

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

EXAMINATION REPORT

OF

TOWN OF NORTH MANCHESTER

WABASH COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED

09/19/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancy J. Reed	01-01-04 to 12-31-07
Town Manager	Daniel A. Hannaford	01-01-05 to 12-31-06
Superintendent of Utilities	John G. Mugford	01-01-05 to 12-31-06
President of the Town Council	Donald W. Rinearson	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NORTH MANCHESTER, WABASH COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the Town of North Manchester (Town), for the period of January 1, 2005 to December 31, 2005. The Town's management is responsible for the schedule. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the schedule referred to above presents fairly, in all material respects, the cash transactions of the Town for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 21, 2006

TOWN OF NORTH MANCHESTER
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 308,747	\$ 1,339,990	\$ 1,482,400	\$ 166,337
Motor Vehicle Highway	152,672	313,911	343,827	122,756
Local Road and Street	309,937	33,467	-	343,404
Park and Recreation	34,509	385,923	426,084	(5,652)
Law Enforcement Continuing Education	1,536	2,214	752	2,998
Sanitation Revenue	168,337	308,773	246,527	230,583
Police Tactical Equipment	923	-	-	923
CDBG - Program Income	6,195	-	2,288	3,907
CDBG - Recaptured	3,848	2,288	-	6,136
Sidewalk Replacement	14,370	19,692	18,148	15,914
Revolving Concession	8,621	9,321	14,107	3,835
Riverboat	80,123	40,763	14,788	106,098
Rainy Day	135,631	71,013	-	206,644
Emergency Medical Service	109,003	240,627	278,814	70,816
Emergency Telephone System	119,000	62,038	-	181,038
Debt Service Public Safety Building	595	129,953	145,433	(14,885)
Economic Development Income Tax Construction	601,137	167,484	161,369	607,252
Cumulative Capital Improvement	115,825	20,822	29,083	107,564
Cumulative Capital Development	227,558	48,298	1,434	274,422
Cumulative Building and Fire Equipment	70,544	31,131	103,501	(1,826)
Proprietary Funds:				
Water Utility - Operating	114,069	643,621	623,164	134,526
Water Utility - Bond and Interest	39,294	157,108	156,564	39,838
Water Utility - Improvement	324,051	4,059	85,000	243,110
Water Utility - Customer Deposit	25,135	9,231	7,558	26,808
Water Utility - Debt Service Reserve	168,586	15,492	-	184,078
Wastewater Utility - Operating	113,363	627,428	650,594	90,197
Wastewater Utility - Bond and Interest	9,256	148,712	80,774	77,194
Wastewater Utility - Improvement	227,979	2,656	85,600	145,035
Wastewater Utility - Debt Service Reserve	136,974	5,366	-	142,340
Storm Water Utility - Operating	72,193	213,186	223,663	61,716
Storm Water Utility - Bond and Interest	65,120	93,149	93,863	64,406
Storm Water Utility - Improvement	290,054	54,466	21,737	322,783
Storm Water Utility - Debt Service Reserve	97,152	1,403	-	98,555
Fiduciary Funds:				
Pool Donation	3,945	1,438	3,677	1,706
Halderman Park Donation	1,796	-	1,796	-
Scout Hall Donation	359	550	452	457
Seward Building Donation	655	-	-	655
Warvel Park Donation	954	200	-	1,154
Frantz Park Donation	776	2	-	778
Pool Membership Donation	167	-	-	167
Fire Fighting Equipment Donation	2,748	-	-	2,748
Walrod Tree Memorial	1,862	3,318	2,708	2,472
Police Donation	5,504	-	-	5,504
Town Court	202	13,810	13,726	286
Street Deposit and Refund	5,611	2,521	921	7,211
User Fee	3,349	2,088	1,873	3,564
Levy Excess	22,339	6	-	22,345
Court Costs Due County	188	1,403	2,006	(415)
Payroll	15,326	1,558,427	1,554,372	19,381
Totals	\$ 4,218,118	\$ 6,787,348	\$ 6,878,603	\$ 4,126,863

The accompanying notes are an integral part of the schedule.

