

**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, 2018 to December 31, 2018



**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	01-01-18 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, 2018, 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, 2018.

***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, 2018, 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



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, 2018, 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 2018-001 and 2018-002, 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 2018-001 and 2018-002.

**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, 2018

Fund	Cash and Investments		Cash and Investments	
	01-01-18	Receipts	Disbursements	12-31-18
General	\$ 3,988,156	\$ 5,154,068	\$ 4,323,740	\$ 4,818,484
Motor Vehicle Highway	384,334	734,602	684,411	434,525
Local Road And Street	424,942	112,962	80,000	457,904
Aviation	127,437	83,801	61,936	149,302
Law Enforcement Continuing Ed	24,781	5,596	9,913	20,464
Riverboat	192,108	78,764	-	270,872
Emergency Telephone System	22,713	-	-	22,713
Parks And Recreation	655,589	1,075,072	1,125,331	605,330
User Fee	10,072	1,136	-	11,208
Rainy Day	1,236,978	-	125,116	1,111,862
Hazardous Materials	557	-	-	557
Tiff - Legacy	69,373	-	69,373	-
Major Moves Construction	1,148,916	-	-	1,148,916
Cumulative Capital Development	258,854	80,832	138,092	201,594
Cumulative Fire	2,303	-	-	2,303
Cumulative Capital Improvement	265,790	15,540	-	281,330
Cedit Capital Projects	445,776	577,581	425,660	597,697
Police Pension	128,886	70,528	85,907	113,507
Local Option Income Tax LOIT	364,588	528,700	398,288	495,000
Rent House Regis. Non Revert	14,265	4,210	15,391	3,084
Cigna Holding	(29,244)	699,136	634,202	35,690
Lincoln Finan. Holding	967	19,661	20,066	562
NSP 3 - Housing Grant	189,278	90,973	-	280,251
INPRS - Holding	119,780	452,281	114,784	457,277
CRIME FORFT	15,599	8,200	7,758	16,041
Credit Card - Holding	-	611,552	581,673	29,879
MVH Special Dist LOIT	556,707	467,451	753,119	271,039
SRO Gift Fund - Wellness	1,405	2,035	1,509	1,931
Insurance Reimbursement	-	8,493	100	8,393
Gift	118,601	846,736	825,571	139,766
Aviation Rotary	42,333	26,475	32,829	35,979
Special Recreation	36,403	46,552	51,508	31,447
Sidewalk Program	1,255	2,551	2,165	1,641
Home & School Safety	261	-	-	261
Elkhart County Drug Grant	274	-	-	274
Tif - City Wide	2,748,324	586,912	1,256,257	2,078,979
Tif - West Industrial Pk.	71,182	-	-	71,182
Court Clerk Perpetuation	17,625	1,579	-	19,204
Payroll	152,030	4,034,562	4,237,154	(50,562)
Ambulance Fee Reimburse	(1,707)	4,576	2,243	626
Court Costs Due County	(262)	6,356	6,094	-
Infraction Deferral Fees	1,029	7,350	5,563	2,816
P & R Cleaning Dep. Reimb.	1,750	3,195	4,645	300
Nappanee Bus Impr Dist	65,299	22,979	12,700	75,578
Sales Tax Payable	(1,000)	10,716	9,685	31
City Court	2,997	86,198	85,569	3,626
Storm Water Utility-Operating	689,752	89,029	12,278	766,503
CSO Operating	85,978	5,427,037	5,475,408	37,607
Wastewater Construction	-	65,588	65,588	-
CSO Bond & Interest	403,633	508,079	578,703	333,009
CSO Debt Reserve	653,328	199,180	187,143	665,365
Wastewater Utility-Operating	1,513,109	2,403,746	2,956,229	960,626
Wastewater Utility-Deprec/Improve	89,870	292,809	54,807	327,872
Wastewater Utility-Improvement	58,045	843,957	-	902,002
Water Utility Depreciation	25,162	20	25,182	-
Water Petty Cash	250	-	-	250
Water Utility-Operating	2,232,586	4,385,775	6,466,197	152,164
Water Utility-Construction	45,595	1,111,972	1,157,567	-
Water Utility-Improvement	455,294	2,986,507	1,188,181	2,253,620
Texas Life - Holding	-	8,269	-	8,269
Health Resources - Holding	-	23,407	23,407	-
American Fidelity - Holding	-	49,653	39,619	10,034
UNIM - Holding	-	2,478	1,177	1,301
Totals	<u>\$ 20,129,906</u>	<u>\$ 34,967,417</u>	<u>\$ 34,419,838</u>	<u>\$ 20,677,485</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.

