

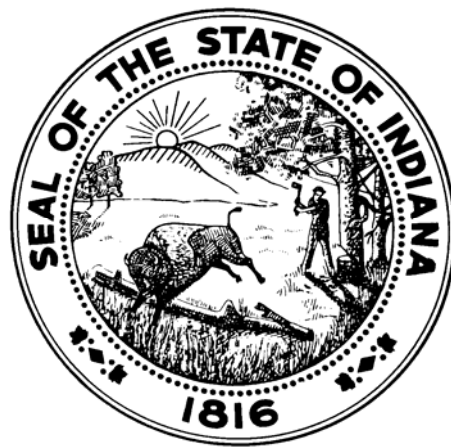
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

ANNUAL FINANCIAL REPORT

2005

CITY OF NAPPANEE

ELKHART COUNTY, INDIANA



**FILED**  
10/12/2006



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kimberly A. Ingle	01-01-04 to 12-31-07
Mayor	Larry L. Thompson	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Larry L. Thompson	01-01-04 to 12-31-07
President of the Common Council	Larry L. Thompson	01-01-04 to 12-31-07
Superintendent of the Water Utility	Gale Gerber	01-01-05 to 12-31-06
Superintendent of the Wastewater Utility	Philip D. Hochstetler Gale Gerber	01-01-05 to 12-31-05 01-01-06 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nappanee (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

The Schedules of Funding Progress as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The 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 basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 31, 2005

CITY OF NAPPANEE  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 977,696	\$ 200,083	\$ 1,229,270	\$ -	\$ 451,657	\$ -	\$ 451,657
Public safety	2,018,073	82,532	-	4,649	(1,930,892)	-	(1,930,892)
Highways and streets	673,985	-	384,454	-	(289,531)	-	(289,531)
Sanitation	171,108	-	-	-	(171,108)	-	(171,108)
Health and welfare	624,120	114,738	-	-	(509,382)	-	(509,382)
Economic development	170,485	-	-	-	(170,485)	-	(170,485)
Culture and recreation	1,078,533	441,263	22,407	-	(614,863)	-	(614,863)
Interest on long-term debt	619	-	-	-	(619)	-	(619)
<b>Total governmental activities</b>	<b>5,714,619</b>	<b>838,616</b>	<b>1,636,131</b>	<b>4,649</b>	<b>(3,235,223)</b>	<b>-</b>	<b>(3,235,223)</b>
<b>Business-type activities:</b>							
Water	1,113,932	967,251	-	-	-	(146,681)	(146,681)
Wastewater	805,458	745,213	-	-	-	(60,245)	(60,245)
<b>Total business-type activities</b>	<b>1,919,390</b>	<b>1,712,464</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(206,926)</b>	<b>(206,926)</b>
<b>Total primary government</b>	<b>\$ 7,634,009</b>	<b>\$ 2,551,080</b>	<b>\$ 1,636,131</b>	<b>\$ 4,649</b>	<b>(3,235,223)</b>	<b>(206,926)</b>	<b>(3,442,149)</b>
<b>General receipts:</b>							
Property taxes					3,167,273	-	3,167,273
Other local sources					109,300	-	109,300
Unrestricted investment earnings					110,421	73,065	183,486
<b>Total general receipts</b>					<b>3,386,994</b>	<b>73,065</b>	<b>3,460,059</b>
<b>Change in net assets</b>					<b>151,771</b>	<b>(133,861)</b>	<b>17,910</b>
<b>Net assets - beginning</b>					<b>6,696,694</b>	<b>3,162,646</b>	<b>9,859,340</b>
<b>Net assets - ending</b>					<b>\$ 6,848,465</b>	<b>\$ 3,028,785</b>	<b>\$ 9,877,250</b>
<b>Assets</b>							
Cash and investments					\$ 6,847,616	\$ 2,081,275	\$ 8,928,891
Restricted assets:							
Cash and investments					849	947,510	948,359
<b>Total assets</b>					<b>\$ 6,848,465</b>	<b>\$ 3,028,785</b>	<b>\$ 9,877,250</b>
<b>Net Assets</b>							
Restricted for:							
Debt service					\$ 849	\$ 315,595	\$ 316,444
Other purposes					-	631,915	631,915
Unrestricted					6,847,616	2,081,275	8,928,891
<b>Total net assets</b>					<b>\$ 6,848,465</b>	<b>\$ 3,028,785</b>	<b>\$ 9,877,250</b>

