

B37097

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

ANNUAL FINANCIAL REPORT

2009

TOWN OF NORTH MANCHESTER

WABASH COUNTY, INDIANA



**FILED**  
06/08/2010



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SCHEDULE OF 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   | 01-01-09 to 12-31-10 |
| President of the Town Council | Christopher W. Garber | 01-01-09 to 12-31-10 |
| Superintendent of Utilities   | John G. Mugford       | 01-01-09 to 12-31-10 |



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Manchester (Town), as of and for the year ended December 31, 2009, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2009, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 5, 2010, on our consideration of the Town'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 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 internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 5, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Manchester (Town), as of and for the year ended December 31, 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 5, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 5, 2010

TOWN OF NORTH MANCHESTER  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2009

| Functions/Programs                     | Disbursements       | Program Receipts        |  | Net (Disbursements) Receipts<br>and Changes in Net Assets |                            | Totals              |                             |
|--|---------------------|-------------------------|--|---|----------------------------|---------------------|-----------------------------|
|  |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions                    | Governmental<br>Activities |                     | Business-Type<br>Activities |
| <b>Primary government:</b>             |                     |                         |  |   |                            |                     |                             |
| <b>Governmental activities:</b>        |                     |                         |  |   |                            |                     |                             |
| General government                     | \$ 446,084          | \$ 123,367              | \$ -                                     | \$ -  | \$ (322,717)               | \$ -                | \$ (322,717)                |
| Public safety                          | 1,417,753           | 10,355                  | 14,932                                   | -   | (1,392,466)                | -                   | (1,392,466)                 |
| Highways and streets                   | 441,435             | 950                     | 163,869                                  | 23,427  | (253,189)                  | -                   | (253,189)                   |
| Sanitation                             | 331,969             | 286,053                 | -  | -   | (45,916)                   | -                   | (45,916)                    |
| Health and welfare                     | 245,511             | 125,010                 | -  | -   | (120,501)                  | -                   | (120,501)                   |
| Economic development                   | 62,427              | -                       | -  | 49,500  | (12,927)                   | -                   | (12,927)                    |
| Culture and recreation                 | 291,644             | 14,938                  | -  | -   | (276,706)                  | -                   | (276,706)                   |
| Urban redevelopment and housing        | 36,406              | -                       | -  | -   | (36,406)                   | -                   | (36,406)                    |
| Principal and interest on indebtedness | 186,515             | -                       | -  | -   | (186,515)                  | -                   | (186,515)                   |
| <b>Total governmental activities</b>   | <b>3,459,744</b>    | <b>560,673</b>          | <b>178,801</b>                           | <b>72,927</b>   | <b>(2,647,343)</b>         | <b>-</b>            | <b>(2,647,343)</b>          |
| <b>Business-type activities:</b>       |                     |                         |  |   |                            |                     |                             |
| Storm Water                            | 192,263             | 209,624                 | -  | -   | -                          | 17,361              | 17,361                      |
| Wastewater                             | 703,581             | 685,306                 | -  | -   | -                          | (18,275)            | (18,275)                    |
| Water                                  | 791,806             | 844,257                 | -  | 67,855  | -                          | 120,306             | 120,306                     |
| <b>Total business-type activities</b>  | <b>1,687,650</b>    | <b>1,739,187</b>        | <b>-</b>                                 | <b>67,855</b>   | <b>-</b>                   | <b>119,392</b>      | <b>119,392</b>              |
