

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

EXAMINATION REPORT
OF
CITY OF NAPPANEE
ELKHART COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
11/06/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kimberly A. Ingle	01-01-08 to 12-31-11
Mayor	Larry L. Thompson	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Larry L. Thompson	01-01-08 to 12-31-11
President of the Common Council	Larry L. Thompson	01-01-08 to 12-31-11
Superintendent of Water and Wastewater Utilities	Gale Gerber	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Nappanee, for the period of January 1, 2008 to December 31, 2008. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

October 7, 2009

CITY OF NAPPANEE
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, BUSINESS-TYPE, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 1,814,040	\$ 2,964,724	\$ 3,962,100	\$ 816,664
Park and recreation	393,413	495,254	739,268	149,399
County economic development income tax	1,123,720	398,142	282,302	1,239,560
Local major moves	1,078,860	40,430	-	1,119,290
Sale of utility	1,046,224	37,766	37,766	1,046,224
Motor vehicle highway	651,824	478,542	659,528	470,838
Local road and street	287,978	57,537	-	345,515
Law enforcement continuing education	24,688	7,939	11,166	21,461
Riverboat	11,589	42,092	-	53,681
Rainy day	350,676	358,289	317,281	391,684
Gift	209,388	43,673	47,187	205,874
Aviation	81,964	48,017	74,395	55,586
Park and recreation special nonreverting	8,221	23,380	22,785	8,816
Special recreation	24,723	47,292	45,187	26,828
Volunteer fire hazmat cleanup	516	-	-	516
Aviation rotary	30,760	57,468	52,920	35,308
Fireworks	5,397	-	-	5,397
Insurance reimbursement	15,599	420,679	403,898	32,380
Vehicle Inspection	2,736	-	847	1,889
Clerk's records perpetuation	12,582	1,989	-	14,571
School and home safety	1,164	100	666	598
Emergency telephone service	26,081	35,431	29,378	32,134
Elkhart County drug grant	-	4,460	4,186	274
User fee	4,242	1,478	2,055	3,665
Crime forfeitures	380	15,188	6,319	9,249
1990 general obligation bonds	849	-	-	849
Cumulative capital improvement	204,581	21,821	15,000	211,402
Cumulative capital development	199,103	70,762	163,173	106,692
Golf course capital outlay	16,317	19,910	26,260	9,967
Building and firefighting equipment	161,848	67,308	43,338	185,818
TIF district downtown	467	-	-	467
TIF west industrial park	209,610	-	-	209,610
TIF heritage farms	221,739	-	-	221,739
ECCF tornado assistance grant	4,034	555,000	555,462	3,572
Business-type Activities:				
Water Utility - Operating	413,356	1,134,370	936,250	611,476
Water Utility - Bond and Interest	343,248	130,187	185,849	287,586
Water Utility - Depreciation	24,228	928	323	24,833
Water Utility - Construction	41,318	1,690	731	42,277
Water Utility - Improvement	560,195	157,873	42,337	675,732
Wastewater Utility - Operating	1,383,509	825,240	909,979	1,298,770
Wastewater Utility - Bond and Interest	9,842	127	62	9,907
Wastewater Utility - Depreciation	230,393	24,380	136,566	118,207
Wastewater Utility - Improvement	296,708	138,282	285,208	149,782
Wastewater Utility - Storm Water	165,722	92,604	63,457	194,869
Fiduciary Funds:				
Police pension	85,878	88,908	90,087	84,699
Payroll	46,813	3,130,187	3,132,496	44,504
Ambulance fee reimbursement	169	1,762	1,627	304
Anthem small business holding	43,591	540,947	533,507	51,031
Court costs due county	-	8,992	8,992	-
Assessment registration county transfer	36	544	580	-
Park and recreation cleaning deposits	1,050	1,535	1,425	1,160
Sales tax	190	13,270	13,287	173
City court	4,893	125,867	126,752	4,008
Nappanee fight crime	2,681	3	10	2,674
Building improvement district	13,598	619	14,017	200
Utility employment tax	-	36,485	36,485	-
Totals	<u>\$ 11,892,731</u>	<u>\$ 12,769,471</u>	<u>\$ 14,022,492</u>	<u>\$ 10,639,710</u>

The accompanying notes are an integral part of the financial information.

CITY OF NAPPANEE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the District in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the District on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF NAPPANEE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

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

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

b. 1925 Police Officers' Pension Plan

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

Funding Policy and Annual Pension Cost

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

CITY OF NAPPANEE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 7. Subsequent Events

The Nappanee Wastewater Utility is planning a \$4,500,000 renovation of its Wastewater treatment plant. It will be funded through a State Revolving Fund (SRF) loan. The planned completion is fall of 2010. In conjunction with the project, there will be an increase in wastewater rates effective January 1, 2010.

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Indiana Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

CITY OF NAPPANEE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 As Of December 31, 2008

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	4,363,602
Improvements other than buildings	4,226,804
Machinery and equipment	4,008,765
Construction in progress	<u>1,215,717</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 15,207,146</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 218,830
Construction in progress	38,444
Buildings	1,619,699
Improvements other than buildings	4,692,129
Machinery and equipment	<u>265,036</u>
 Total Water Utility capital assets	 <u>6,834,138</u>

Wastewater Utility:	
Capital assets, not being depreciated:	
Land	22,787
Construction in progress	782,829
Buildings	2,575,250
Improvements other than buildings	7,097,817
Machinery and equipment	<u>248,094</u>
 Total Wastewater Utility capital assets	 <u>10,726,777</u>

Total business-type activities capital assets	<u>\$ 17,560,915</u>
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CITY OF NAPPANEE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
1999 Waterworks additions and improvements	\$ 720,000	\$ 51,430
2003 Waterworks refunding	<u>255,000</u>	<u>131,526</u>
Total Water Utility	<u>\$ 975,000</u>	<u>\$ 182,956</u>

CITY OF NAPPANEE
OTHER REPORT

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

Water and Wastewater Utilities Report

CITY OF NAPPANEE
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2009, with Kimberly A. Ingle, Clerk-Treasurer; and Larry L. Thompson, Mayor. Our examination disclosed no material items that warrant comment at this time.