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

CITY OF NAPPANEE  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General	Motor Vehicle Highway	Park and Recreation	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 2,275,304	\$ 136,677	\$ 307,350	\$ 447,942	\$ 3,167,273
Licenses and permits	43,328	-	-	-	43,328
Intergovernmental	899,459	316,572	17,171	407,578	1,640,780
Charges for services	201,842	-	328,250	135,896	665,988
Fines and forfeits	27,968	-	-	11,541	39,509
Other	114,147	1,765	6,320	187,280	309,512
<b>Total receipts</b>	<b>3,562,048</b>	<b>455,014</b>	<b>659,091</b>	<b>1,190,237</b>	<b>5,866,390</b>
<b>Disbursements:</b>					
General government	761,984	-	-	215,712	977,696
Public safety	1,826,507	-	-	78,327	1,904,834
Highways and streets	-	369,522	-	55,493	425,015
Sanitation	171,108	-	-	-	171,108
Health and welfare	624,120	-	-	-	624,120
Culture and recreation	223,542	-	652,175	72,444	948,161
Urban redevelopment and housing	145,485	-	-	25,000	170,485
Debt service:					
Principal	-	17,303	-	75,823	93,126
Interest	-	619	-	-	619
Capital outlay:					
Public safety	-	-	-	20,113	20,113
Highways and streets	-	242,789	-	6,181	248,970
Culture and recreation	-	-	47,792	82,580	130,372
<b>Total disbursements</b>	<b>3,752,746</b>	<b>630,233</b>	<b>699,967</b>	<b>631,673</b>	<b>5,714,619</b>
Excess (deficiency) of revenue over disbursements	(190,698)	(175,219)	(40,876)	558,564	151,771
Other financing sources (uses)					
Transfers in	31,027	-	-	35,661	66,688
Transfers out	(6,900)	(1,193)	(1,237)	(57,358)	(66,688)
<b>Total other financing sources (uses)</b>	<b>24,127</b>	<b>(1,193)</b>	<b>(1,237)</b>	<b>(21,697)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(166,571)	(176,412)	(42,113)	536,867	151,771
Cash and investment fund balance - beginning	2,237,113	442,313	501,062	3,516,206	6,696,694
Cash and investment fund balance - ending	<u>\$ 2,070,542</u>	<u>\$ 265,901</u>	<u>\$ 458,949</u>	<u>\$ 4,053,073</u>	<u>\$ 6,848,465</u>
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	\$ 2,070,542	\$ 265,901	\$ 458,949	\$ 4,052,224	\$ 6,847,616
Restricted assets:					
Cash and investments	-	-	-	849	849
<b>Total cash and investment assets - December 31</b>	<u>\$ 2,070,542</u>	<u>\$ 265,901</u>	<u>\$ 458,949</u>	<u>\$ 4,053,073</u>	<u>\$ 6,848,465</u>
<b>Cash and Investment Fund Balance - December 31</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 849	\$ 849
Unrestricted	2,070,542	265,901	458,949	4,052,224	6,847,616
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 2,070,542</u>	<u>\$ 265,901</u>	<u>\$ 458,949</u>	<u>\$ 4,053,073</u>	<u>\$ 6,848,465</u>