| <b>Total primary government</b>        | <b>\$ 5,147,394</b> | <b>\$ 2,299,860</b>     | <b>\$ 178,801</b>                        | <b>\$ 140,782</b>   | <b>(2,647,343)</b>         | <b>119,392</b>      | <b>(2,527,951)</b>          |
| <b>General receipts:</b>               |                     |                         |  |   |                            |                     |                             |
| Property taxes                         |                     |                         |  |   | 1,623,885                  | -                   | 1,623,885                   |
| Intergovernmental                      |                     |                         |  |   | 1,077,762                  | -                   | 1,077,762                   |
| Other local sources                    |                     |                         |  |   | 88,204                     | 16,870              | 105,074                     |
| Net proceeds from borrowings           |                     |                         |  |   | -                          | 176,860             | 176,860                     |
| Investment earnings                    |                     |                         |  |   | 51,708                     | 28,415              | 80,123                      |
| <b>Total general receipts</b>          |                     |                         |  |   | <b>2,841,559</b>           | <b>222,145</b>      | <b>3,063,704</b>            |
| <b>Change in net assets</b>            |                     |                         |  |   | <b>194,216</b>             | <b>341,537</b>      | <b>535,753</b>              |
| <b>Net assets - beginning</b>          |                     |                         |  |   | <b>2,812,396</b>           | <b>1,499,326</b>    | <b>4,311,722</b>            |
| <b>Net assets - ending</b>             |                     |                         |  |   | <b>\$ 3,006,612</b>        | <b>\$ 1,840,863</b> | <b>\$ 4,847,475</b>         |
| <b>Assets</b>                          |                     |                         |  |   |                            |                     |                             |
| Cash and investments                   |                     |                         |  |   | \$ 1,885,461               | \$ 300,785          | \$ 2,186,246                |
| <b>Restricted assets:</b>              |                     |                         |  |   |                            |                     |                             |
| Cash and investments                   |                     |                         |  |   | 1,121,151                  | 1,540,078           | 2,661,229                   |
| <b>Total assets</b>                    |                     |                         |  |   | <b>\$ 3,006,612</b>        | <b>\$ 1,840,863</b> | <b>\$ 4,847,475</b>         |
| <b>Net Assets</b>                      |                     |                         |  |   |                            |                     |                             |
| <b>Restricted for:</b>                 |                     |                         |  |   |                            |                     |                             |
| Public safety                          |                     |                         |  |   | \$ 203,889                 | \$ -                | \$ 203,889                  |
| Highways and streets                   |                     |                         |  |   | 231,944                    | -                   | 231,944                     |
| Sanitation                             |                     |                         |  |   | 146,534                    | -                   | 146,534                     |
| Health and welfare                     |                     |                         |  |   | 34,317                     | -                   | 34,317                      |
| Culture and recreation                 |                     |                         |  |   | 214,985                    | -                   | 214,985                     |
| Urban redevelopment and housing        |                     |                         |  |   | 19,800                     | -                   | 19,800                      |
| Debt service                           |                     |                         |  |   | 1,043                      | 551,852             | 552,895                     |
| Capital outlay                         |                     |                         |  |   | 268,639                    | -                   | 268,639                     |
| Other purposes                         |                     |                         |  |   | -                          | 988,226             | 988,226                     |
| <b>Unrestricted</b>                    |                     |                         |  |   | <b>1,885,461</b>           | <b>300,785</b>      | <b>2,186,246</b>            |
| <b>Total net assets</b>                |                     |                         |  |   | <b>\$ 3,006,612</b>        | <b>\$ 1,840,863</b> | <b>\$ 4,847,475</b>         |

