

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

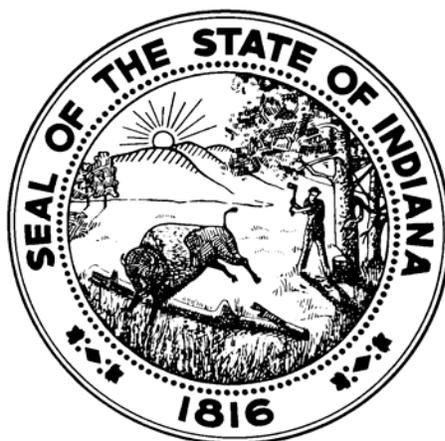
EXAMINATION REPORT

OF

TOWN OF NORTH MANCHESTER

WABASH COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**  
10/30/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancy J. Reed Carrie C. Mugford	01-01-04 to 02-28-07 03-01-07 to 12-31-07
Town Manager	Daniel A. Hannaford	01-01-06 to 12-31-07
Superintendent of Utilities	John G. Mugford	01-01-06 to 12-31-07
President of the Town Council	Donald W. Rinearson	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of North Manchester (Town), for the period of January 1, 2006 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

October 2, 2007

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, 2006

	Cash and Investments		Disbursements	Cash and Investments	
	01-01-06	Receipts		12-31-06	
<b>Governmental Funds:</b>					
General	\$ 166,337	\$ 1,521,777	\$ 1,492,685	\$ 195,429	
Motor Vehicle Highway	122,756	366,606	392,942	96,420	
Local Road and Street	343,404	45,834	-	389,238	
Park and Recreation	(5,652)	439,275	419,763	13,860	
Law Enforcement Continuing Education	2,998	2,616	1,821	3,793	
Sanitation Revenue	230,583	283,049	280,149	233,483	
Police Tactical Equipment	923	-	-	923	
CDBG - Program Income	3,907	-	-	3,907	
CDBG - Recaptured	6,136	-	6,136	-	
Sidewalk Replacement	15,914	18,008	11,129	22,793	
Revolving Concession	3,835	10,751	7,760	6,826	
Riverboat	106,098	42,354	-	148,452	
Rainy Day	206,644	139,944	-	346,588	
Emergency Medical Service	70,816	265,173	268,717	67,272	
Emergency Telephone System	181,038	68,913	51,959	197,992	
Ordinance Enforcement Expense	-	955	-	955	
Levy Excess	22,345	-	22,345	-	
Debt Service Public Safety Building	(14,885)	282,192	144,703	122,604	
Economic Development Income Tax Construction	607,252	169,602	223,001	553,853	
Cumulative Capital Improvement	107,564	25,047	7,955	124,656	
Cumulative Capital Development	274,422	57,438	187,214	144,646	
Cumulative Building and Fire Equipment	(1,826)	362	-	(1,464)	
Major Moves Construction	-	43,157	-	43,157	
<b>Proprietary Funds:</b>					
Water Utility - Operating	134,526	506,569	587,928	53,167	
Water Utility - Bond and Interest	39,838	157,657	157,631	39,864	
Water Utility - Improvement	243,110	5,883	7,225	241,768	
Water Utility - Customer Deposit	26,808	9,945	8,214	28,539	
Water Utility - Debt Service Reserve	184,078	10,692	33,865	160,905	
Wastewater Utility - Operating	90,197	688,485	612,405	166,277	
Wastewater Utility - Bond and Interest	77,194	139,896	215,972	1,118	
Wastewater Utility - Improvement	145,035	2,957	45,000	102,992	
Wastewater Utility - Debt Service Reserve	142,340	5,905	-	148,245	
Storm Water Utility - Operating	61,716	210,239	185,628	86,327	
Storm Water Utility - Bond and Interest	64,406	102,763	166,238	931	
Storm Water Utility - Improvement	322,783	7,942	51	330,674	
Storm Water Utility - Debt Service Reserve	98,555	2,425	-	100,980	
<b>Fiduciary Funds:</b>					
Pool Donation	1,706	200	345	1,561	
Scout Hall Donation	457	500	339	618	
Seward Building Donation	655	23	-	678	
Warvel Park Donation	1,154	1,575	1,280	1,449	
Frantz Park Donation	778	-	-	778	
Pool Membership Donation	167	-	-	167	
Firefighting Equipment Donation	2,748	-	-	2,748	
Walrod Tree Memorial	2,472	733	699	2,506	
Police Donation	5,504	-	-	5,504	
Town Court	286	15,091	15,093	284	
Street Deposit and Refund	7,211	400	1,194	6,417	
User Fee	3,564	953	2,136	2,381	
Court Costs Due County	(415)	1,602	1,019	168	
Payroll	19,381	1,584,690	1,595,196	8,875	
<b>Totals</b>	<b>\$ 4,126,863</b>	<b>\$ 7,240,178</b>	<b>\$ 7,155,737</b>	<b>\$ 4,211,304</b>	