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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, 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.

CITY OF NAPPANEE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

*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 Defined Benefit Plan (PERF DB) 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 Deficit**

The financial statement contains the Payroll Fund with a deficit in cash. The deficit is the result of the owed funds from other payroll related holding funds.

#### 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, 2018

	General	Motor Vehicle Highway	Local Road And Street	Aviation	Law Enforcement Continuing Ed	Riverboat	Emergency Telephone System
Cash and investments - beginning	\$ 3,988,156	\$ 384,334	\$ 424,942	\$ 127,437	\$ 24,781	\$ 192,108	\$ 22,713
Receipts:							
Taxes	4,253,682	256,832	-	54,703	-	-	-
Licenses and permits	67,038	-	-	-	-	-	-
Intergovernmental receipts	235,112	467,270	112,962	4,604	-	78,764	-
Charges for services	383,157	10,500	-	24,494	-	-	-
Fines and forfeits	9,218	-	-	-	5,596	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	205,861	-	-	-	-	-	-
Total receipts	5,154,068	734,602	112,962	83,801	5,596	78,764	-
Disbursements:							
Personal services	3,069,927	367,509	-	-	-	-	-
Supplies	296,749	98,566	-	14,330	943	-	-
Other services and charges	911,018	48,391	-	47,606	8,970	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	46,046	169,945	80,000	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	4,323,740	684,411	80,000	61,936	9,913	-	-
Excess (deficiency) of receipts over disbursements	830,328	50,191	32,962	21,865	(4,317)	78,764	-
Cash and investments - ending	\$ 4,818,484	\$ 434,525	\$ 457,904	\$ 149,302	\$ 20,464	\$ 270,872	\$ 22,713

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Parks And Recreation	User Fee	Rainy Day	Hazardous Materials	Tiff - Legacy	Major Moves Construction	Cumulative Capital Development
Cash and investments - beginning	\$ 655,589	\$ 10,072	\$ 1,236,978	\$ 557	\$ 69,373	\$ 1,148,916	\$ 258,854
Receipts:							
Taxes	745,632	-	-	-	-	-	74,557
Licenses and permits	-	-	-	-	-	-	5,665
Intergovernmental receipts	1,284	-	-	-	-	-	610
Charges for services	328,156	1,136	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	1,075,072	1,136	-	-	-	-	80,832
Disbursements:							
Personal services	551,770	-	-	-	-	-	-
Supplies	144,086	-	-	-	-	-	-
Other services and charges	251,872	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	177,603	-	125,116	-	69,373	-	138,092
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	1,125,331	-	125,116	-	69,373	-	138,092
Excess (deficiency) of receipts over disbursements	(50,259)	1,136	(125,116)	-	(69,373)	-	(57,260)
Cash and investments - ending	\$ 605,330	\$ 11,208	\$ 1,111,862	\$ 557	\$ -	\$ 1,148,916	\$ 201,594

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Cumulative Fire	Cumulative Capital Improvement	Credit Capital Projects	Police Pension	Local Option Income Tax LOIT	Rent House Regis. Non Revert	Cigna Holding
Cash and investments - beginning	\$ 2,303	\$ 265,790	\$ 445,776	\$ 128,886	\$ 364,588	\$ 14,265	\$ (29,244)
Receipts:							
Taxes	-	-	577,581	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	15,540	-	-	528,700	-	-
Charges for services	-	-	-	-	-	-	699,136
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	70,528	-	4,210	-
Total receipts	-	15,540	577,581	70,528	528,700	4,210	699,136
Disbursements:							
Personal services	-	-	-	85,907	60,655	15,391	-
Supplies	-	-	-	-	8,426	-	-
Other services and charges	-	-	425,660	-	58,281	-	634,202
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	270,926	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	425,660	85,907	398,288	15,391	634,202
Excess (deficiency) of receipts over disbursements	-	15,540	151,921	(15,379)	130,412	(11,181)	64,934
Cash and investments - ending	\$ 2,303	\$ 281,330	\$ 597,697	\$ 113,507	\$ 495,000	\$ 3,084	\$ 35,690