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTH MANCHESTER  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2009

|   | General           | Motor<br>Vehicle<br>Highway | Parks and<br>Recreation | Rainy Day         | Economic<br>Development<br>Income Tax | Other<br>Governmental<br>Funds | Totals              |
|---|-------------------|-----------------------------|-------------------------|-------------------|---------------------------------------|--------------------------------|---------------------|
| <b>Receipts:</b>  |                   |                             |                         |                   |                                       |                                |                     |
| Taxes   | \$ 930,383        | \$ 182,207                  | \$ 345,103              | \$ -              | \$ -                                  | \$ 166,192                     | \$ 1,623,885        |
| Licenses and permits  | 3,175             | -                           | -                       | -                 | -                                     | -                              | 3,175               |
| Intergovernmental   | 667,597           | 180,498                     | 31,462                  | 41,370            | 134,647                               | 273,916                        | 1,329,490           |
| Charges for services  | 15                | 950                         | 11,147                  | -                 | -                                     | 537,992                        | 550,104             |
| Fines and forfeits  | 3,259             | -                           | -                       | -                 | -                                     | 1,325                          | 4,584               |
| Other   | 69,824            | 2,060                       | 7,145                   | 10,793            | 28,262                                | 24,638                         | 142,722             |
| <b>Total receipts</b>   | <b>1,674,253</b>  | <b>365,715</b>              | <b>394,857</b>          | <b>52,163</b>     | <b>162,909</b>                        | <b>1,004,063</b>               | <b>3,653,960</b>    |
| <b>Disbursements:</b>   |                   |                             |                         |                   |                                       |                                |                     |
| General government  | 395,655           | -                           | -                       | 2,795             | -                                     | 24,259                         | 422,709             |
| Public safety   | 1,155,971         | -                           | -                       | -                 | -                                     | 97,036                         | 1,253,007           |
| Highways and streets  | -                 | 332,341                     | -                       | -                 | -                                     | 97,857                         | 430,198             |
| Sanitation  | -                 | -                           | -                       | -                 | -                                     | 331,969                        | 331,969             |
| Health and welfare  | -                 | -                           | -                       | -                 | -                                     | 245,511                        | 245,511             |
| Economic development  | -                 | -                           | -                       | -                 | 47,765                                | 14,662                         | 62,427              |
| Culture and recreation  | 33,651            | -                           | 216,127                 | -                 | -                                     | 1,810                          | 251,588             |
| Urban redevelopment and housing   | -                 | -                           | -                       | -                 | -                                     | 36,406                         | 36,406              |
| Debt service:   |                   |                             |                         |                   |                                       |                                |                     |
| Principal   | -                 | -                           | -                       | -                 | -                                     | 149,200                        | 149,200             |
| Interest  | -                 | -                           | -                       | -                 | -                                     | 37,315                         | 37,315              |
| Capital outlay:   |                   |                             |                         |                   |                                       |                                |                     |
| General government  | 23,375            | -                           | -                       | -                 | -                                     | -                              | 23,375              |
| Public safety   | 164,746           | -                           | -                       | -                 | -                                     | -                              | 164,746             |
| Highways and streets  | -                 | 11,237                      | -                       | -                 | -                                     | -                              | 11,237              |
| Culture and recreation  | -                 | -                           | 40,056                  | -                 | -                                     | -                              | 40,056              |