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

CITY OF NAPPANEE  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Operating receipts:			
Metered water receipts:			
Residential	\$ 452,025	\$ -	452,025
Commercial	130,865	-	130,865
Industrial	62,313	-	62,313
Wastewater sales	-	731,719	731,719
Fire protection receipts	272,147	-	272,147
Penalties	4,899	11,222	16,121
Other water receipts	45,002	2,272	47,274
	<u>967,251</u>	<u>745,213</u>	<u>1,712,464</u>
Total operating receipts			
Operating disbursements:			
Equipment and capital improvements	474,603	206,770	681,373
Source of supply and disbursements - operations and maintenance	87,624	89,444	177,068
Water treatment disbursements - operations and maintenance	32,613	-	32,613
Transmission and distribution	56,188	148,145	204,333
Treatment and disposal disbursements - operations and maintenance	-	203,011	203,011
Operations and maintenance	145,711	-	145,711
Customer accounts	56,463	49,587	106,050
Administration and general	74,262	108,501	182,763
	<u>927,464</u>	<u>805,458</u>	<u>1,732,922</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>39,787</u>	<u>(60,245)</u>	<u>(20,458)</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	21,146	51,919	73,065
Debt service principal	(125,000)	-	(125,000)
Debt service interest	(61,468)	-	(61,468)
	<u>(165,322)</u>	<u>51,919</u>	<u>(113,403)</u>
Total nonoperating receipts (disbursements)			
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(125,535)	(8,326)	(133,861)
Cash and investment fund balance - beginning	<u>1,041,789</u>	<u>2,120,857</u>	<u>3,162,646</u>
Cash and investment fund balance - ending	<u>\$ 916,254</u>	<u>\$ 2,112,531</u>	<u>\$ 3,028,785</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 338,711	\$ 1,742,564	\$ 2,081,275
Restricted assets:			
Cash and investments	<u>577,543</u>	<u>369,967</u>	<u>947,510</u>
Total cash and investment assets - December 31	<u>\$ 916,254</u>	<u>\$ 2,112,531</u>	<u>\$ 3,028,785</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 315,595	\$ -	\$ 315,595
Other purposes	261,948	369,967	631,915
Unrestricted	<u>338,711</u>	<u>1,742,564</u>	<u>2,081,275</u>
Total cash and investment fund balance - December 31	<u>\$ 916,254</u>	<u>\$ 2,112,531</u>	<u>\$ 3,028,785</u>

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

CITY OF NAPPANEE  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2005

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Employer	\$ 36,801	\$ -
State	<u>50,845</u>	<u>-</u>
Total contributions	<u>87,646</u>	<u>-</u>
Investment earnings:		
Interest	<u>1,015</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>3,476,958</u>
Total additions	<u>88,661</u>	<u>3,476,958</u>
Deductions:		
Benefits	96,846	-
Administrative and general	255	-
Agency fund deductions	<u>-</u>	<u>3,424,760</u>
Total deductions	<u>97,101</u>	<u>3,424,760</u>
Excess (deficiency) of total additions over total deductions	(8,440)	52,198
Cash and investment fund balance - beginning	<u>87,339</u>	<u>43,697</u>
Cash and investment fund balance - ending	<u>\$ 78,899</u>	<u>\$ 95,895</u>

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

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENTS

I. 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 Town Council form of government and provides 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, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints board members of the Nappanee Library Board.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund accounts for all state motor vehicle highway distributions and is used principally for the construction and maintenance of street and alleys.

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The park and recreation fund accounts for all financial resources in connection with the City providing recreation programs and facilities.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the City reports the following fund types:

The pension trust fund accounts for the activities of the 1925 police pension fund, which accumulates resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for state and federal taxing authorities, employee benefit providers, and private individuals, and serves as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the water and wastewater. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

On or before August 31, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>
General fund	Other governmental	\$ 6,900
Motor Vehicle Highway	Other governmental	1,193
Park and Recreation	Other governmental	1,237
Other governmental	General fund	31,027
Other governmental	Other governmental	<u>26,331</u>
 Total		 <u><u>\$ 66,688</u></u>

The City typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

The City is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure – Enterprise Funds

Water Utility

On March 20, 1989, the City Council adopted Ordinance No. 1095 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on August 30, 2003.

Wastewater Utility

The current rate structure was approved by the City Council on August 18, 1997.

C. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Annual required contribution	\$ 84,496	\$ 162,800
Interest on net pension obligation	(5,946)	43,300
Adjustment to annual required contribution	<u>6,776</u>	<u>(75,600)</u>
Annual pension cost	85,326	130,500
Contributions made	<u>90,120</u>	<u>88,090</u>
Increase (decrease) in net pension obligation	(4,794)	42,410
Net pension obligation, beginning of year	<u>(82,015)</u>	<u>641,506</u>
Net pension obligation, end of year	<u>\$ (86,809)</u>	<u>\$ 683,916</u>

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF	1925 Police Officers' Pension
Contribution rates:		
City	6.5%	400%
Plan members	3%	6%
Actuarial valuation date	07-01-05	01-01-05
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years
Amortization period (from date)	07-01-97	01-01-05
Asset valuation method	75% of expected Actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital

<u>Actuarial Assumptions</u>	PERF	1925 Police Officers' Pension
Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	2.75/4%*

\*2.75% converted members; 4% nonconverted members.

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 70,885	113%	\$ (61,468)
	06-30-04	68,410	130%	(82,015)
	06-30-05	85,326	132%	(86,809)
1925 Police Officers' Pension Plan	12-31-02	117,500	39%	578,899
	12-31-03	128,400	51%	641,506
	12-31-04	130,500	68%	683,916

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

CITY OF NAPPANEE  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

	1925 Police Officers' Pension
Retires and beneficiaries currently receiving benefits	5

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. 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:

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$127,422, \$123,558, and \$118,519, respectively, equal to the required contributions for each year.

CITY OF NAPPANEE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,061,894	\$ 1,157,595	\$ (95,701)	92%	\$ 1,320,770	(7%)
07-01-04	1,105,213	1,326,626	(221,413)	83%	1,429,382	(15%)
07-01-05	1,176,654	1,571,230	(394,576)	75%	1,616,110	(24%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 98,023	\$ 1,582,200	\$ (1,484,177)	6%	\$ 70,200	(2,114%)
01-01-01	107,935	1,627,100	(1,519,165)	7%	72,400	(2,098%)
01-01-02	153,879	1,239,500	(1,085,621)	12%	37,300	(2,911%)
01-01-03	81,265	1,599,200	(1,517,935)	5%	76,800	(1,976%)
01-01-04	54,219	1,350,700	(1,296,481)	4%	39,500	(3,282%)
01-01-05	87,339	1,325,500	(1,238,161)	7%	40,700	(3,042%)

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005

	Special Revenue:					
	Local Road and Street	Law Enforcement Continuing Education	Riverboat	Rainy Day	Gift	CEDIT
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	67,882	-	42,312	-	-	259,768
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	5,475	-	-	42,792	-
<b>Total receipts</b>	<b>67,882</b>	<b>5,475</b>	<b>42,312</b>	<b>-</b>	<b>42,792</b>	<b>259,768</b>
Disbursements:						
General government	-	-	-	-	16,953	-
Public safety	-	2,670	-	-	30,946	-
Highways and streets	55,493	-	-	-	-	-
Culture and recreation	-	-	-	-	5,963	-
Urban redevelopment and housing	-	-	-	-	-	25,000
Debt service:						
Principal	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	20,113
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	44,647
<b>Total disbursements</b>	<b>55,493</b>	<b>2,670</b>	<b>-</b>	<b>-</b>	<b>53,862</b>	<b>89,760</b>
Excess (deficiency) of revenue over disbursements	12,389	2,805	42,312	-	(11,070)	170,008
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	12,389	2,805	42,312	-	(11,070)	170,008
Cash and investment fund balance - beginning	140,637	8,422	84,741	31,443	212,063	761,636
Cash and investment fund balance - ending	<u>\$ 153,026</u>	<u>\$ 11,227</u>	<u>\$ 127,053</u>	<u>\$ 31,443</u>	<u>\$ 200,993</u>	<u>\$ 931,644</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 153,026	\$ 11,227	\$ 127,053	\$ 31,443	\$ 200,993	\$ 931,644
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - December 31</b>	<b>\$ 153,026</b>	<b>\$ 11,227</b>	<b>\$ 127,053</b>	<b>\$ 31,443</b>	<b>\$ 200,993</b>	<b>\$ 931,644</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	153,026	11,227	127,053	31,443	200,993	931,644
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 153,026</b>	<b>\$ 11,227</b>	<b>\$ 127,053</b>	<b>\$ 31,443</b>	<b>\$ 200,993</b>	<b>\$ 931,644</b>