TOWN OF NORTH MANCHESTER
NOTES TO SCHEDULE

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, and urban redevelopment.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

TOWN OF NORTH MANCHESTER
NOTES TO SCHEDULE
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

The Town has entered into various debt such as revenue bonds for the Utilities, state revolving fund loans for the Utilities, and capital leases for the Public Safety Building and a fire truck. The outstanding principal at December 31, 2005, was \$1,673,000, \$1,511,494 and \$1,200,117, respectively.

TOWN OF NORTH MANCHESTER
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the record keeping were noted during the audit period:

- (1) Record balances were not reconciled to depository balances from June of 2005 through December of 2005. At December 31, 2005, the record balances exceeded the "reconciled" bank balances by \$8,857.

Indiana Code 5-13-6-1(e) states in part: "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."

- (2) The amounts reported on the Clerk-Treasurer's annual financial report (CTAR) did not agree with the amounts reported on the fund report (control) and the revenue and budget trial balance history reports (detail), due to a considerable number of adjustments and posting errors.
- (3) Some transactions were recorded as "negative" receipts and disbursements.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the Park and Recreation Fund, Debt Service Public Safety Building Fund, Court Costs Due County Fund and Cumulative Building and Fire Equipment Fund were overdrawn in 2005.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for audit indicated the following funds' expenditures exceeded the budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Cumulative Building and Fire Equipment	\$ 103,501
Park and Recreation	4,149

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TOWN OF NORTH MANCHESTER, WABASH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register was not maintained for the months from October 2005 to December of 2005. The detailed customer deposit register should reconcile with the customer deposit amount recorded on the general ledger.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC WORKS PROJECT

The Town of North Manchester contracted with Service Supply Ltd., Inc., for the construction of playground equipment during 2005. The total amount paid to Service Supply Ltd., Inc., for the contract was \$131,985. The Town received a sealed quotation from the contractor on December 13, 2005. The following forms or procedures were not present during the audit period: sealed proposals were not sought through proper advertisement, bid form 96 was not used, financial statements of the contractor were not provided, a payment bond was not executed, and retainage was not withheld from payment of the contract until substantial completion of the project.

Indiana Code 36-1-12-4(a) states, in part: "This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; (B) a county containing a consolidated city or second class city; or (C) a regional water or sewage district established under IC 13-26; (2) at least fifty thousand dollars (\$50,000) in: (A) a third class city or town with a population of more than five thousand (5,000), or (B) a county containing a third class city or town with a population of more than five thousand (5,000); or (3) at least twenty-five thousand dollars (\$25,000) in a political subdivision or an agency not described in subdivision (1) or (2)."

Indiana Code 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

Indiana Code 36-1-12-13.1 states in part: "(a) This section applies to contracts for public work only if the cost of the public work is estimated to be more than one hundred thousand dollars (\$100,000). (b) The contractor shall execute a payment bond to the appropriate political subdivision or agency, approved by and for the benefit of the political subdivision or agency, in an amount equal to the contract price."

Indiana Code 36-1-12-14(b) states in part: "A board that enters into a contract for public work, and a contractor who subcontracts parts of that contract, shall include in their respective contracts provisions for the retainage of portions of payments by the board to contractors, by contractors to subcontractors, and for the payment of subcontractors. At the discretion of the contractor, the retainage shall be held by the board or shall be placed in an escrow account with a bank, savings and loan institution, or the state as the escrow agent. The escrow agent shall be selected by mutual agreement between board and contractor or contractor and subcontractor under a written agreement among the bank or savings and loan institution . . ."

TOWN OF NORTH MANCHESTER
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2006, with Nancy J. Reed, Clerk-Treasurer; Daniel A. Hannaford, Town Manager; and Donald W. Rinearson, President of the Town Council.