| <b>Total disbursements</b>  | <b>1,773,398</b>  | <b>343,578</b>              | <b>256,183</b>          | <b>2,795</b>      | <b>47,765</b>                         | <b>1,036,025</b>               | <b>3,459,744</b>    |
| Excess (deficiency) of receipts over disbursements  | (99,145)          | 22,137                      | 138,674                 | 49,368            | 115,144                               | (31,962)                       | 194,216             |
| <b>Other financing sources (uses):</b>  |                   |                             |                         |                   |                                       |                                |                     |
| Transfers in  | 4,458             | -                           | -                       | -                 | -                                     | -                              | 4,458               |
| Transfers out   | -                 | -                           | -                       | (4,458)           | -                                     | -                              | (4,458)             |
| <b>Total other financing sources (uses)</b>   | <b>4,458</b>      | <b>-</b>                    | <b>-</b>                | <b>(4,458)</b>    | <b>-</b>                              | <b>-</b>                       | <b>-</b>            |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (94,687)          | 22,137                      | 138,674                 | 44,910            | 115,144                               | (31,962)                       | 194,216             |
| Cash and investment fund balance - beginning  | 267,835           | 88,310                      | 68,206                  | 515,581           | 673,572                               | 1,198,892                      | 2,812,396           |
| Cash and investment fund balance - ending   | <u>\$ 173,148</u> | <u>\$ 110,447</u>           | <u>\$ 206,880</u>       | <u>\$ 560,491</u> | <u>\$ 788,716</u>                     | <u>\$ 1,166,930</u>            | <u>\$ 3,006,612</u> |
| <b>Cash and Investment Assets - Ending</b>  |                   |                             |                         |                   |                                       |                                |                     |
| Cash and investments  | \$ 173,148        | \$ -                        | \$ -                    | \$ 560,491        | \$ 788,716                            | \$ 363,106                     | \$ 1,885,461        |
| Restricted assets:  |                   |                             |                         |                   |                                       |                                |                     |
| Cash and investments  | -                 | 110,447                     | 206,880                 | -                 | -                                     | 803,824                        | 1,121,151           |
| <b>Total cash and investment assets - ending</b>  | <u>\$ 173,148</u> | <u>\$ 110,447</u>           | <u>\$ 206,880</u>       | <u>\$ 560,491</u> | <u>\$ 788,716</u>                     | <u>\$ 1,166,930</u>            | <u>\$ 3,006,612</u> |
| <b>Cash and Investment Fund Balance - Ending</b>  |                   |                             |                         |                   |                                       |                                |                     |
| Restricted for:   |                   |                             |                         |                   |                                       |                                |                     |
| Public safety   | \$ -              | \$ -                        | \$ -                    | \$ -              | \$ -                                  | \$ 203,889                     | \$ 203,889          |
| Highways and streets  | -                 | 110,447                     | -                       | -                 | -                                     | 121,497                        | 231,944             |
| Sanitation  | -                 | -                           | -                       | -                 | -                                     | 146,534                        | 146,534             |
| Health and welfare  | -                 | -                           | -                       | -                 | -                                     | 34,317                         | 34,317              |
| Culture and recreation  | -                 | -                           | 206,880                 | -                 | -                                     | 8,105                          | 214,985             |
| Urban redevelopment and housing   | -                 | -                           | -                       | -                 | -                                     | 19,800                         | 19,800              |
| Debt service  | -                 | -                           | -                       | -                 | -                                     | 1,043                          | 1,043               |
| Capital outlay  | -                 | -                           | -                       | -                 | -                                     | 268,639                        | 268,639             |
| Unrestricted  | 173,148           | -                           | -                       | 560,491           | 788,716                               | 363,106                        | 1,885,461           |
| <b>Total cash and investment fund balance - ending</b>  | <u>\$ 173,148</u> | <u>\$ 110,447</u>           | <u>\$ 206,880</u>       | <u>\$ 560,491</u> | <u>\$ 788,716</u>                     | <u>\$ 1,166,930</u>            | <u>\$ 3,006,612</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTH MANCHESTER  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2009