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Special Revenue:					
	Aviation	Stormwater	Park and Recreation Special Nonreverting	Sidewalk Improvement	Special Recreation	Volunteer Fire Hazmat Cleanup
Receipts:						
Taxes	\$ 92,444	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,236	-	-	-	-	-
Charges for services	-	-	23,222	4,059	40,974	-
Fines and forfeits	-	-	-	-	-	-
Other	18,740	20,968	1,427	-	-	-
<b>Total receipts</b>	<b>116,420</b>	<b>20,968</b>	<b>24,649</b>	<b>4,059</b>	<b>40,974</b>	<b>-</b>
Disbursements:						
General government	101,196	3,850	-	4,367	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	24,293	-	42,188	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>101,196</b>	<b>3,850</b>	<b>24,293</b>	<b>4,367</b>	<b>42,188</b>	<b>-</b>
Excess (deficiency) of revenue over disbursements	15,224	17,118	356	(308)	(1,214)	-
Other financing sources (uses)						
Transfers in	25,038	-	-	-	-	-
Transfers out	(501)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>24,537</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	39,761	17,118	356	(308)	(1,214)	-
Cash and investment fund balance - beginning	187,299	-	6,483	308	28,066	516
Cash and investment fund balance - ending	<u>\$ 227,060</u>	<u>\$ 17,118</u>	<u>\$ 6,839</u>	<u>\$ -</u>	<u>\$ 26,852</u>	<u>\$ 516</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ 227,060	\$ 17,118	\$ 6,839	\$ -	\$ 26,852	\$ 516
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 227,060</u></b>	<b><u>\$ 17,118</u></b>	<b><u>\$ 6,839</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,852</u></b>	<b><u>\$ 516</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	227,060	17,118	6,839	-	26,852	516
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 227,060</u></b>	<b><u>\$ 17,118</u></b>	<b><u>\$ 6,839</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,852</u></b>	<b><u>\$ 516</u></b>

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Special Revenue:					
	Aviation Rotary	Fireworks	Insurance Reimbursement	Levy Excess	Vehicle Inspection	Clerk's Records Perpetuation
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	2,312
Other	53,193	-	2,658	80	-	-
<b>Total receipts</b>	<b>53,193</b>	<b>-</b>	<b>2,658</b>	<b>80</b>	<b>-</b>	<b>2,312</b>
Disbursements:						
General government	67,781	-	11,423	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>67,781</b>	<b>-</b>	<b>11,423</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenue over disbursements	(14,588)	-	(8,765)	80	-	2,312
Other financing sources (uses)						
Transfers in	-	-	-	10,623	-	-
Transfers out	(25,038)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(25,038)</b>	<b>-</b>	<b>-</b>	<b>10,623</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(39,626)	-	(8,765)	10,703	-	2,312
Cash and investment fund balance - beginning	63,058	5,397	12,616	-	2,736	5,459
Cash and investment fund balance - ending	<u>\$ 23,432</u>	<u>\$ 5,397</u>	<u>\$ 3,851</u>	<u>\$ 10,703</u>	<u>\$ 2,736</u>	<u>\$ 7,771</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 23,432	\$ 5,397	\$ 3,851	\$ 10,703	\$ 2,736	\$ 7,771
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - December 31</b>	<u>\$ 23,432</u>	<u>\$ 5,397</u>	<u>\$ 3,851</u>	<u>\$ 10,703</u>	<u>\$ 2,736</u>	<u>\$ 7,771</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	23,432	5,397	3,851	10,703	2,736	7,771
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 23,432</u>	<u>\$ 5,397</u>	<u>\$ 3,851</u>	<u>\$ 10,703</u>	<u>\$ 2,736</u>	<u>\$ 7,771</u>

