

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF NAPPANEE  
ELKHART COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**  
09/23/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kathy L. Brown	07-01-16 to 12-31-19
Mayor	Philip W. Jenkins	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Philip W. Jenkins	01-01-16 to 12-31-19
President of the Common Council	Philip W. Jenkins	01-01-16 to 12-31-19
Superintendent of Utilities	Gale Gerber	01-01-17 to 12-31-19



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statement**

We have audited the accompanying financial statement of the City of Nappanee (City), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2017.

***Opinion on Regulatory Basis of Accounting***

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, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the City's 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 auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

August 26, 2019



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Nappanee (City), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement, and have issued our report thereon dated August 26, 2019, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002.

**City of Nappanee's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

August 26, 2019

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2017

Fund	Cash and Investments		Cash and Investments	
	01-01-17	Receipts	Disbursements	12-31-17
General	\$ 3,458,626	\$ 4,772,934	\$ 4,243,404	\$ 3,988,156
Motor Vehicle Highway	268,149	728,220	612,035	384,334
Local Road And Street	353,063	80,129	8,250	424,942
Aviation	57,259	125,512	55,334	127,437
Law Enforcement Continuing Ed	38,211	6,176	19,606	24,781
Riverboat	192,108	-	-	192,108
Emergency Telephone System	22,713	-	-	22,713
Parks And Recreation	433,472	1,145,745	923,628	655,589
User Fee	9,200	872	-	10,072
Rainy Day	1,290,872	-	53,894	1,236,978
Hazardous Materials	449	108	-	557
Tiff - Legacy	254,133	79,663	264,423	69,373
Major Moves Construction	1,148,822	94	-	1,148,916
Cumulative Capital Development	222,365	79,614	43,125	258,854
Cumulative Fire	2,303	-	-	2,303
Cumulative Capital Improvement	249,623	16,167	-	265,790
Cedit Capital Projects	385,967	472,372	412,563	445,776
Police Pension	70,314	116,000	57,428	128,886
Local Option Income Tax LOIT	259,619	398,249	293,280	364,588
Rent House Regis. Non Revert	11,772	14,340	11,847	14,265
United Health Holding	170,579	486,318	686,141	(29,244)
Lincoln Finan. Holding	3,027	12,494	14,554	967
NSP 3 - Housing Grant	203,903	-	14,625	189,278
INPRS - Holding	-	221,869	102,089	119,780
CRIME FORFT	967	20,092	5,460	15,599
Credit Card - Holding	-	518,205	518,205	-
MVH Special Dist LOIT	451,706	105,001	-	556,707
SRO Gift Fund - Wellness	-	3,314	1,909	1,405
Gift	129,950	39,026	50,375	118,601
Aviation Rotary	46,766	33,049	37,482	42,333
Special Recreation	43,590	50,030	57,217	36,403
Sidewalk Program	(975)	6,255	4,025	1,255
Home & School Safety	261	-	-	261
Elkhart County Drug Grant	274	-	-	274
Tif - City Wide	2,303,533	845,072	400,281	2,748,324
Tif - West Industrial Pk.	71,182	-	-	71,182
Court Clerk Perpetuation	16,377	1,248	-	17,625
Payroll	71,597	4,186,445	4,106,012	152,030
Ambulance Fee Reimburse	181	1,079	2,967	(1,707)
Court Costs Due County	1,252	4,356	5,870	(262)
Infraction Deferral Fees	109	6,190	5,270	1,029
P & R Cleaning Dep. Reimb.	1,750	3,000	3,000	1,750
Nappanee Bus Impr Dist	67,900	11,400	14,001	65,299
Sales Tax Payable	123	9,500	10,623	(1,000)
City Court	2,372	72,278	71,653	2,997
Storm Water Utility-Operating	641,782	98,448	50,478	689,752
CSO Operating	422	16,889,390	16,803,834	85,978
Wastewater Construction	-	456,468	456,468	-
CSO Bond & Interest	-	643,721	240,088	403,633
CSO Debt Reserve	-	653,348	20	653,328
Wastewater Utility-Operating	856,350	2,862,952	2,206,193	1,513,109
Wastewater Utility-Deprec/Improve	89,836	34	-	89,870
Wastewater Utility-Improvement	58,045	-	-	58,045
Water Depreciation	25,114	48	-	25,162
Water Petty Cash	-	250	-	250
Water Utility-Operating	2,989,976	2,644,947	3,402,337	2,232,586
Water Utility-Construction	42,722	295,567	292,694	45,595
Water Utility-Improvement	415,280	40,014	-	455,294
Totals	<u>\$ 17,434,991</u>	<u>\$ 39,257,603</u>	<u>\$ 36,562,688</u>	<u>\$ 20,129,906</u>