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Lincoln Finan. Holding	NSP 3 - Housing Grant	INPRS - Holding	CRIME FORFT	Credit Card - Holding	MVH Special Dist LOIT	SRO Gift Fund - Wellness
Cash and investments - beginning	\$ 967	\$ 189,278	\$ 119,780	\$ 15,599	\$ -	\$ 556,707	\$ 1,405
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	467,451	-
Charges for services	19,661	90,973	452,281	-	611,552	-	-
Fines and forfeits	-	-	-	8,200	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	2,035
Total receipts	19,661	90,973	452,281	8,200	611,552	467,451	2,035
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	20,066	-	114,784	7,758	581,673	-	1,509
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	747,684	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	5,435	-
Total disbursements	20,066	-	114,784	7,758	581,673	753,119	1,509
Excess (deficiency) of receipts over disbursements	(405)	90,973	337,497	442	29,879	(285,668)	526
Cash and investments - ending	\$ 562	\$ 280,251	\$ 457,277	\$ 16,041	\$ 29,879	\$ 271,039	\$ 1,931

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Insurance Reimbursement	Gift	Aviation Rotary	Special Recreation	Sidewalk Program	Home & School Safety
Cash and investments - beginning	\$ -	\$ 118,601	\$ 42,333	\$ 36,403	\$ 1,255	\$ 261
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	26,475	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	8,493	846,736	-	46,552	2,551	-
Total receipts	8,493	846,736	26,475	46,552	2,551	-
Disbursements:						
Personal services	-	-	-	24,389	-	-
Supplies	-	-	-	21,034	-	-
Other services and charges	-	825,571	32,829	6,085	2,165	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	100	-	-	-	-	-
Total disbursements	100	825,571	32,829	51,508	2,165	-
Excess (deficiency) of receipts over disbursements	8,393	21,165	(6,354)	(4,956)	386	-
Cash and investments - ending	\$ 8,393	\$ 139,766	\$ 35,979	\$ 31,447	\$ 1,641	\$ 261

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Elkhart County Drug Grant	Tif - City Wide	Tif - West Industrial Pk.	Court Clerk Perpetuation	Payroll	Ambulance Fee Reimburse	Court Costs Due County
Cash and investments - beginning	\$ 274	\$ 2,748,324	\$ 71,182	\$ 17,625	\$ 152,030	\$ (1,707)	\$ (262)
Receipts:							
Taxes	-	586,912	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	4,576	-
Fines and forfeits	-	-	-	1,579	-	-	6,356
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	4,034,562	-	-
Total receipts	-	586,912	-	1,579	4,034,562	4,576	6,356
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	129,573	-	-	4,237,154	2,243	6,094
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	1,126,684	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	1,256,257	-	-	4,237,154	2,243	6,094
Excess (deficiency) of receipts over disbursements	-	(669,345)	-	1,579	(202,592)	2,333	262
Cash and investments - ending	\$ 274	\$ 2,078,979	\$ 71,182	\$ 19,204	\$ (50,562)	\$ 626	\$ -

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Infraction Deferral Fees	P & R Cleaning Dep. Reimb.	Nappanee Bus Impr Dist	Sales Tax Payable	City Court	Storm Water Utility-Operating
Cash and investments - beginning	\$ 1,029	\$ 1,750	\$ 65,299	\$ (1,000)	\$ 2,997	\$ 689,752
Receipts:						
Taxes	-	-	-	-	86,198	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	3,195	-	-	-	-
Fines and forfeits	7,350	-	-	-	-	-
Utility fees	-	-	-	-	-	89,029
Other receipts	-	-	22,979	10,716	-	-
Total receipts	7,350	3,195	22,979	10,716	86,198	89,029
Disbursements:						
Personal services	-	-	-	-	85,569	-
Supplies	-	-	-	-	-	-
Other services and charges	5,563	4,645	12,700	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	12,278
Other disbursements	-	-	-	9,685	-	-
Total disbursements	5,563	4,645	12,700	9,685	85,569	12,278
Excess (deficiency) of receipts over disbursements	1,787	(1,450)	10,279	1,031	629	76,751
Cash and investments - ending	\$ 2,816	\$ 300	\$ 75,578	\$ 31	\$ 3,626	\$ 766,503