|  | Storm Water<br>Utility | Wastewater<br>Utility | Water<br>Utility  | Totals              |
|--|------------------------|-----------------------|-------------------|---------------------|
| Operating receipts:  |                        |                       |                   |                     |
| Unmetered/flat rate  | \$ 209,527             | \$ -                  | \$ -              | \$ 209,527          |
| Metered/measured   | -                      | 677,507               | 683,379           | 1,360,886           |
| Fire protection receipts   | -                      | -                     | 136,425           | 136,425             |
| Miscellaneous  | 97                     | 7,799                 | 24,453            | 32,349              |
|  | <u>209,624</u>         | <u>685,306</u>        | <u>844,257</u>    | <u>1,739,187</u>    |
| Total operating receipts   |                        |                       |                   |                     |
| Operating disbursements:   |                        |                       |                   |                     |
| Salaries and wages   | 39,069                 | 228,741               | 173,179           | 440,989             |
| Employee pensions and benefits   | 5,140                  | 102,623               | 59,727            | 167,490             |
| Sludge removal   | -                      | 21,302                | -                 | 21,302              |
| Purchased power  | -                      | 43,878                | 37,526            | 81,404              |
| Chemicals  | -                      | 2,298                 | 55,335            | 57,633              |
| Material and supplies  | 5,416                  | 67,690                | 42,984            | 116,090             |
| Contractual services   | 51,138                 | 19,931                | 12,059            | 83,128              |
| Transportation   | 1,501                  | 4,137                 | 4,599             | 10,237              |
| Insurance claims and expense   | 448                    | 13,809                | 17,481            | 31,738              |
| Taxes  | -                      | -                     | 44,468            | 44,468              |
| Equipment and capital improvements   | -                      | -                     | 75,000            | 75,000              |
| Miscellaneous  | 7,274                  | 36,658                | 39,070            | 83,002              |
|  | <u>109,986</u>         | <u>541,067</u>        | <u>561,428</u>    | <u>1,212,481</u>    |
| Total operating disbursements  |                        |                       |                   |                     |
| Excess of operating receipts over operating disbursements  | <u>99,638</u>          | <u>144,239</u>        | <u>282,829</u>    | <u>526,706</u>      |
| Nonoperating receipts (disbursements):   |                        |                       |                   |                     |
| Miscellaneous receipts   | -                      | -                     | 16,870            | 16,870              |
| Investment income  | 8,475                  | 13,177                | 6,763             | 28,415              |
| Net proceeds from borrowings   | -                      | -                     | 176,860           | 176,860             |
| Miscellaneous disbursements  | -                      | -                     | (68,979)          | (68,979)            |
| Debt service of principal  | (60,000)               | (145,500)             | (120,000)         | (325,500)           |
| Interest disbursements   | (22,277)               | (17,014)              | (41,399)          | (80,690)            |
|  | <u>(73,802)</u>        | <u>(149,337)</u>      | <u>(29,885)</u>   | <u>(253,024)</u>    |
| Total nonoperating receipts (disbursements)  |                        |                       |                   |                     |
| Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)         | 25,836                 | (5,098)               | 252,944           | 273,682             |
| Capital contributions  | -                      | -                     | 67,855            | 67,855              |
| Transfers in   | 81,223                 | 162,514               | 346,718           | 590,455             |
| Transfers out  | (81,223)               | (162,514)             | (346,718)         | (590,455)           |
| Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out | 25,836                 | (5,098)               | 320,799           | 341,537             |
| Cash and investment fund balance - beginning   | 434,650                | 632,832               | 431,844           | 1,499,326           |
| Cash and investment fund balance - ending  | <u>\$ 460,486</u>      | <u>\$ 627,734</u>     | <u>\$ 752,643</u> | <u>\$ 1,840,863</u> |
| <u>Cash and Investment Assets - December 31</u>  |                        |                       |                   |                     |
| Cash and investments   | \$ 49,475              | \$ 122,078            | \$ 129,232        | \$ 300,785          |
| Restricted assets:   |                        |                       |                   |                     |
| Cash and investments   | 411,011                | 505,656               | 623,411           | 1,540,078           |
| Total cash and investment assets - December 31   | <u>\$ 460,486</u>      | <u>\$ 627,734</u>     | <u>\$ 752,643</u> | <u>\$ 1,840,863</u> |
| <u>Cash and Investment Fund Balance - December 31</u>  |                        |                       |                   |                     |
| Restricted for:  |                        |                       |                   |                     |
| Debt service   | \$ 104,415             | \$ 162,078            | \$ 285,359        | \$ 551,852          |
| Other purposes   | 306,596                | 343,578               | 338,052           | 988,226             |
| Unrestricted   | 49,475                 | 122,078               | 129,232           | 300,785             |
| Total cash and investment fund balance - December 31   | <u>\$ 460,486</u>      | <u>\$ 627,734</u>     | <u>\$ 752,643</u> | <u>\$ 1,840,863</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTH MANCHESTER  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2009