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Special Revenue:					
	School and Home Safety	Emergency Telephone Service	COPS in School Grant	Law Enforcement Assistance Grant	User Fee	Sale of Utility
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	43,302	-	-	-	-
Fines and forfeits	555	-	-	-	2,319	-
Other	-	-	-	-	-	31,027
<b>Total receipts</b>	<b>555</b>	<b>43,302</b>	<b>-</b>	<b>-</b>	<b>2,319</b>	<b>31,027</b>
Disbursements:						
General government	-	-	-	-	1,821	-
Public safety	-	30,806	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>30,806</b>	<b>-</b>	<b>-</b>	<b>1,821</b>	<b>-</b>
Excess (deficiency) of revenue over disbursements	555	12,496	-	-	498	31,027
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(31,027)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,027)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	555	12,496	-	-	498	-
Cash and investment fund balance - beginning	1,412	100,478	125,237	100,000	3,906	1,046,224
Cash and investment fund balance - ending	<u>\$ 1,967</u>	<u>\$ 112,974</u>	<u>\$ 125,237</u>	<u>\$ 100,000</u>	<u>\$ 4,404</u>	<u>\$ 1,046,224</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ 1,967	\$ 112,974	\$ 125,237	\$ 100,000	\$ 4,404	\$ 1,046,224
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 1,967</u></b>	<b><u>\$ 112,974</u></b>	<b><u>\$ 125,237</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 4,404</u></b>	<b><u>\$ 1,046,224</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,967	112,974	125,237	100,000	4,404	1,046,224
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 1,967</u></b>	<b><u>\$ 112,974</u></b>	<b><u>\$ 125,237</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 4,404</u></b>	<b><u>\$ 1,046,224</u></b>

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Special Revenue:					Total Special Revenue
	1981 CDBG	1983 CDBG Community Focus Grant	1992 IHFA	1997 Community Focus Grant	Crime Forfeitures	
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,444
Intergovernmental	-	-	-	-	-	375,198
Charges for services	-	-	-	-	-	111,557
Fines and forfeits	-	-	-	-	6,355	11,541
Other	4,539	32	6,349	-	-	187,280
<b>Total receipts</b>	<b>4,539</b>	<b>32</b>	<b>6,349</b>	<b>-</b>	<b>6,355</b>	<b>778,020</b>
Disbursements:						
General government	-	-	-	-	-	207,391
Public safety	-	-	-	-	13,905	78,327
Highways and streets	-	-	-	-	-	55,493
Culture and recreation	-	-	-	-	-	72,444
Urban redevelopment and housing	-	-	-	-	-	25,000
Debt service:						
Principal	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	20,113
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	44,647
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,905</b>	<b>503,415</b>
Excess (deficiency) of revenue over disbursements	4,539	32	6,349	-	(7,550)	274,605
Other financing sources (uses)						
Transfers in	-	-	-	-	-	35,661
Transfers out	-	-	-	-	-	(56,566)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,905)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,539	32	6,349	-	(7,550)	253,700
Cash and investment fund balance - beginning	3,173	9,071	47,847	2,142	8,588	2,998,958
Cash and investment fund balance - ending	\$ 7,712	\$ 9,103	\$ 54,196	\$ 2,142	\$ 1,038	\$ 3,252,658