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	CSO Operating	Wastewater Construction	CSO Bond & Interest	CSO Debt Reserve	Wastewater Utility-Operating	Wastewater Utility- Deprec/Improv
Cash and investments - beginning	\$ 85,978	\$ -	\$ 403,633	\$ 653,328	\$ 1,513,109	\$ 89,870
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	5,335,839	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	2,327,644	-
Other receipts	91,198	65,588	508,079	199,180	76,102	292,809
Total receipts	5,427,037	65,588	508,079	199,180	2,403,746	292,809
Disbursements:						
Personal services	-	-	-	-	315,284	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	18,900	-
Debt service - principal and interest	-	-	578,703	-	-	-
Capital outlay	5,041,790	-	-	-	-	-
Utility operating expenses	433,618	-	-	-	584,536	-
Other disbursements	-	65,588	-	187,143	2,037,509	54,807
Total disbursements	5,475,408	65,588	578,703	187,143	2,956,229	54,807
Excess (deficiency) of receipts over disbursements	(48,371)	-	(70,624)	12,037	(552,483)	238,002
Cash and investments - ending	\$ 37,607	\$ -	\$ 333,009	\$ 665,365	\$ 960,626	\$ 327,872

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Wastewater Utility- Improvement	Water Utility Depreciation	Water Petty Cash	Water Utility- Operating	Water Utility- Construction	Water Utility- Improvement
Cash and investments - beginning	\$ 58,045	\$ 25,162	\$ 250	\$ 2,232,586	\$ 45,595	\$ 455,294
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	1,201,769	-	-
Other receipts	843,957	20	-	3,184,006	1,111,972	2,986,507
Total receipts	843,957	20	-	4,385,775	1,111,972	2,986,507
Disbursements:						
Personal services	-	-	-	323,634	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	9,325	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	25,182	-	6,133,238	1,157,567	-
Other disbursements	-	-	-	-	-	1,188,181
Total disbursements	-	25,182	-	6,466,197	1,157,567	1,188,181
Excess (deficiency) of receipts over disbursements	843,957	(25,162)	-	(2,080,422)	(45,595)	1,798,326
Cash and investments - ending	\$ 902,002	\$ -	\$ 250	\$ 152,164	\$ -	\$ 2,253,620

CITY OF NAPPANEE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Texas Life - Holding	Health Resources - Holding	American Fidelity - Holding	UNIM - Holding	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 20,129,906
Receipts:					
Taxes	-	-	-	-	6,636,097
Licenses and permits	-	-	-	-	72,703
Intergovernmental receipts	-	-	-	-	7,248,136
Charges for services	-	-	-	-	2,655,292
Fines and forfeits	-	-	-	-	38,299
Utility fees	-	-	-	-	3,618,442
Other receipts	8,269	23,407	49,653	2,478	14,698,448
Total receipts	8,269	23,407	49,653	2,478	34,967,417
Disbursements:					
Personal services	-	-	-	-	4,900,035
Supplies	-	-	-	-	584,134
Other services and charges	-	-	-	-	8,404,637
Debt service - principal and interest	-	-	-	-	578,703
Capital outlay	-	-	-	-	7,993,259
Utility operating expenses	-	-	-	-	8,346,419
Other disbursements	-	23,407	39,619	1,177	3,612,651
Total disbursements	-	23,407	39,619	1,177	34,419,838
Excess (deficiency) of receipts over disbursements	8,269	-	10,034	1,301	547,579
Cash and investments - ending	\$ 8,269	\$ -	\$ 10,034	\$ 1,301	\$ 20,677,485

CITY OF NAPPANEE  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Storm Water	\$ -	\$ -
Wastewater	117,695	-
Water	76,936	-
Governmental activities	<u>358,179</u>	<u>-</u>
Totals	<u>\$ 552,810</u>	<u>\$ -</u>