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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.* 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants,

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 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.* Amounts received 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.* Amounts received from charges for current services.

*Other receipts.* Amounts received from various sources, including, but 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.* Amounts disbursed 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.* Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Debt service - principal and interest.* Amounts disbursed for 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.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Other disbursements.* Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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 December 31 of the year preceding the budget year or January 15 of the budget year if the City is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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, the following: 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.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) Defined Benefit Plan is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the City authority to contribute to the plan.

My Choice: Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the City authority to contribute to the plan.

New employees hired have a one-time election to join either the Public Employees' Hybrid Plan (PERF Hybrid) or the My Choice: Retirement Savings Plan for Public Employees (My Choice), which is a multiple-employer defined contribution plan. PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Financial Report*

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  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (844) 464-6777

*Contributions*

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

*B. 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, providing retirement, disability, and survivor benefits.

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.

*Financial Report*

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  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (844) 464-6777

*Contributions*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS based on actuarial valuation. Employers may pay all or part of the member contribution for the member.

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. The cash balance deficit of the Sales Tax Payable and Court Costs Due County funds are due to overpayments made to outside agencies. The cash balance deficit of the Ambulance Fee Reimburse fund is due to the timing of reimbursements. The cash balance deficit of the United Health Holding fund is due to payroll posting errors and inconsistencies with the Payroll fund.

**Note 8. Restatements**

For the year ended December 31, 2017, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of December 31, 2016	Prior Period Adjustment	Balance as of January 1, 2017
Police Pension	\$ 117,205	\$ (46,891)	\$ 70,314
Wastewater Construction	422	(422)	-
CSO Operating	-	422	422

**Note 9. Subsequent Event**

In December 2018, the City issued a SRF Waterworks Revenue Bond in the amount of \$2,538,000.

#### OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 City's Annual Financial Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other 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, 2017

	General	Motor Vehicle Highway	Local Road And Street	Aviation	Law Enforcement Continuing Ed	Riverboat
Cash and investments - beginning	\$ 3,458,626	\$ 268,149	\$ 353,063	\$ 57,259	\$ 38,211	\$ 192,108
Receipts:						
Taxes	3,540,425	587,259	80,129	96,057	-	-
Licenses and permits	66,565	-	-	-	6,176	-
Intergovernmental receipts	452,170	140,961	-	7,465	-	-
Charges for services	326,850	-	-	21,990	-	-
Fines and forfeits	14,286	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	372,638	-	-	-	-	-
Total receipts	<u>4,772,934</u>	<u>728,220</u>	<u>80,129</u>	<u>125,512</u>	<u>6,176</u>	<u>-</u>
Disbursements:						
Personal services	2,867,021	340,377	-	-	-	-
Supplies	266,899	73,287	-	5,892	376	-
Other services and charges	1,058,907	45,408	-	40,630	18,780	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	50,577	152,963	8,250	8,812	450	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>4,243,404</u>	<u>612,035</u>	<u>8,250</u>	<u>55,334</u>	<u>19,606</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>529,530</u>	<u>116,185</u>	<u>71,879</u>	<u>70,178</u>	<u>(13,430)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,988,156</u>	<u>\$ 384,334</u>	<u>\$ 424,942</u>	<u>\$ 127,437</u>	<u>\$ 24,781</u>	<u>\$ 192,108</u>