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Debt Service:		Capital Projects:		Cumulative Building and Firefighting Equipment
	1990 General Obligation Bonds	Cumulative Capital Improvement	Cumulative Capital Development	Golf Course Capital Outlay	
Receipts:					
Taxes	\$ -	\$ -	\$ 125,035	\$ -	\$ 83,153
Intergovernmental	-	20,742	6,989	-	4,649
Charges for services	-	-	-	24,339	-
Fines and forfeits	-	-	-	-	-
Other	-	-	-	-	-
Total receipts	-	20,742	132,024	24,339	87,802
Disbursements:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service:					
Principal	-	-	75,823	-	-
Capital outlay:					
Public safety	-	-	-	-	-
Highways and streets	-	6,181	-	-	-
Culture and recreation	-	-	-	37,933	-
Total disbursements	-	6,181	75,823	37,933	-
Excess (deficiency) of revenue over disbursements	-	14,561	56,201	(13,594)	87,802
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(475)	-	(317)
Total other financing sources (uses)	-	-	(475)	-	(317)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	14,561	55,726	(13,594)	87,485
Cash and investment fund balance - beginning	849	156,325	82,314	38,724	68,962
Cash and investment fund balance - ending	\$ 849	\$ 170,886	\$ 138,040	\$ 25,130	\$ 156,447
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ -	\$ 170,886	\$ 138,040	\$ 25,130	\$ 156,447
Restricted assets:					
Cash and investments	849	-	-	-	-
Total cash and investment assets - December 31	\$ 849	\$ 170,886	\$ 138,040	\$ 25,130	\$ 156,447
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ 849	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	170,886	138,040	25,130	156,447
Total cash and investment fund balance - December 31	\$ 849	\$ 170,886	\$ 138,040	\$ 25,130	\$ 156,447

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Capital Projects:				Totals
	TIF District Downtown	TIF West Industrial Park	TIF Heritage Farms	Total Capital Projects	
Receipts:					
Taxes	\$ -	\$ 81,262	\$ 66,048	355,498	\$ 447,942
Intergovernmental	-	-	-	32,380	407,578
Charges for services	-	-	-	24,339	135,896
Fines and forfeits	-	-	-	-	11,541
Other	-	-	-	-	187,280
<b>Total receipts</b>	<b>-</b>	<b>81,262</b>	<b>66,048</b>	<b>412,217</b>	<b>1,190,237</b>
Disbursements:					
General government	-	200	8,121	8,321	215,712
Public safety	-	-	-	-	78,327
Highways and streets	-	-	-	-	55,493
Culture and recreation	-	-	-	-	72,444
Urban redevelopment and housing	-	-	-	-	25,000
Debt service:					
Principal	-	-	-	75,823	75,823
Capital outlay:					
Public safety	-	-	-	-	20,113
Highways and streets	-	-	-	6,181	6,181
Culture and recreation	-	-	-	37,933	82,580
<b>Total disbursements</b>	<b>-</b>	<b>200</b>	<b>8,121</b>	<b>128,258</b>	<b>631,673</b>
Excess (deficiency) of revenue over disbursements	-	81,062	57,927	283,959	558,564
Other financing sources (uses)					
Transfers in	-	-	-	-	35,661
Transfers out	-	-	-	(792)	(57,358)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(792)</b>	<b>(21,697)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	81,062	57,927	283,167	536,867
Cash and investment fund balance - beginning	1,367	167,223	1,484	516,399	3,516,206
Cash and investment fund balance - ending	<u>\$ 1,367</u>	<u>\$ 248,285</u>	<u>\$ 59,411</u>	<u>\$ 799,566</u>	<u>\$ 4,053,073</u>
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	\$ 1,367	\$ 248,285	\$ 59,411	\$ 799,566	\$ 4,052,224
Restricted assets:					
Cash and investments	-	-	-	-	849
<b>Total cash and investment assets - December 31</b>	<u>\$ 1,367</u>	<u>\$ 248,285</u>	<u>\$ 59,411</u>	<u>\$ 799,566</u>	<u>\$ 4,053,073</u>
<b>Cash and Investment Fund Balance - December 31</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 849
Unrestricted	1,367	248,285	59,411	799,566	4,052,224
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 1,367</u>	<u>\$ 248,285</u>	<u>\$ 59,411</u>	<u>\$ 799,566</u>	<u>\$ 4,053,073</u>

