

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, 2008 to December 31, 2008



FILED
11/04/2009

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-----------------------|----------------------|
| Clerk-Treasurer | Carrie C. Mugford | 01-01-08 to 12-31-11 |
| Town Manager | Daniel A. Hannaford | 01-01-08 to 12-31-09 |
| Superintendent of Utilities | John G. Mugford | 01-01-08 to 12-31-09 |
| President of the Town Council | Christopher W. Garber | 01-01-08 to 12-31-09 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2008 to December 31, 2008. 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, 2008, 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 6, 2009

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, 2008

| | Cash and Investments 01-01-08 | Receipts | Disbursements | Cash and Investments 12-31-08 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 343,803 | \$ 1,490,879 | \$ 1,566,847 | \$ 267,835 |
| Motor Vehicle Highway | 97,081 | 377,083 | 385,854 | 88,310 |
| Local Road and Street | 418,454 | 34,744 | 260,559 | 192,639 |
| Park and Recreation | 12,707 | 373,296 | 317,797 | 68,206 |
| Law Enforcement Continuing Education | 8,654 | 3,312 | 1,534 | 10,432 |
| Sanitation Revenue | 223,709 | 298,115 | 333,483 | 188,341 |
| Police Tactical Equipment | 923 | - | - | 923 |
| Sidewalk Replacement | 27,219 | 19,930 | 4,335 | 42,814 |
| Revolving Concession | 5,961 | 3,202 | 3,039 | 6,124 |
| Riverboat | 191,647 | 43,471 | 72,208 | 162,910 |
| Rainy Day | 396,735 | 125,057 | 6,211 | 515,581 |
| Emergency Medical Service | 56,698 | 256,085 | 285,616 | 27,167 |
| Emergency Telephone System | 210,946 | 55,027 | 89,468 | 176,505 |
| Ordinance Enforcement Expense | 2,301 | 620 | 1,094 | 1,827 |
| Debt Service Public Safety Building | 134,010 | 34,871 | 144,963 | 23,918 |
| Economic Development Income Tax Construction | 636,054 | 177,979 | 140,461 | 673,572 |
| Cumulative Capital Improvement | 138,185 | 23,469 | 42,529 | 119,125 |
| Cumulative Capital Development | 171,115 | 30,075 | 26,779 | 174,411 |
| Cumulative Building and Fire Equipment | 63,754 | 49,414 | 41,412 | 71,756 |
| CDBG/CFF Grant - TLC | 20,974 | 234,606 | 255,580 | - |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 69,993 | 674,732 | 639,438 | 105,287 |
| Water Utility - Bond and Interest | 40,866 | 157,896 | 157,015 | 41,747 |
| Water Utility - Improvement | 101,083 | 31,501 | 45,000 | 87,584 |
| Water Utility - Customer Deposit | 35,189 | 18,065 | 16,990 | 36,264 |
| Water Utility - Debt Service Reserve | 166,943 | 4,019 | 10,000 | 160,962 |
| Wastewater Utility - Operating | 131,453 | 777,912 | 771,940 | 137,425 |
| Wastewater Utility - Bond and Interest | 9,045 | 144,530 | 143,387 | 10,188 |
| Wastewater Utility - Improvement | 255,051 | 126,655 | 45,000 | 336,706 |
| Wastewater Utility - Debt Service Reserve | 153,808 | 3,705 | 9,000 | 148,513 |
| Storm Water Utility - Operating | 40,753 | 357,626 | 368,268 | 30,111 |
| Storm Water Utility - Bond and Interest | 38,005 | 84,045 | 84,791 | 37,259 |
| Storm Water Utility - Improvement | 371,769 | 54,695 | 126,000 | 300,464 |
| Storm Water Utility - Debt Service Reserve | 104,770 | 2,046 | 40,000 | 66,816 |
| Fiduciary Funds: | | | | |
| Pool Donation | 847 | 9,029 | 8,524 | 1,352 |
| Halderman Park Donation | 700 | - | 660 | 40 |
| Scout Hall Donation | 753 | 601 | - | 1,354 |
| Seward Building Donation | 678 | - | - | 678 |
| Warvel Park Donation | 797 | 1,075 | - | 1,872 |
| Frantz Park Donation | 778 | - | - | 778 |
| Pool Membership Donation | 167 | - | - | 167 |
| Fire Fighting Equipment Donation | 2,748 | - | - | 2,748 |
| Walrod Tree Memorial | 5,088 | 1,200 | 1,200 | 5,088 |
| Police Donation | 5,504 | 1,400 | - | 6,904 |
| Town Court | 1,165 | 14,452 | 14,390 | 1,227 |
| Street Deposit and Refund | 6,886 | 1,131 | 200 | 7,817 |
| User Fee | 277 | 1,895 | 1,329 | 843 |
| Court Costs Due County | 367 | 1,148 | 1,148 | 367 |
| Payroll | (26,734) | 527,753 | 488,424 | 12,595 |
| Totals | <u>\$ 4,679,679</u> | <u>\$ 6,628,346</u> | <u>\$ 6,952,473</u> | <u>\$ 4,355,552</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.