CITY OF NAPPANEE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2018

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 Fire	Firetruck Lease	84,701	5/1/2018	5/1/2021
City of Nappanee EMS	Ambulance Lease	54,988	5/1/2018	5/1/2021
City of Nappanee	Postage Machine	1,231	9/24/2014	9/24/2018
City of Nappanee Parks and Recreation	Greenmaster 3400 Mower	<u>10,906</u>	3/23/2016	3/23/2020
Total governmental activities		<u>188,988</u>		
Total of annual lease payments		<u>\$ 188,988</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	\$ 995,000	\$ 70,163
Wastewater:			
Revenue bonds	Taxable Sewage Works Revenue & Refunding Revenue Bond of 2016 Series A	8,713,000	307,912
Revenue bonds	Taxable Sewage Works Revenue & Refunding Revenue Bond of 2016 Series B	6,144,000	217,361
Revenue bonds	Taxable Sewage Works Revenue & Refunding Revenue Bond of 2016 Series c	<u>1,916,000</u>	<u>66,989</u>
Total Wastewater		<u>16,773,000</u>	<u>592,262</u>
Water:			
Revenue bonds	New Wells	<u>2,538,000</u>	<u>126,900</u>
Totals		<u>\$ 20,306,000</u>	<u>\$ 789,325</u>

CITY OF NAPPANEE  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2018

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	4,649,395
Improvements other than buildings	7,295,832
Machinery, equipment, and vehicles	5,348,273
Construction in progress	<u>5,237,755</u>
Total governmental activities	<u>25,230,542</u>
Wastewater:	
Land	145,387
Buildings	2,261,621
Improvements other than buildings	11,289,370
Machinery, equipment, and vehicles	1,220,571
Construction in progress	<u>18,384,537</u>
Total Wastewater	<u>33,301,486</u>
Water:	
Land	281,815
Buildings	1,228,421
Improvements other than buildings	6,359,047
Machinery, equipment, and vehicles	358,285
Construction in progress	<u>2,331,449</u>
Total Water	<u>10,559,017</u>
Total capital assets	<u>\$ 69,091,045</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, 2018. 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.

***Basis for Qualified Opinion on Water and Waste Program Cluster***

As described in item 2018-004 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirement regarding Reporting that is applicable to Water and Waste Program Cluster. Compliance with such requirement is necessary, in our opinion, for the City to comply with requirements applicable to that program.

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

***Qualified Opinion on Water and Waste Program Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Water and Waste Program Cluster* paragraph, 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 the Water and Waste Program Cluster for the year ended December 31, 2018.

**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 items 2018-003 and 2018-004, that we consider to be material weaknesses.

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, 2018

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	\$ -	\$ 5,335,839
Total - Water and Waste Program Cluster				-	5,335,839
Total - Department of Agriculture				-	5,335,839
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Elkhart County	14.218	NSP 3	-	90,973
Total - CDBG - State-Administered CDBG Cluster				-	90,973
Total - Department of Housing and Urban Development				-	90,973
Total federal awards expended				\$ -	\$ 5,426,812

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, 2018. 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 weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings 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	Qualified

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 2018-001**

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-001.

*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 receipts, disbursements, and Payroll fund activity.

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

*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 made during the audit period for the debt and CSO payments that were not included in the claims docket 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 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 \$13,855 with a projection to the population of \$92,793. Of four sampled payroll processing reports prepared by the service organization and tested to the Payroll fund account, disbursements were overstated by \$56,994 with a projection to the population of \$354,753.

*Context*

The lack of controls and noncompliance related to disbursements and Payroll fund activity 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.

*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. . . .

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

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. . . ."

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)

*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 2018-002**

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 2017-002.

*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:

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

1. Amounts reported as passed through to subrecipients were overstated by \$5,427,037.
2. Grant expenditures were erroneously reported on the SEFA which overstated the federal expenditures by \$139,923.

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:

"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:

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

- (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.
- (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.
- (5) 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 2018-003**

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

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-003.

*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.

*Criteria*

2 CFR 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.

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

*Views of Responsible Officials*

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

**FINDING 2018-004**

Subject: Water and Waste Disposal Systems for Rural Communities - Reporting  
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: Reporting  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

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 Reporting compliance requirement.