|   | Private-Purpose<br>Trust Funds | Agency<br>Funds |
|---|--------------------------------|-----------------|
| Additions:                                      |                                |                 |
| Contributions:                                  |                                |                 |
| Other   | \$ 7,168                       |                 |
| Deductions:                                     |                                |                 |
| Administrative and general                      | 5,493                          |                 |
| Excess of total additions over total deductions | 1,675                          |                 |
| Cash and investment fund balance - beginning    | 20,981                         |                 |
| Cash and investment fund balance - ending       | \$ 22,656                      | \$ 22,672       |

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and 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 and housing.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of North Manchester

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund accounts for state and local monies collected for highway and street construction and improvements.

The parks and recreation fund is used to account for the operating receipts and disbursements made in connection with the Town's recreational programs and facilities.

The rainy day fund is used to account for transfers of unused and unencumbered funds and may be used for the purposes as established by the local ordinance.

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The economic development income tax fund accounts for the Town's allocation of the county economic development income tax. This fund is used for expenditures related to economic development projects.

The Town reports the following major enterprise funds:

The storm water utility fund accounts for the operation of the storm water collection system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The water utility fund accounts for the operation of the water distribution system.

Additionally, the Town reports the following fund types:

The private-purpose trust funds report trust arrangements under which principal and income benefit the citizens of the Town.

Agency funds account for assets held by the Town as an agent for the Town and serve as control of accounts for certain cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

When both restricted and unrestricted resources are available for use, the Town's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in 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 may 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.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

public funds of the political subdivision. The Town does not have a deposit policy for custodial credit risk. At December 31, 2009, the Town had deposit balances in the amount of \$4,980,114.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Town to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust have a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments.

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town must follow state statute and limit the stated final maturities of the investments to no more than two years. The Town does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Town does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, were as follows:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>2009</u>     |
|----------------------|--------------------|-----------------|
| Rainy Day Fund       | General Fund       | <u>\$ 4,458</u> |

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The Town is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Holding Corporation

The Town has entered into a capital lease with North Manchester Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessor has been determined to be a related party of the Town. Lease payments during the year 2009 totaled \$145,103.

C. Rate Structure – Enterprise Funds

Storm Water Utility

The current rate structure was approved by the Town Council on December 6, 1994.

Wastewater Utility

The current rate structure was approved by the Town Council on April 12, 2006.

Water Utility

On April 5, 1989, the Town Council adopted Ordinance General Ordinance No. 1, 1989 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on February 16, 2009.

D. Receipts Pledged

Storm Water Utility Receipts Pledged

The Town has pledged future operating receipts, net of specified operating expenditures, to repay revenue bonds issued in 2007. Proceeds from the bonds provided financing to refund the 1996 revenue bond issue. The bonds are payable solely from net operating receipts and are payable through 2016. Annual principal and interest payments are expected to require less than 58 percent of net receipts.