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Emergency Telephone System	Parks And Recreation	User Fee	Rainy Day	Hazardous Materials	Tiff - Legacy
Cash and investments - beginning	\$ 22,713	\$ 433,472	\$ 9,200	\$ 1,290,872	\$ 449	\$ 254,133
Receipts:						
Taxes	-	769,935	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	6,372	-	-	-	-
Charges for services	-	369,438	-	-	108	-
Fines and forfeits	-	-	872	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	79,663
Total receipts	-	1,145,745	872	-	108	79,663
Disbursements:						
Personal services	-	509,483	-	-	-	-
Supplies	-	114,819	-	-	-	-
Other services and charges	-	212,429	-	53,894	-	264,423
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	86,897	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	923,628	-	53,894	-	264,423
Excess (deficiency) of receipts over disbursements	-	222,117	872	(53,894)	108	(184,760)
Cash and investments - ending	\$ 22,713	\$ 655,589	\$ 10,072	\$ 1,236,978	\$ 557	\$ 69,373

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Major Moves Construction	Cumulative Capital Development	Cumulative Fire	Cumulative Capital Improvement	Cedit Capital Projects	Police Pension
Cash and investments - beginning	\$ 1,148,822	\$ 222,365	\$ 2,303	\$ 249,623	\$ 385,967	\$ 70,314
Receipts:						
Taxes	-	78,962	-	-	457,372	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	652	-	16,167	-	-
Charges for services	-	-	-	-	15,000	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	94	-	-	-	-	116,000
Total receipts	94	79,614	-	16,167	472,372	116,000
Disbursements:						
Personal services	-	-	-	-	-	57,428
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	412,563	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	43,125	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	43,125	-	-	412,563	57,428
Excess (deficiency) of receipts over disbursements	94	36,489	-	16,167	59,809	58,572
Cash and investments - ending	\$ 1,148,916	\$ 258,854	\$ 2,303	\$ 265,790	\$ 445,776	\$ 128,886

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Local Option Income Tax LOIT	Rent House Regis. Non Revert	United Health Holding	Lincoln Finan. Holding	NSP 3 - Housing Grant	INPRS - Holding
Cash and investments - beginning	\$ 259,619	\$ 11,772	\$ 170,579	\$ 3,027	\$ 203,903	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	14,340	-	-	-	-
Intergovernmental receipts	398,249	-	-	-	-	-
Charges for services	-	-	486,318	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	12,494	-	221,869
Total receipts	398,249	14,340	486,318	12,494	-	221,869
Disbursements:						
Personal services	57,617	11,847	-	-	-	-
Supplies	14,295	-	-	-	-	-
Other services and charges	18,700	-	686,141	14,554	14,625	102,089
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	202,668	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	293,280	11,847	686,141	14,554	14,625	102,089
Excess (deficiency) of receipts over disbursements	104,969	2,493	(199,823)	(2,060)	(14,625)	119,780
Cash and investments - ending	\$ 364,588	\$ 14,265	\$ (29,244)	\$ 967	\$ 189,278	\$ 119,780

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	CRIME FORFT	Credit Card - Holding	MVH Special Dist LOIT	SRO Gift Fund - Wellness	Gift	Aviation Rotary
Cash and investments - beginning	\$ 967	\$ -	\$ 451,706	\$ -	\$ 129,950	\$ 46,766
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	33,049
Fines and forfeits	20,092	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	518,205	105,001	3,314	39,026	-
Total receipts	<u>20,092</u>	<u>518,205</u>	<u>105,001</u>	<u>3,314</u>	<u>39,026</u>	<u>33,049</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	5,460	-	-	1,909	50,375	37,482
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	518,205	-	-	-	-
Total disbursements	<u>5,460</u>	<u>518,205</u>	<u>-</u>	<u>1,909</u>	<u>50,375</u>	<u>37,482</u>
Excess (deficiency) of receipts over disbursements	<u>14,632</u>	<u>-</u>	<u>105,001</u>	<u>1,405</u>	<u>(11,349)</u>	<u>(4,433)</u>
Cash and investments - ending	<u>\$ 15,599</u>	<u>\$ -</u>	<u>\$ 556,707</u>	<u>\$ 1,405</u>	<u>\$ 118,601</u>	<u>\$ 42,333</u>

