u>	<u>\$ 1,143,887</u>	<u>\$ 387,508</u>

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

	Cumulative Fire	Cumulative Capital Improvement	Cedit Capital Projects	Police Pension	Rent House Regis. Non Revert	United Health Holding	Lincoln Finan. Holding
Cash and investments - beginning	\$ 275,237	\$ 249,543	\$ 1,212,095	\$ 119,674	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	15,600	99,054	-	-	-
Licenses and permits	-	-	-	-	1,600	-	-
Intergovernmental	-	19,270	247,763	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	2,600	-	21,082	-	-	650,361	15,287
Total receipts	<u>2,600</u>	<u>19,270</u>	<u>284,445</u>	<u>99,054</u>	<u>1,600</u>	<u>650,361</u>	<u>15,287</u>
Disbursements:							
Personal services	-	-	-	90,923	-	-	-
Supplies	-	-	370	-	-	-	-
Other services and charges	-	-	388,922	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	4,679	62,985	6,518	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	18,080	-	-	598,093	14,757
Total disbursements	<u>4,679</u>	<u>62,985</u>	<u>413,890</u>	<u>90,923</u>	<u>-</u>	<u>598,093</u>	<u>14,757</u>
Excess (deficiency) of receipts over disbursements	<u>(2,079)</u>	<u>(43,715)</u>	<u>(129,445)</u>	<u>8,131</u>	<u>1,600</u>	<u>52,268</u>	<u>530</u>
Cash and investments - ending	<u>\$ 273,158</u>	<u>\$ 205,828</u>	<u>\$ 1,082,650</u>	<u>\$ 127,805</u>	<u>\$ 1,600</u>	<u>\$ 52,268</u>	<u>\$ 530</u>

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

	Gift	Aviation Rotary	Golf Crs. Capital Outlays	P & R Spec. Non-Rev. Day Camp	Special Recreation Fund	Sidewalk Program	Fireworks Fund
Cash and investments - beginning	\$ 206,733	\$ 29,624	\$ 101	\$ 9,625	\$ 32,126	\$ -	\$ 5,397
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	40,794	7,686	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	36,563	44,200	-	-	-	-	-
Total receipts	<u>36,563</u>	<u>44,200</u>	<u>-</u>	<u>-</u>	<u>40,794</u>	<u>7,686</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	15,020	-	-
Supplies	12,695	42,286	-	-	13,314	-	-
Other services and charges	8,693	-	-	-	9,804	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	22,025	-	-	-	-	7,686	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	4,500	-	-	-	-	-	-
Total disbursements	<u>47,913</u>	<u>42,286</u>	<u>-</u>	<u>-</u>	<u>38,138</u>	<u>7,686</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(11,350)</u>	<u>1,914</u>	<u>-</u>	<u>-</u>	<u>2,656</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 195,383</u>	<u>\$ 31,538</u>	<u>\$ 101</u>	<u>\$ 9,625</u>	<u>\$ 34,782</u>	<u>\$ -</u>	<u>\$ 5,397</u>

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

	Insurance Reimbursement	Vehicle Inspection Fund	Home & School Safety Fund	Crime Forfeitures Fund	1990 G.O. Bonds	Elkhart County Drug Grant	Tif - City Wide
Cash and investments - beginning	\$ 28,678	\$ 1,861	\$ 236	\$ 7,973	\$ 849	\$ 274	\$ 884,098
Receipts:							
Taxes	-	-	-	-	-	-	745,025
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	113	1,156	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	19,350	-	-	-	-	-	338,614
Total receipts	<u>19,350</u>	<u>-</u>	<u>113</u>	<u>1,156</u>	<u>-</u>	<u>-</u>	<u>1,083,639</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	1,649	-	-	-
Other services and charges	-	-	280	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	400,927
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	22,400	-	-	-	-	-	-
Total disbursements	<u>22,400</u>	<u>-</u>	<u>280</u>	<u>1,649</u>	<u>-</u>	<u>-</u>	<u>400,927</u>
Excess (deficiency) of receipts over disbursements	<u>(3,050)</u>	<u>-</u>	<u>(167)</u>	<u>(493)</u>	<u>-</u>	<u>-</u>	<u>682,712</u>
Cash and investments - ending	<u>\$ 25,628</u>	<u>\$ 1,861</u>	<u>\$ 69</u>	<u>\$ 7,480</u>	<u>\$ 849</u>	<u>\$ 274</u>	<u>\$ 1,566,810</u>