Wastewater Utility Receipts Pledged

The Town has pledged future operating receipts, net of specified operating expenditures, to repay revenue bonds issued in 2002. Proceeds from the bonds provided financing to refund the 1992 revenue bond issue. The bonds are payable solely from net operating receipts and are payable through 2010. Annual principal and interest payments are expected to require less than 41 percent of net receipts.

E. Pension Plan

Agent Multiple-Employer Defined Benefit 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

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

are eligible to participate in the 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 member's 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. The 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the Town during the period were \$101,071.

F. State Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank. The proceeds are set aside to finance the construction of a new water filtration plant and the painting of two water towers. Funds are loaned to the Utility as construction costs are accrued to the maximum allowed. The State Revolving Loan Fund loan established a maximum draw of \$4,075,000. Included in the maximum draw is an "interest free" federal stimulus bond anticipation note of \$1,230,000 and loan of \$2,845,000. The principal maturity of the bond anticipation note is subject to loan forgiveness and shall be deemed forgiven and discharged on April 15, 2013, to the extent permitted by the American Recovery and Reinvestment Act. As of December 31, 2009, \$1,230,000 has been drawn on the bond anticipation note and the loan principal balance is \$2,664,128.

TOWN OF NORTH MANCHESTER  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(a-b) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | Unfunded<br>AAL as a<br>Percentage<br>of Covered<br>Payroll<br>((a-b)/c) |
|--------------------------------|--|---|--------------------------|--------------------------|---------------------------|--|
| 07-01-06                       | \$ 1,557,985                           | \$ 1,847,814                                      | \$ (289,829)             | 84%                      | \$ 1,314,478              | (22%)  |
| 07-01-07                       | 1,688,483                              | 1,953,254   | (264,771)                | 86%                      | 1,376,177                 | (19%)  |
| 07-01-08                       | 1,836,977                              | 2,017,124   | (180,147)                | 91%                      | 1,408,911                 | (13%)  |

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009

|   | Local Road<br>and Street | Emergency<br>Medical<br>Services | Sanitation<br>Revenue | Law<br>Enforcement<br>Continuing<br>Education | Riverboat         | Emergency<br>Telephone<br>System |
|---|--------------------------|----------------------------------|-----------------------|---|-------------------|----------------------------------|
| Receipts:   |                          |                                  |                       |   |                   |                                  |
| Taxes   | \$ -                     | \$ -                             | \$ -                  | \$ -  | \$ -              | \$ -                             |
| Intergovernmental                                       | 23,427                   | 127,500                          | -                     | -   | 39,175            | -                                |
| Charges for services                                    | -                        | 125,010                          | 286,053               | 2,721   | -                 | 120,417                          |
| Fines and forfeits                                      | -                        | -                                | -                     | 425   | -                 | -                                |
| Other   | 3,288                    | 151                              | 4,109                 | 268   | 3,442             | 3,080                            |
| <b>Total receipts</b>                                   | <b>26,715</b>            | <b>252,661</b>                   | <b>290,162</b>        | <b>3,414</b>                                  | <b>42,617</b>     | <b>123,497</b>                   |
| Disbursements:  |                          |                                  |                       |   |                   |                                  |
| General government                                      | -                        | -                                | -                     | -   | 15,475            | -                                |
| Public safety   | -                        | -                                | -                     | -   | -                 | 97,036                           |
| Highways and streets                                    | 97,857                   | -                                | -                     | -   | -                 | -                                |
| Sanitation  | -                        | -                                | 331,969               | -   | -                 | -                                |
| Health and welfare                                      | -                        | 245,511                          | -                     | -   | -                 | -                                |
| Economic development                                    | -                        | -                                | -                     | -   | -                 | -                                |
| Culture and recreation                                  | -                        | -                                | -                     | -   | -                 | -                                |
| Urban redevelopment and housing                         | -                        | -                                | -                     | -   | -                 | -                                |
| Debt service:   |                          |                                  |                       |   |                   |                                  |
| Principal   | -                        | -                                | -                     | -   | -                 | -                                |
| Interest  | -                        | -                                | -                     | -   | -                 | -                                |
| <b>Total disbursements</b>                              | <b>97,857</b>            | <b>245,511</b>                   | <b>331,969</b>        | <b>-</b>                                      | <b>15,475</b>     | <b>97,036</b>                    |
| Excess (deficiency) of receipts<br>over disbursements   | (71,142)                 | 7,150                            | (41,807)              | 3,414   | 27,142            | 26,461                           |
| Cash and investment fund balance - beginning            | 192,639                  | 27,167                           | 188,341               | 10,432  | 162,910           | 176,505                          |
| Cash and investment fund balance - ending               | <u>\$ 121,497</u>        | <u>\$ 34,317</u>                 | <u>\$ 146,534</u>     | <u>\$ 13,846</u>                              | <u>\$ 190,052</u> | <u>\$ 202,966</u>                |
| <b><u>Cash and Investment Assets - Ending</u></b>       |                          |                                  |                       |   |                   |                                  |
| Cash and investments                                    | \$ -                     | \$ -                             | \$ -                  | \$ 13,846                                     | \$ 190,052        | \$ -                             |
| Restricted assets:                                      |                          |                                  |                       |   |                   |                                  |
| Cash and investments                                    | 121,497                  | 34,317                           | 146,534               | -   | -                 | 202,966                          |
| <b>Total cash and investment assets - ending</b>        | <b>\$ 121,497</b>        | <b>\$ 34,317</b>                 | <b>\$ 146,534</b>     | <b>\$ 13,846</b>                              | <b>\$ 190,052</b> | <b>\$ 202,966</b>                |
| <b><u>Cash and Investment Fund Balance - Ending</u></b> |                          |                                  |                       |   |                   |                                  |
| Restricted for:   |                          |                                  |                       |   |                   |                                  |
| Public safety   | \$ -                     | \$ -                             | \$ -                  | \$ -  | \$ -              | \$ 202,966                       |
| Highways and streets                                    | 121,497                  | -                                | -                     | -   | -                 | -                                |
| Sanitation  | -                        | -                                | 146,534               | -   | -                 | -                                |
| Health and welfare                                      | -                        | 34,317                           | -                     | -   | -                 | -                                |
| Culture and recreation                                  | -                        | -                                | -                     | -   | -                 | -                                |
| Urban redevelopment and housing                         | -                        | -                                | -                     | -   | -                 | -                                |
| Debt service  | -                        | -                                | -                     | -   | -                 | -                                |
| Capital outlay  | -                        | -                                | -                     | -   | -                 | -                                |
| Unrestricted  | -                        | -                                | -                     | 13,846  | 190,052           | -                                |
| <b>Total cash and investment fund balance - ending</b>  | <b>\$ 121,497</b>        | <b>\$ 34,317</b>                 | <b>\$ 146,534</b>     | <b>\$ 13,846</b>                              | <b>\$ 190,052</b> | <b>\$ 202,966</b>                |