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Special Recreation	Sidewalk Program	Home & School Safety	Elkhart County Drug Grant	Tif - City Wide	Tif - West Industrial Pk.
Cash and investments - beginning	\$ 43,590	\$ (975)	\$ 261	\$ 274	\$ 2,303,533	\$ 71,182
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	6,255	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	50,030	-	-	-	845,072	-
Total receipts	50,030	6,255	-	-	845,072	-
Disbursements:						
Personal services	24,373	-	-	-	-	-
Supplies	23,114	-	-	-	75,000	-
Other services and charges	9,730	-	-	-	183,698	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	4,025	-	-	141,583	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	57,217	4,025	-	-	400,281	-
Excess (deficiency) of receipts over disbursements	(7,187)	2,230	-	-	444,791	-
Cash and investments - ending	\$ 36,403	\$ 1,255	\$ 261	\$ 274	\$ 2,748,324	\$ 71,182

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Court Clerk Perpetuation	Payroll	Ambulance Fee Reimburse	Court Costs Due County	Infraction Deferral Fees	P & R Cleaning Dep. Reimb.
Cash and investments - beginning	\$ 16,377	\$ 71,597	\$ 181	\$ 1,252	\$ 109	\$ 1,750
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	1,079	-	-	3,000
Fines and forfeits	1,248	-	-	4,356	6,190	-
Utility fees	-	-	-	-	-	-
Other receipts	-	4,186,445	-	-	-	-
Total receipts	1,248	4,186,445	1,079	4,356	6,190	3,000
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	2,967	5,870	-	3,000
Other services and charges	-	4,106,012	-	-	5,270	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	4,106,012	2,967	5,870	5,270	3,000
Excess (deficiency) of receipts over disbursements	1,248	80,433	(1,888)	(1,514)	920	-
Cash and investments - ending	\$ 17,625	\$ 152,030	\$ (1,707)	\$ (262)	\$ 1,029	\$ 1,750

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Nappanee Bus Impr Dist	Sales Tax Payable	City Court	Storm Water Utility-Operating	CSO Operating	Wastewater Construction
Cash and investments - beginning	\$ 67,900	\$ 123	\$ 2,372	\$ 641,782	\$ 422	\$ -
Receipts:						
Taxes	-	9,500	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	72,278	-	-	-
Utility fees	-	-	-	98,448	-	-
Other receipts	11,400	-	-	-	16,889,390	456,468
Total receipts	11,400	9,500	72,278	98,448	16,889,390	456,468
Disbursements:						
Personal services	-	-	1,618	-	-	-
Supplies	-	-	272	-	-	-
Other services and charges	14,001	10,623	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	16,803,834	456,468
Utility operating expenses	-	-	-	50,478	-	-
Other disbursements	-	-	69,763	-	-	-
Total disbursements	14,001	10,623	71,653	50,478	16,803,834	456,468
Excess (deficiency) of receipts over disbursements	(2,601)	(1,123)	625	47,970	85,556	-
Cash and investments - ending	\$ 65,299	\$ (1,000)	\$ 2,997	\$ 689,752	\$ 85,978	\$ -

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	CSO Bond & Interest	CSO Debt Reserve	Wastewater Utility-Operating	Wastewater Utility- Deprec/ Improve	Wastewater Utility- Improvement	Water Depreciation
Cash and investments - beginning	\$ -	\$ -	\$ 856,350	\$ 89,836	\$ 58,045	\$ 25,114
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	1,909,761	-	-	-
Other receipts	643,721	653,348	953,191	34	-	48
Total receipts	643,721	653,348	2,862,952	34	-	48
Disbursements:						
Personal services	-	-	107,088	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	240,088	-	1,074,577	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	20	1,024,528	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	240,088	20	2,206,193	-	-	-
Excess (deficiency) of receipts over disbursements	403,633	653,328	656,759	34	-	48
Cash and investments - ending	\$ 403,633	\$ 653,328	\$ 1,513,109	\$ 89,870	\$ 58,045	\$ 25,162