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

	Tif - Downtown	Tif - West Industrial Pk.	Utility Sale	Court Clerk Perpetuation Fund	Payroll	Ambulance Fee Reimburse	Court Costs Due County
Cash and investments - beginning	\$ 18,356	\$ 255,004	\$ 1,046,349	\$ 16,149	\$ 58,048	\$ 373	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	1,292	-	-	6,412
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	459	-	3,093	-	3,135,425	532	-
Total receipts	<u>459</u>	<u>-</u>	<u>3,093</u>	<u>1,292</u>	<u>3,135,425</u>	<u>532</u>	<u>6,412</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	574	-	-	1,925	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	3,218	-	3,152,377	724	6,412
Total disbursements	<u>574</u>	<u>-</u>	<u>3,218</u>	<u>1,925</u>	<u>3,152,377</u>	<u>724</u>	<u>6,412</u>
Excess (deficiency) of receipts over disbursements	<u>(115)</u>	<u>-</u>	<u>(125)</u>	<u>(633)</u>	<u>(16,952)</u>	<u>(192)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 18,241</u>	<u>\$ 255,004</u>	<u>\$ 1,046,224</u>	<u>\$ 15,516</u>	<u>\$ 41,096</u>	<u>\$ 181</u>	<u>\$ -</u>

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

	Assess. Reg. - Cty. Tr.	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	\$ 4	\$ 1,670	\$ 51,887	\$ -	\$ 10,998	\$ 214	\$ 5,530
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	264	2,580	12,403	37,073	12,113	12,281	97,287
Total receipts	264	2,580	12,403	37,073	12,113	12,281	97,287
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	2,434	-	-
Other services and charges	-	-	-	-	7,810	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	256	2,750	58,521	37,073	-	12,421	100,557
Total disbursements	256	2,750	58,521	37,073	10,244	12,421	100,557
Excess (deficiency) of receipts over disbursements	8	(170)	(46,118)	-	1,869	(140)	(3,270)
Cash and investments - ending	\$ 12	\$ 1,500	\$ 5,769	\$ -	\$ 12,867	\$ 74	\$ 2,260

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

	Nappanee Fight Crime Fund	Storm Water Utility-Operating	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility- Deprec/Improve	Wastewater Utility-Other #1
Cash and investments - beginning	\$ 2,675	\$ 320,871	\$ 1,301,452	\$ 298,856	\$ 157,900	\$ 340,066
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	85,871	1,195,388	-	-	-
Penalties	-	1,411	21,212	-	-	-
Other receipts	40	730	31,266	259,262	19,792	123,947
Total receipts	<u>40</u>	<u>88,012</u>	<u>1,247,866</u>	<u>259,262</u>	<u>19,792</u>	<u>123,947</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	350,889	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	55,243	765,005	-	-	1,330
Other disbursements	2,385	-	511,355	-	-	-
Total disbursements	<u>2,385</u>	<u>55,243</u>	<u>1,276,360</u>	<u>350,889</u>	<u>-</u>	<u>1,330</u>
Excess (deficiency) of receipts over disbursements	<u>(2,345)</u>	<u>32,769</u>	<u>(28,494)</u>	<u>(91,627)</u>	<u>19,792</u>	<u>122,617</u>
Cash and investments - ending	<u>\$ 330</u>	<u>\$ 353,640</u>	<u>\$ 1,272,958</u>	<u>\$ 207,229</u>	<u>\$ 177,692</u>	<u>\$ 462,683</u>

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

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility- Depreciation/Improve	Water Utility-Construction	Water Utility-Other #1	Totals
Cash and investments - beginning	\$ 799,752	\$ 300,823	\$ 24,968	\$ 42,539	\$ 330,600	\$ 13,298,006
Receipts:						
Taxes	-	-	-	-	-	3,762,515
Licenses and permits	-	-	-	-	-	26,608
Intergovernmental	-	-	-	-	-	1,694,239
Charges for services	-	-	-	-	-	609,060
Fines and forfeits	-	-	-	-	-	25,777
Utility fees	1,272,895	-	-	-	-	2,554,154
Penalties	8,739	-	-	-	-	31,362
Other receipts	200,354	193,050	53	99	225,437	5,550,198
Total receipts	<u>1,481,988</u>	<u>193,050</u>	<u>53</u>	<u>99</u>	<u>225,437</u>	<u>14,253,913</u>
Disbursements:						
Personal services	-	-	-	-	-	3,458,972
Supplies	-	-	-	-	-	408,484
Other services and charges	-	-	-	-	-	1,325,770
Debt service - principal and interest	-	190,948	-	-	-	541,837
Capital outlay	-	-	-	-	439,464	1,155,477
Utility operating expenses	935,184	-	-	-	35,939	1,792,701
Other disbursements	620,914	500	-	-	-	5,176,491
Total disbursements	<u>1,556,098</u>	<u>191,448</u>	<u>-</u>	<u>-</u>	<u>475,403</u>	<u>13,859,732</u>
Excess (deficiency) of receipts over disbursements	<u>(74,110)</u>	<u>1,602</u>	<u>53</u>	<u>99</u>	<u>(249,966)</u>	<u>394,181</u>
Cash and investments - ending	<u>\$ 725,642</u>	<u>\$ 302,425</u>	<u>\$ 25,021</u>	<u>\$ 42,638</u>	<u>\$ 80,634</u>	<u>\$ 13,692,187</u>