The City had not designed or implemented adequate policies and procedures to ensure that the Statement of Budget, Income, and Equity (Form 442-2) as well as the Balance Sheet (Form 442-3) reports were accurately prepared and reviewed prior to submission.

The amounts reported for operating income and operating expenses on the Statement of Budget, Income, and Equity (Form 442-2) for 2018, did not agree with the supporting documentation provided for audit.

*Context*

The lack of effective controls and noncompliance were systemic issues throughout the audit period.

*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). . . ."

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

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

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

*Cause*

The City's management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Reporting compliance requirement 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 and comply with the grant agreement and the Reporting compliance requirement.

*Views of Responsible Officials*

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

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#### 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 2017-001**

Fiscal year in which the finding initially occurred: 2017  
Contact Person Responsible for Corrective Action: Kathy L Brown, IAMC, Clerk-Treasurer  
Contact Phone Number: 574-773-2112

Status of Audit Finding: Due to the timing of the 2017 Audit we were unable to make these corrections until August of 2019.

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.

Kathy L Brown, IAMC  
(Signature)

Clerk - Treasurer  
(Title)

8-22-19  
(Date)

*Embrace the Place*



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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-002**

Fiscal year in which the finding initially occurred: 2017  
Contact Person Responsible for Corrective Action: Kathy L Brown, IAMC, Clerk-Treasurer  
Contact Phone Number: 574-773-2112

Status of Audit Finding: Due to the timing of the 2017 Audit we were unable to make these corrections until August of 2019.

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.

All changes will be implemented by December, 2019.

Kathy L Brown, IAMC  
(Signature)  
Clerk - Treasurer  
(Title)  
8-20-19  
(Date)

*Embrace the Place*



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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-003**

Fiscal year in which the finding initially occurred: 2017  
Contact Person Responsible for Corrective Action: Kathy L Brown, IAMC, Clerk-Treasurer  
Contact Phone Number: 574-773-2112

Status of Audit Finding: Due to the timing of the 2017 Audit we were unable to make these corrections until August of 2019.

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.

All changes will be implemented by August 31, 2019.

Kathy L Brown IAMC  
(Signature)

Clerk-Treasurer  
(Title)

8-20-19  
(Date)

*Embrace the Place*



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

## CORRECTIVE ACTION PLAN

### **FINDING 2018-001**

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.

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 was not corrected properly in 2018 either. This process has been changed and is documented in August 2019. 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)

*Embrace the Place*



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

## CORRECTIVE ACTION PLAN

### **FINDING 2018-002**

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

**Fiscal** year in which the finding initially occurred: 2018

Federal Grantor Agency, if direct: USDA  
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 SEFA was incorrect in reporting the USDA grant and loan. They were combined in error. I feel part of this finding is due to the timing of the audit of 2017 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 initials that this has been done prior to submitting the SEFA.

Anticipated Completion Date: December 31, 2019.

Kathy L Brown, IAMC  
(Signature)

Clerk-Treasurer  
(Title)

8-22-19  
(Date)

Embrace the Place



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

## CORRECTIVE ACTION PLAN

### **FINDING 2018-003**

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

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 the timing of the 2018 Audit we were unable to correct this until August of 2019.

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)

8-22-19  
(Date)

*Embrace the Place*



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

## CORRECTIVE ACTION PLAN

### **FINDING 2018-004**

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

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: I concur with the Audit Findings

Description of Corrective Action Plan: The original 442-2 and 442-3 USDA Reports for 2018 were done with the USDA Representative. The handwritten information reflected the USDA and Clerk-Treasurer's handwritten numbers and notes. In the future this report will be done by the Clerk-Treasurer with a Staff Member as a secondary control. The numbers will be pulled from the Annual Financial Report in Gateway as well as reports run from the City's Financial Software to make sure all numbers match and are correct. These reports will then be sent to the USDA Representative for review and a signature to prove the USDA has received and approved the 442-2 and 442-3 Reports. The Clerk-Treasurer will also make sure that USDA signed copies of the 442-2 and 442-3 are put in with the CSO project for audit review in the future.

Anticipated Completion Date: January 31, 2020

Kathy L Brown, IAMC  
(Signature)

Clerk-Treasurer  
(Title)

8-22-19  
(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/>.