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Water Petty Cash	Water Utility-Operating	Water Utility- Construction	Water Utility- Improvement	Totals
Cash and investments - beginning	\$ -	\$ 2,989,976	\$ 42,722	\$ 415,280	\$ 17,434,991
Receipts:					
Taxes	-	-	-	-	5,619,639
Licenses and permits	-	-	-	-	87,081
Intergovernmental receipts	-	-	-	-	1,022,036
Charges for services	-	-	-	-	1,263,087
Fines and forfeits	-	-	-	-	119,322
Utility fees	-	2,564,942	-	-	4,573,151
Other receipts	250	80,005	295,567	40,014	26,573,287
Total receipts	250	2,644,947	295,567	40,014	39,257,603
Disbursements:					
Personal services	-	367,066	-	-	4,343,918
Supplies	-	-	-	-	681,017
Other services and charges	-	7,983	-	-	7,280,460
Debt service - principal and interest	-	-	-	-	1,314,665
Capital outlay	-	-	292,694	-	18,252,346
Utility operating expenses	-	1,901,317	-	-	2,976,343
Other disbursements	-	1,125,971	-	-	1,713,939
Total disbursements	-	3,402,337	292,694	-	36,562,688
Excess (deficiency) of receipts over disbursements	250	(757,390)	2,873	40,014	2,694,915
Cash and investments - ending	\$ 250	\$ 2,232,586	\$ 45,595	\$ 455,294	\$ 20,129,906

CITY OF NAPPANEE  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Storm Water	\$ -	\$ -
Wastewater	15,712	-
Water	14,639	-
Governmental activities	<u>273,732</u>	<u>-</u>
Totals	<u>\$ 304,083</u>	<u>\$ -</u>

CITY OF NAPPANEE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
City of Nappanee Clerk-Treasurer	Lease Color Digital Copier	\$ 2,874	8/3/2016	11/3/2021
City of Nappanee Comm. & Econ. Development	Lease Color Digital Copier	2,792	3/21/2017	6/21/2022
City of Nappanee Parks and Recreation	Lease Golf Carts	28,616	4/5/2016	4/5/2021
City of Nappanee Police Dept.	Lease Color Digital Copier	2,880	8/3/2016	1/3/2021
City of Nappanee Parks and Recreation	Greenmaster 3400 Mower	10,906	3/23/2016	3/23/2020
City of Nappanee	Postage Machine	<u>912</u>	9/24/2014	9/24/2018
Total governmental activities		<u>48,980</u>		
Total of annual lease payments		<u>\$ 48,980</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Revenue bonds	Redevelopment District Tax Increment Revenue Bonds of 2015	\$ 1,030,000	\$ 76,203
Wastewater:			
Revenue bonds	Taxable Sewage Works Revenue & Refunding Revenue Bond of 2016 Series A	8,878,000	308,601
Revenue bonds	Taxable Sewage Works Revenue & Refunding Revenue Bond of 2016 Series B	6,260,000	217,254
Revenue bonds	Taxable Sewage Works Revenue & Refunding Revenue Bond of 2016 Series c	<u>1,952,000</u>	<u>67,574</u>
Total Wastewater		<u>17,090,000</u>	<u>593,429</u>
Totals		<u>\$ 18,120,000</u>	<u>\$ 669,632</u>

CITY OF NAPPANEE  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2017

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	\$ 2,327,010
Infrastructure	372,277
Buildings	4,647,895
Improvements other than buildings	7,198,516
Machinery, equipment, and vehicles	5,145,774
Construction in progress	<u>3,270,453</u>
Total governmental activities	<u>22,961,925</u>
Wastewater:	
Land	145,387
Buildings	2,261,621
Improvements other than buildings	11,289,370
Machinery, equipment, and vehicles	1,069,209
Construction in progress	<u>18,381,738</u>
Total Wastewater	<u>33,147,325</u>
Water:	
Land	281,815
Buildings	1,228,421
Improvements other than buildings	6,359,047
Machinery, equipment, and vehicles	309,881
Construction in progress	<u>895,989</u>
Total Water	<u>9,075,153</u>
Total capital assets	<u>\$ 65,184,403</u>

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

**Report on Compliance for the Major Federal Program**

We have audited the City of Nappanee's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on the Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