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

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL INFORMATION

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 FINANCIAL INFORMATION  
(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. Subsequent Events

On April 12, 2007, the North Manchester Storm Water Utility issued \$635,000 in refunding revenue bonds to refund \$645,000 of outstanding 1996 revenue bonds.

On July 16, 2007, the Indiana Office of Community and Rural Affairs released Community Development Block Grant funds totaling \$414,725 for rehabilitation and historic preservation of the Thomas Marshall Town Life Center.

TOWN OF NORTH MANCHESTER  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

December 31, 2006

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

General infrastructure assets completed in the current and prior year have been reported. Retroactive reporting of general infrastructure is not required.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 526,572
Infrastructure	125,392
Buildings	2,826,653
Improvements other than buildings	258,118
Machinery and equipment	<u>2,388,423</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 6,125,158</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 54,380
Buildings	360,983
Improvements other than buildings	4,039,843
Machinery and equipment	<u>151,321</u>
Total Water Utility capital assets	<u>4,606,527</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	26,977
Buildings	2,039,338
Improvements other than buildings	1,416,935
Machinery and equipment	<u>673,666</u>
Total Wastewater Utility capital assets	<u>4,156,916</u>
Storm Water Utility:	
Capital assets, not being depreciated:	
Buildings	109,324
Improvements other than buildings	2,160,028
Machinery and equipment	<u>64,179</u>
Total Storm Water Utility capital assets	<u>2,333,531</u>
Total business-type activities capital assets	<u>\$ 11,096,974</u>

TOWN OF NORTH MANCHESTER  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT

December 31, 2006

The Town has entered into the following debt:

Description of Debt	Present Value of Net Minimum Lease Payments	Due Within One Year
Governmental Activities:		
Capital leases:		
Public safety building	\$ 888,000	\$ 104,000
Fire Truck	<u>213,117</u>	<u>31,411</u>
Total governmental activities debt	<u>\$ 1,101,117</u>	<u>\$ 135,411</u>
	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
\$955,000 1999 Refunding	\$ 283,000	\$ 109,000
Loans Payable:		
\$1,147,000 2000 water improvements	<u>1,139,000</u>	<u>2,000</u>
Total Water Utility	<u>1,422,000</u>	<u>111,000</u>
Wastewater Utility		
Revenue bonds:		
\$875,000 2002 Refunding	370,000	55,000
Loans Payable:		
\$400,000 2002 wastewater improvements	<u>369,494</u>	<u>500</u>
Total Wastewater Utility	<u>739,494</u>	<u>55,500</u>
Storm Water Utility		
Revenue bonds:		
\$1,095,000 1996 storm water construction	<u>645,000</u>	<u>-</u>
Total business-type activities debt	<u>\$ 2,806,494</u>	<u>\$ 166,500</u>

TOWN OF NORTH MANCHESTER  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were present during our period of examination:

- (1) Record balances were not reconciled to depository balances during the examination period. At December 31, 2006, the record balances exceeded the "reconciled" bank balances by \$4,789.

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) There were a considerable number of adjustments and posting errors. These adjustments and posting errors included disbursements and receipts not recorded in the proper accounts, improper corrections, duplicate postings, and fund balance variances between prior year ending and current year beginning.
- (3) Some transactions were recorded as "negative" receipts and disbursements.
- (4) The fund report year-to-date totals were incorrect for the User Fee Fund and the Court Costs Due County Fund.

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)

APPROPRIATIONS

Cumulative Capital Development Fund expenditures exceeded budget appropriations by \$23,214.

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  
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2007, with Nancy J. Reed, former Clerk-Treasurer; Carrie C. Mugford, Clerk-Treasurer; and Daniel A. Hannaford, Town Manager. The officials concurred with our findings.