

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, 2007 to December 31, 2007



FILED
10/29/2008

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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 12-31-11
Town Manager	Daniel A. Hannaford	01-01-07 to 12-31-08
Superintendent of Utilities	John G. Mugford	01-01-07 to 12-31-08
President of the Town Council	Donald W. Rinearson Christopher W. Garber	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 2007 to December 31, 2007. 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, 2007, 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

September 17, 2008

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, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 195,429	\$ 1,778,891	\$ 1,630,517	\$ 343,803
Motor Vehicle Highway	96,420	367,742	367,081	97,081
Local Road and Street	389,238	38,710	9,494	418,454
Park and Recreation	13,860	405,243	406,396	12,707
Law Enforcement Continuing Education	3,793	6,811	1,950	8,654
Sanitation Revenue	233,483	296,912	306,686	223,709
Police Tactical Equipment	923	-	-	923
CDBG Program Income	3,907	-	3,907	-
Sidewalk Replacement	22,793	17,927	13,501	27,219
Revolving Concession	6,826	7,995	8,860	5,961
Riverboat	148,452	44,019	824	191,647
Rainy Day	346,588	59,816	9,669	396,735
Emergency Medical Service	67,272	266,161	276,735	56,698
Emergency Telephone System	197,992	121,862	108,908	210,946
Ordinance Enforcement Expense	955	1,565	219	2,301
Debt Service Public Safety Building	122,604	156,561	145,155	134,010
Economic Development Income Tax Construction	553,853	267,626	185,425	636,054
Cumulative Capital Improvement	124,656	25,675	12,146	138,185
Cumulative Capital Development	144,646	55,089	28,620	171,115
Cumulative Building and Fire Equipment	(1,464)	65,218	-	63,754
Major Moves Construction	43,157	801	43,958	-
CDBG/CFF Grant - TLC	-	259,704	238,730	20,974
CDBG Planning Grant - Façade	-	2,500	2,500	-
Proprietary Funds:				
Water Utility - Operating	53,167	619,870	603,044	69,993
Water Utility - Bond and Interest	39,864	157,435	156,433	40,866
Water Utility - Improvement	241,768	6,315	147,000	101,083
Water Utility - Customer Deposit	28,539	14,335	7,685	35,189
Water Utility - Debt Service Reserve	160,905	6,038	-	166,943
Wastewater Utility - Operating	166,277	727,078	761,902	131,453
Wastewater Utility - Bond and Interest	1,118	146,353	138,426	9,045
Wastewater Utility - Improvement	102,992	152,059	-	255,051
Wastewater Utility - Debt Service Reserve	148,245	5,563	-	153,808
Storm Water Utility - Operating	86,327	272,033	317,607	40,753
Storm Water Utility - Bond and Interest	931	102,632	65,558	38,005
Storm Water Utility - Improvement	330,674	98,095	57,000	371,769
Storm Water Utility - Debt Service Reserve	100,980	3,790	-	104,770
Fiduciary Funds:				
Pool Donation	1,561	-	714	847
Halderman Park Donation	-	700	-	700
Scout Hall Donation	618	505	370	753
Seward Building Donation	678	-	-	678
Warvel Park Donation	1,449	7,622	8,274	797
Frantz Park Donation	778	-	-	778
Pool Membership Donation	167	-	-	167
Fire Fighting Equipment Donation	2,748	-	-	2,748
Walrod Tree Memorial	2,506	3,932	1,350	5,088
Police Donation	5,504	-	-	5,504
Town Court	284	15,088	14,207	1,165
Street Deposit and Refund	6,417	1,575	1,106	6,886
User Fee	2,381	2,737	4,841	277
Court Costs Due County	168	1,544	1,345	367
Payroll	8,875	469,165	504,774	(26,734)
Totals	<u>\$ 4,211,304</u>	<u>\$ 7,061,292</u>	<u>\$ 6,592,917</u>	<u>\$ 4,679,679</u>

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.

TOWN OF NORTH MANCHESTER
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2007

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 years have been reported. Retroactive reporting of general infrastructure assets is not required.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 612,404
Infrastructure	232,969
Buildings	2,826,653
Improvements other than buildings	258,118
Machinery and equipment	<u>2,322,923</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 6,253,067</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 55,480
Buildings	360,983
Improvements other than buildings	4,039,843
Machinery and equipment	<u>152,417</u>
 Total Water Utility capital assets	 <u>4,608,723</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	26,977
Buildings	2,039,338
Improvements other than buildings	1,429,042
Machinery and equipment	<u>672,541</u>
 Total Wastewater Utility capital assets	 <u>4,167,898</u>
 Storm Water Utility:	
Capital assets, not being depreciated:	
Buildings	109,324
Improvements other than buildings	2,173,717
Machinery and equipment	<u>64,179</u>
 Total Storm Water Utility capital assets	 <u>2,347,220</u>
 Total business-type activities capital assets	 <u>\$ 11,123,841</u>

TOWN OF NORTH MANCHESTER
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Public safety building	\$ 784,000	\$ 144,563
Fire truck	<u>179,788</u>	<u>41,412</u>
Total governmental activities debt	<u>\$ 963,788</u>	<u>\$ 185,975</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
\$955,000 1999 refunding	\$ 174,000	\$ 122,057
Loans payable:		
\$1,147,000 2000 water improvements	<u>1,137,000</u>	<u>34,959</u>
Total Water Utility	<u>1,311,000</u>	<u>157,016</u>
Wastewater Utility		
Revenue bonds:		
\$875,000 2002 refunding	260,000	65,785
Loans payable:		
\$400,000 2002 wastewater improvements	<u>368,494</u>	<u>6,580</u>
Total Wastewater Utility	<u>628,494</u>	<u>72,365</u>
Storm Water Utility		
Revenue bonds:		
\$635,000 2007 refunding	<u>600,000</u>	<u>84,791</u>
Total business-type activities debt	<u>\$ 2,539,494</u>	<u>\$ 314,172</u>

TOWN OF NORTH MANCHESTER
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The General Fund and Park and Recreation Fund expenditures exceeded budgeted appropriations by \$9,472 and \$5,694, respectively.

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."

EMPLOYMENT AGREEMENT

An employment agreement (contract) was entered into as of March 1, 2007, between the Town and the former Clerk-Treasurer (employee) for advisory services. The term of the agreement was from March 1, 2007 through December 31, 2007. The agreement states that the employee shall be compensated in the amount of \$10,000 for the term, payable in the regular payroll system, in amounts and as requested by the employee from March 1, 2007 through May 14, 2008.

During our examination, it was determined that the employee was paid \$4,658 from March 1, 2007 through December 31, 2007, and has been paid \$3,363 during January 1, 2008 through August 13, 2008. The remaining amount on the agreement of \$1,979 will be paid through December 31, 2008. The employee was paid for a longer period of time than what was stated in the employment agreement (contract).

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONFLICT OF INTEREST

K.A.R.D. Design Systems received \$4,469 for various materials and repairs to the Park Department pool during 2007. Donald W. Rinearson, President of the Town Council during 2007, is the President of K.A.R.D. Design Systems. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

TOWN OF NORTH MANCHESTER
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6). . . .

(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

TOWN OF NORTH MANCHESTER
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2008, with Carrie C. Mugford, Clerk-Treasurer; Nancy J. Reed, former Clerk-Treasurer; Daniel A. Hannaford, Town Manager; and Christopher W. Garber, President of the Town Council. The officials concurred with our findings.