**Report on Internal Control over Compliance**

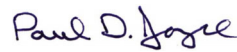
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003, that we consider to be a material weakness.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

August 26, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF NAPPANEE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2017

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Water and Waste Program Cluster					
Water and Waste Disposal Systems for Rural Communities	Direct Grant	10.760	92-01, 00-02, 92-03, 00-04, 92-05	\$ -	\$ 16,745,592
Total - Water and Waste Program Cluster				-	16,745,592
Total - Department of Agriculture				-	16,745,592
Total federal awards expended				\$ -	\$ 16,745,592

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF NAPPANEE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF NAPPANEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Any audit finding disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Water and Waste Program Cluster	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	no

**Section II - Financial Statement Findings**

**FINDING 2017-001**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Condition*

There were several deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not established effective internal controls over activities related to cash and investments, receipts, disbursements, Payroll fund activity, and financial close and reporting.

CITY OF NAPPANEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cash and Investments*

There was no documented oversight, review, or approval process by two separate individuals to ensure bank reconcilements were complete, accurate, and done timely. The City completed 136 monthly bank reconcilements during the audit period. Of 21 monthly bank reconcilements sampled, 8 bank reconcilements were not completed timely. The 8 bank reconcilements were completed between 3 to 11 months after the month end.

*Receipts*

There was no documented oversight, review, or approval process by two separate individuals to ensure receipts were properly entered into the City's accounting system and deposited.

*Disbursements*

There were Accounts Payable Vouchers during the audit period for debt and CSO payments that were not included in the claims dockets to be approved by the governing board.

*Payroll Fund Activity*

The City used a service organization to process payroll during the audit period. Receipts and disbursements posted into the City's Payroll fund by the Clerk-Treasurer's office were often duplicated from other holding payroll accounts. Furthermore, entries made into the City's Payroll fund did not correlate with the payroll processing reports from the service organization. Of four sampled payroll processing reports prepared by the service organization and tested to the Payroll fund account, receipts were overstated by \$10,977 with a projection to the population of \$79,493. Of four sampled payroll processing reports prepared by the service organization and tested to the Payroll fund account, disbursements were overstated by \$44,160 with a projection to the population of \$301,320. Of the four payroll processing reports prepared by the service organization and tested, receipts and disbursements were not posted in a timely manner.

*Financial Close and Reporting*

Financial information was entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statement, by the Clerk-Treasurer. The AFR and financial statement included a prior period adjustment that overstated receipts and disbursements by \$4,522,702 and \$4,523,304, respectively.

Audit adjustments to remove the prior period adjustment were proposed, accepted by the City, and made to the AFR and financial statement.

*Context*

The lack of controls and noncompliance related to cash and investments, disbursements, Payroll fund activity, and financial close and reporting were systemic issues, which occurred throughout the audit period. The lack of controls related to receipts was a systemic issue, which occurred throughout the audit period.

CITY OF NAPPANEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Posting to appropriation accounts is to be made from the individual payroll schedules and vouchers for the gross amount of the pay. Posting to the respective fund accounts is to be made from the regular city or town warrants issued for transfer of funds to the payroll fund. The totals of amounts posted to the appropriation accounts and the respective fund accounts must agree. Posting to the payroll fund is to be made from the payroll warrants. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CITY OF NAPPANEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management of the City had not established a proper system of internal control. An evaluation of the City's system of internal control had not been conducted.

*Effect*

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2017-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-002.

*Condition*

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The City failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which is the source of the SEFA. One employee prepared the grant information for the federal awards without a system of oversight or review to detect and correct errors before submission.

*Context*

Due to the lack of controls, the SEFA presented for audit included the following errors:

1. The Water and Waste Disposal Systems for Rural Communities grant was omitted, which understated the federal expenditures by \$16,745,892.
2. Grant expenditures were erroneously reported on the SEFA, which overstated the federal expenditures by \$82,934.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

CITY OF NAPPANEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.