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2005

	Payroll	Ambulance Fee Reimbursement	Anthem Small Business Holding	Court Costs Due County	Assessment Registration County Transfer	Park and Recreation Cleaning Deposits
Additions:						
Agency fund additions	\$ 2,813,492	\$ 1,625	\$ 444,331	\$ 12,678	\$ 436	\$ 100
Deductions:						
Agency fund deductions	2,806,777	1,626	404,996	12,678	424	50
Excess (deficiency) of total additions over total deductions	6,715	(1)	39,335	-	12	50
Cash and investment fund balance - beginning	38,721	166	(169)	-	12	375
Cash and investment fund balance - ending	<u>\$ 45,436</u>	<u>\$ 165</u>	<u>\$ 39,166</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 425</u>

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	<u>Sales Tax</u>	<u>City Court</u>	<u>Building Improvement District</u>	<u>Utility Unemployment Tax</u>	<u>Total</u>
Additions:					
Agency fund additions	<u>\$ 11,565</u>	<u>\$ 154,033</u>	<u>\$ 5,166</u>	<u>\$ 33,532</u>	<u>\$ 3,476,958</u>
Deductions:					
Agency fund deductions	<u>11,701</u>	<u>152,976</u>	<u>-</u>	<u>33,532</u>	<u>3,424,760</u>
Excess (deficiency) of total additions over total deductions	(136)	1,057	5,166	-	52,198
Cash and investment fund balance - beginning	<u>351</u>	<u>4,241</u>	<u>-</u>	<u>-</u>	<u>43,697</u>
Cash and investment fund balance - ending	<u><u>\$ 215</u></u>	<u><u>\$ 5,298</u></u>	<u><u>\$ 5,166</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 95,895</u></u>

CITY OF NAPPANEE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2005

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,279,980
Infrastructure	112,278
Buildings	3,595,263
Improvements other than buildings	4,037,573
Machinery and equipment	3,734,206
Construction in progress	<u>340,836</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 13,100,136</u>
Business-type activities:	
Water Utility:	
Capital assets:	
Land	\$ 218,830
Construction in progress	639,992
Buildings	1,435,288
Improvements other than buildings	4,043,272
Machinery and equipment	<u>208,989</u>
 Total Water Utility capital assets	 <u>6,546,371</u>
Wastewater Utility:	
Capital assets:	
Land	22,787
Construction in progress	363,944
Buildings	2,575,250
Improvements other than buildings	6,363,949
Machinery and equipment	<u>263,866</u>
 Total Wastewater Utility capital assets	 <u>9,589,796</u>
 Total business-type activities capital assets	 <u>\$ 16,136,167</u>

CITY OF NAPPANEE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2005

The City and it's Utilities have entered into the following long-term debt:

Description of Asset	Ending Balance	Principal Due Within One Year
City:		
Capital Lease:		
Wheel Loader	\$ 17,303	\$ 17,303
Note Payable:		
Golf Course Renovations	<u>151,646</u>	<u>75,823</u>
Total city long-term debt	<u>\$ 168,949</u>	<u>\$ 93,126</u>
Utilities:		
Water Utility		
Revenue bonds:		
1999 Waterworks Addition and Improvements	\$ 760,000	\$ 10,000
2003 Waterworks Refunding	<u>605,000</u>	<u>115,000</u>
Total Utilities:	<u>\$ 1,365,000</u>	<u>\$ 125,000</u>

Debt service requirements to maturity:

Year ended December 31	<u>Capital Leases</u>		<u>Note Payable</u>	<u>Revenue bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2006-2010	17,303	619	151,646	680,000	238,290
2011-2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>685,000</u>	<u>72,361</u>
Totals	<u>\$ 17,303</u>	<u>\$ 619</u>	<u>\$ 151,646</u>	<u>\$ 1,365,000</u>	<u>\$ 310,651</u>

CITY OF NAPPANEE  
OTHER REPORTS

The annual report presented herein was prepared in addition to other official reports prepared for the individual City offices listed below:

Water and Wastewater Utilities

CITY OF NAPPANEE  
EXIT CONFERENCE

The contents of this report were discussed on September 5, 2006, with Kimberly A. Ingle. Our audit disclosed no material items that warrant comment at this time.