CITY OF NAPPANEE  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 167,451	\$ 546,347
Storm Water	3,088	1,200
Wastewater	16,726	23,529
Water	<u>24,690</u>	<u>457,257</u>
Totals	<u>\$ 211,955</u>	<u>\$ 1,028,333</u>

CITY OF NAPPANEE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
City of Nappanee Parks and Recreation	Lease Golf Carts	\$ 19,728	11-15-06	10-01-11
City of Nappanee Parks and Recreation	Lease Golf Carts	6,485	11-17-10	10-01-15
City of Nappanee Parks and Recreation	Lease Golf Carts	7,590	11-19-08	10-01-13
City of Nappanee Parks and Recreation	Lease Golf Carts	<u>-</u>	11-16-11	10-01-16
Total of annual lease payments		<u>\$ 33,803</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater: Revenue bonds	Wastewater Treatment Plant Improvements	<u>\$ 2,995,000</u>	<u>\$ 215,932</u>
Water: Revenue bonds	Water Works Improvements	<u>525,000</u>	<u>191,868</u>
Totals		<u>\$ 3,520,000</u>	<u>\$ 407,800</u>

CITY OF NAPPANEE  
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	\$ 1,279,980
Infrastructure	213,438
Buildings	4,331,611
Improvements other than buildings	5,364,428
Machinery, equipment and vehicles	4,182,017
Construction in progress	1,454,835
Total governmental activities	16,826,309
Wastewater:	
Land	145,387
Buildings	2,507,884
Improvements other than buildings	7,076,483
Machinery, equipment and vehicles	258,860
Construction in progress	5,350,786
Total Wastewater	15,339,400
Water:	
Land	281,815
Buildings	1,228,421
Improvements other than buildings	6,232,909
Machinery, equipment and vehicles	247,745
Construction in progress	179,107
Total Water	8,169,997
Total capital assets	\$ 40,335,706

CITY OF NAPPANEE  
EXAMINATION RESULT AND COMMENT

***POLICIES***

The City has a personnel policy concerning the accrual and use of vacation time. According to the policy, full-time employees are not allowed to use any vacation time in the first year of employment. There is an additional policy which makes an exception for newly hired Department Heads. This policy allows for vacation to be allowed at the discretion of the Nappanee Board of Public Works and Safety. On January 1, 2011, a new police chief was hired. There was nothing noted in the minutes for the Nappanee Board of Public Works and Safety concerning an approval of vacation for the new chief at that time.

On June 30, 2011 and July 1, 2011, the police chief took two vacation days. The Chief did not post these days as vacation on her Time Sheet but listed them as days worked. Other officers noted the discrepancy in the Time Sheet and brought it to the attention of city officials. In October, the Nappanee Board of Public Works and Safety approved vacation for the Chief of 160 hours for the year. The Chief subsequently used 52 hours of vacation through 2011 which was less than the 160 hours approved.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF NAPPANEE  
EXIT CONFERENCE

The contents of this report were discussed on August 2, 2012, with Kimberly A. Ingle, Clerk-Treasurer, and Larry L. Thompson, Mayor. The Official Response has been made a part of this report and may be found on page 28.



# City of Nappanee

300 West Lincoln Street  
P.O. Box 29  
Nappanee, IN 46550-0029

Office of  
CLERK-TREASURER  
Kimberly A. Ingle, IAMC, CMC  
Email: nappaneect@yahoo.com

Phone: (574) 773-2112  
Fax: (574) 773-5878

August 10, 2012

Indiana State Board of Accounts

To Whom It May Concern:

Please accept this as a written response to your Examination Result and Comment- City of Nappanee Audit- December 31, 2012. As Clerk-Treasurer and Human Resources Officer, I take full responsibility for not complying with our Employees Policy and Procedures Ordinance, by not having the Board of Public Works and Safety approve the new Police Chief's vacation time coming in a timely manner. I also did not give good direction to the new Police Chief about how to fill out her time sheets. When the oversight was pointed out – it was addressed and corrected.

Sincerely,

*Kimberly A. Ingle*

Kimberly A. Ingle  
Clerk-Treasurer