CITY OF NAPPANEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

The City's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

The failure to establish an effective internal control system enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2017-003**

Subject: Water and Waste Disposal Systems for Rural Communities - Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Program: Water and Waste Disposal Systems for Rural Communities  
CFDA Number: 10.760  
Federal Award Numbers and Years (or Other Identifying Numbers): 92-01, 00-02, 92-03, 00-04, 92-05  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Finding: Material Weakness

*Condition*

The City had not implemented an effective control system related to the grant agreement and the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

The City relied on the contracted engineer to ensure that the suspension and debarment requirements were met without an oversight or approval process.

*Context*

The lack of internal controls was a systemic issue throughout the audit period.

CITY OF NAPPANEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR section 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

The City's management had not implemented a system of internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds, which could have resulted in the loss of federal funds to the City.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the City's management establish controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



KATHY L. BROWN  
Clerk - Treasurer  
kbrown@nappanee.org

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2016-001**

Fiscal year in which the finding initially occurred: 2016  
Contact Person Responsible for Corrective Action: Kathy L Brown  
Contact Phone Number: 574-773-2112

#### Finding:

1. The 2016 AFR did not agree to the City Fund Report and Utility's Ledger of Receipts, Disbursements, and Balances. As a result, beginning cash and investment balances were overstated by \$1,284,862, receipts were understated by \$7,337,168, and disbursements were understated by \$7,805,196. As a result, ending cash and investment balances as of December 31, 2016, were overstated by \$1,752,890.
2. Depository reconciliations of the fund balances to the bank account balances were incorrect. The bank reconcilements for the City, Wastewater, and Water accounts were not reconciled to the Annual Financial Report. Several bank reconcilements were presented for audit. The City hired several consultants to assist them in preparing the reconcilements during the audit period.

Status of Audit Finding: The City of Nappanee implemented the corrective action plan of having two individuals look at the Annual Financial Report (AFR) and Bank reconciliations starting January 2018. Due to the timing of the 2016 Audit Completion this could not be started until 2018 and the plan has been followed as an internal control monthly and annually.

One staff member starts the process of Bank Reconciliation and another staff member runs financial reports at month end (Fund, Appropriation and Revenue). The staff member stamps their initials on the front page of the report for audit testing. The Clerk-Treasurer verifies bank reconciliations and reports. The Clerk-Treasurer then closes the month so no further changes can be made and initials the reports.

The Clerk-Treasurer compiles the information given to put into Gateway and initials. Then an employee will run an independent report to verify the correctness of the report then initial that this has been done.

Kathy L Brown, IAmC  
(Signature)

Clerk - Treasurer  
(Title)

7-15-19  
(Date)

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574.773.2112 • www.nappanee.org

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KATHY L. BROWN  
Clerk - Treasurer  
kbrown@nappanee.org

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2016-002**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Kathy L Brown  
Contact Phone Number: 574-773-2112

#### Finding:

1. The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City relied on one employee to prepare the SEFA. There was no evidence of a control, such as an oversight, review, or approval process by the City, to ensure federal awards information entered and submitted was correct.

Status of Audit Finding: The City of Nappanee plans to implement the corrective action plan for 2019 of having two individuals look at the Annual Financial Report (AFR) and the plan has been followed as an internal control since. The Clerk-Treasurer enters the report and then another employee goes through the report and initials to verify,

Kathy L Brown - IAmc  
(Signature)

Clerk - Treasurer  
(Title)

7-15-19  
(Date)

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KATHY L. BROWN  
Clerk - Treasurer  
kbrown@nappanee.org

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2016-003**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: USDA  
Contact Person Responsible for Corrective Action: Kathy L Brown  
Contact Phone Number: 574-773-2112

Finding:

1. An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Cash Management and Reporting compliance requirements.

Status of Audit Finding: The City of Nappanee implemented the corrective action plan of having one person handle the checks due to the amount of bond we must carry and the cost. As of January 2018, however, have another person look at the 440-11 that is sent to USDA and then look at each check to verify they are written to the correct Vendor and the dollar amount is correct, Staff will verify per the Board of Works Check Register and the IN-Guide 3. The IN-Guide 3 is then given to the USDA personally with two different sets of initials showing we have complied with our internal controls.

Bank Statements are done by the Clerk-Treasurer and then verified by a staff member so that two sets of initials/stamped initials are on the bank statement to verify internal controls have been met as of January 2018.