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 Event

On May 7, 2009, a \$1,230,000 Federal Stimulus Bond Anticipation Note and a State Revolving Fund Loan with a maximum amount of \$2,845,000 were approved and closed for the construction of a new water filtration plant and the painting of two water towers. The federal stimulus money will be used first and if there are no defaults by the Town, the stimulus debt will be forgiven in 2013. The total amount borrowed from the State Revolving Fund Loan will be paid back at an interest rate of 3.88% over the next 20 years. The project is to be complete by December 22, 2009.

TOWN OF NORTH MANCHESTER
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2008

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 | \$ 650,904 |
| Infrastructure | 487,314 |
| Buildings | 2,931,733 |
| Improvements other than buildings | 270,687 |
| Machinery and equipment | 2,396,561 |
| Construction in progress | <u>18,860</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 6,756,059</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: | |
| Construction in progress | 44,340 |
| Buildings | 109,324 |
| Improvements other than buildings | 2,300,272 |
| Machinery and equipment | <u>64,179</u> |
| Total Storm Water Utility capital assets | <u>2,518,115</u> |
| Total business-type activities capital assets | <u>\$ 11,294,736</u> |

TOWN OF NORTH MANCHESTER
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2008

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 | \$ 675,000 | \$ 145,103 |
| Fire truck | <u>147,185</u> | <u>41,412</u> |
| Total governmental activities debt | <u>\$ 822,185</u> | <u>\$ 186,515</u> |
| Business-type activities: | | |
| Water Utility: | | |
| Revenue bonds: | | |
| \$955,000 1999 refunding | \$ 59,000 | \$ 60,431 |
| Loans payable: | | |
| \$1,147,000 2000 Water improvements | <u>1,135,000</u> | <u>92,900</u> |
| Total Water Utility | <u>1,194,000</u> | <u>153,331</u> |
| Wastewater Utility: | | |
| Revenue bonds: | | |
| \$875,000 2002 refunding | 140,000 | 63,115 |
| Loans payable: | | |
| \$400,000 2002 Wastewater improvements | <u>367,494</u> | <u>6,564</u> |
| Total Wastewater Utility | <u>507,494</u> | <u>69,679</u> |
| Storm Water Utility | | |
| Revenue bonds: | | |
| \$635,000 2007 refunding | <u>540,000</u> | <u>82,277</u> |
| Total business-type activities debt | <u>\$ 2,241,494</u> | <u>\$ 305,287</u> |

TOWN OF NORTH MANCHESTER
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The Cumulative Building and Fire Equipment Fund expenditures exceeded budgeted appropriations by \$5,412.

IC 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."

PUBLIC WORKS PROJECT

The Town paid K.A.R.D. Design Systems \$91,687.80 for the exterior renovation of the Firehouse. Don Rinearson, former President of the Town Council, is the owner of K.A.R.D. Design Systems. The Firehouse is the old fire station that is currently being used by a private youth group. The renovations were made without a contract and sealed bids were not requested for the renovation.

Payments made or received for contractual services should be supported by a written 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)

IC 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; or (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

IC 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. . . ."

ORDINANCES, RESOLUTIONS, AND POLICIES

The Town has a personnel policy that establishes the amount of paid leave time granted on an employee's anniversary date, and if that time is to be paid upon leaving employment. The former Town Marshall accrued one more vacation day than was allowed in the policy during 2008, and was paid for unused personal time, which is not allowed in the policy.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF NORTH MANCHESTER
EXIT CONFERENCE

The contents of this report were discussed on October 6, 2009, with Carrie C. Mugford, Clerk-Treasurer; Daniel A. Hannaford, Town Manager; and Christopher W. Garber, President of the Town Council.