Kathy L Brown, IAMC  
(Signature)

Clerk - Treasurer  
(Title)

2-15-19  
(Date)

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KATHY L. BROWN  
Clerk - Treasurer  
kbrown@nappanee.org

## CORRECTIVE ACTION PLAN

### **FINDING 2017-001**

Contact Person Responsible for Corrective Action: Kathy L Brown, IAMC, Clerk-Treasurer  
Contact Phone Number: 574-773-2112

Views of Responsible Official: I concur with the Audit findings.

Description of Corrective Action Plan: From this date forward we will make sure any audit adjustments made for previous years are put into new receipt/disbursements accounts that are stated Audit Adjustments for previous years, so that these items will be easily discernable when it is time to do the Annual Financial Report. This will also be added to the internal control manual.

Cash/Investments are reviewed with our third party contractor. As of September 30, 2019 we will make sure all Fund and Investment Reports are run monthly and correctly reflect the bank reconciliation that is sent monthly.

Receipts will be reviewed by two separate individuals and stamped with their initials on a daily basis.

The disbursements for the CSO Operating Fund has resolved itself in 2019 as there will be no contractor/engineering checks coming out of that account. The unit will also make sure every APV voucher goes onto the check register for the appropriate board to approve.

We changed to a third party in 2017 for payroll and brought in a consultant to help us set up the payroll accounts when the third party was unable to help us which was mid-year 2017. The consultant showed us how to make the corrections, however we did not follow through with all of the corrections for 2017 after the consultant left, thus the receipts/disbursements were overstated in some instances. This process has been changed and is documented. I currently have a consultant working with the City to make the corrections for 2017, 2018 and 2019 to be completed prior to September 30, 2019.

Anticipated Completion Date: September 30, 2019

Kathy L Brown, IAMC  
(Signature)

Clerk - Treasurer  
(Title)

8-22-19  
(Date)

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KATHY L. BROWN  
Clerk - Treasurer  
kbrown@nappanee.org

## CORRECTIVE ACTION PLAN

### **FINDING 2017-002**

Contact Person Responsible for Corrective Action: Kathy L. Brown, IAMC, Clerk-Treasurer  
Contact Phone Number: 574-773-2112

Views of Responsible Official: I concur that the USDA grant was omitted. It was shown as debt but was not uploaded onto the SEFA with the Waste Water Disposal. I feel part of this issue was due to the timing of the 2016 audit and the misunderstanding I had concerning how the dollars should be recorded for the SEFA

Description of Corrective Action Plan: The Clerk-Treasurer will re-train the Deputies and Office Manager to make sure they understand the SEFA and loan documents better to look for mistakes as the secondary signature for better internal controls. The Clerk-Treasurer will verify the information in Gateway and initial. A Staff Employee will run an independent report and verify the correctness of the report then initial that this has been done.

Anticipated Completion Date: December 2019

Kathy L. Brown, IAMC  
(Signature)

Clerk-Treasurer  
(Title)

8-20-19  
(Date)

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KATHY L. BROWN  
Clerk - Treasurer  
kbrown@nappanee.org

## CORRECTIVE ACTION PLAN

### **FINDING 2017-003**

**Fiscal year in which the finding initially occurred:** 2017

**Federal Grantor Agency, if direct:** USDA

**Contact Person Responsible for Corrective Action:** Phil Jenkins, Mayor and Kathy L Brown, IAMC, Clerk-Treasurer

**Contact Phone Number:** 574-773-2112

**Views of Responsible Official:** Due to changes in Management in 2016 and the USDA loan process starting years before the loan closed in 2016, we believe this was done but do not have the records to reflect this.

**Description of Corrective Action Plan:** The Mayor and Clerk-Treasurer will make sure that all grant agreements have a secondary check by the City for vendors to make sure that they are in compliance in regard to suspension and debarment requirements in writing prior to loan closing. All documentation will be put with all loan closing documents.

**Anticipated Completion Date:** August 1, 2019

Kathy L Brown, IAMC  
(Signature)

Clerk - Treasurer  
(Title)

8-20-19  
(Date)

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#### OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.