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended December 31, 2009  
 (Continued)

|   | Park<br>Revolving | Ordinance<br>Enforcement<br>Expense | Police<br>Tactical<br>Equipment | Sidewalk<br>Replacement | Debt<br>Service |
|---|-------------------|-------------------------------------|---------------------------------|-------------------------|-----------------|
| Receipts:   |                   |                                     |                                 |                         |                 |
| Taxes   | \$ -              | \$ -                                | \$ -                            | \$ -                    | \$ 112,051      |
| Intergovernmental                                     | -                 | -                                   | -                               | -                       | 10,177          |
| Charges for services                                  | 3,791             | -                                   | -                               | -                       | -               |
| Fines and forfeits                                    | -                 | 900                                 | -                               | -                       | -               |
| Other   | -                 | -                                   | -                               | 3,231                   | -               |
|   | <u>3,791</u>      | <u>900</u>                          | <u>-</u>                        | <u>3,231</u>            | <u>122,228</u>  |
| Total receipts  |                   |                                     |                                 |                         |                 |
| Disbursements:  |                   |                                     |                                 |                         |                 |
| General government                                    | -                 | 178                                 | -                               | 8,606                   | -               |
| Public safety   | -                 | -                                   | -                               | -                       | -               |
| Highways and streets                                  | -                 | -                                   | -                               | -                       | -               |
| Sanitation  | -                 | -                                   | -                               | -                       | -               |
| Health and welfare                                    | -                 | -                                   | -                               | -                       | -               |
| Economic development                                  | -                 | -                                   | -                               | -                       | -               |
| Culture and recreation                                | 1,810             | -                                   | -                               | -                       | -               |
| Urban redevelopment and housing                       | -                 | -                                   | -                               | -                       | -               |
| Debt service:   |                   |                                     |                                 |                         |                 |
| Principal   | -                 | -                                   | -                               | -                       | 115,000         |
| Interest  | -                 | -                                   | -                               | -                       | 30,103          |
|   | <u>1,810</u>      | <u>178</u>                          | <u>-</u>                        | <u>8,606</u>            | <u>145,103</u>  |
| Total disbursements                                   |                   |                                     |                                 |                         |                 |
| Excess (deficiency) of receipts<br>over disbursements | <u>1,981</u>      | <u>722</u>                          | <u>-</u>                        | <u>(5,375)</u>          | <u>(22,875)</u> |
| Cash and investment fund balance - beginning          | <u>6,124</u>      | <u>1,827</u>                        | <u>923</u>                      | <u>42,814</u>           | <u>23,918</u>   |
| Cash and investment fund balance - ending             | <u>\$ 8,105</u>   | <u>\$ 2,549</u>                     | <u>\$ 923</u>                   | <u>\$ 37,439</u>        | <u>\$ 1,043</u> |
| <u>Cash and Investment Assets - Ending</u>            |                   |                                     |                                 |                         |                 |
| Cash and investments                                  | \$ -              | \$ 2,549                            | \$ -                            | \$ 37,439               | \$ -            |
| Restricted assets:                                    |                   |                                     |                                 |                         |                 |
| Cash and investments                                  | <u>8,105</u>      | <u>-</u>                            | <u>923</u>                      | <u>-</u>                | <u>1,043</u>    |
| Total cash and investment assets - ending             | <u>\$ 8,105</u>   | <u>\$ 2,549</u>                     | <u>\$ 923</u>                   | <u>\$ 37,439</u>        | <u>\$ 1,043</u> |
| <u>Cash and Investment Fund Balance - Ending</u>      |                   |                                     |                                 |                         |                 |
| Restricted for:                                       |                   |                                     |                                 |                         |                 |
| Public safety   | \$ -              | \$ -                                | \$ 923                          | \$ -                    | \$ -            |
| Highways and streets                                  | -                 | -                                   | -                               | -                       | -               |
| Sanitation  | -                 | -                                   | -                               | -                       | -               |
| Health and welfare                                    | -                 | -                                   | -                               | -                       | -               |
| Culture and recreation                                | 8,105             | -                                   | -                               | -                       | -               |
| Urban redevelopment and housing                       | -                 | -                                   | -                               | -                       | -               |
| Debt service  | -                 | -                                   | -                               | -                       | 1,043           |
| Capital outlay  | -                 | -                                   | -                               | -                       | -               |
| Unrestricted  | <u>-</u>          | <u>2,549</u>                        | <u>-</u>                        | <u>37,439</u>           | <u>-</u>        |
| Total cash and investment fund balance - ending       | <u>\$ 8,105</u>   | <u>\$ 2,549</u>                     | <u>\$ 923</u>                   | <u>\$ 37,439</u>        | <u>\$ 1,043</u> |

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended December 31, 2009  
 (Continued)

|   | Cumulative<br>Capital<br>Development | Cumulative<br>Fire and<br>Building | Cumulative<br>Capital<br>Improvement | CDBG<br>Planning Grant<br>Façade | Totals              |
|---|--------------------------------------|------------------------------------|--------------------------------------|----------------------------------|---------------------|
| <b>Receipts:</b>  |                                      |                                    |                                      |                                  |                     |
| Taxes   | \$ 21,870                            | \$ 32,271                          | \$ -                                 | \$ -                             | \$ 166,192          |
| Intergovernmental                                       | 1,996                                | 2,946                              | 19,195                               | 49,500                           | 273,916             |
| Charges for services                                    | -                                    | -                                  | -                                    | -                                | 537,992             |
| Fines and forfeits                                      | -                                    | -                                  | -                                    | -                                | 1,325               |
| Other   | 3,589                                | 1,212                              | 2,268                                | -                                | 24,638              |
|   | <u>27,455</u>                        | <u>36,429</u>                      | <u>21,463</u>                        | <u>49,500</u>                    | <u>1,004,063</u>    |
| <b>Total receipts</b>                                   |                                      |                                    |                                      |                                  |                     |
| <b>Disbursements:</b>                                   |                                      |                                    |                                      |                                  |                     |
| General government                                      | -                                    | -                                  | -                                    | -                                | 24,259              |
| Public safety   | -                                    | -                                  | -                                    | -                                | 97,036              |
| Highways and streets                                    | -                                    | -                                  | -                                    | -                                | 97,857              |
| Sanitation  | -                                    | -                                  | -                                    | -                                | 331,969             |
| Health and welfare                                      | -                                    | -                                  | -                                    | -                                | 245,511             |
| Economic development                                    | -                                    | -                                  | 14,662                               | -                                | 14,662              |
| Culture and recreation                                  | -                                    | -                                  | -                                    | -                                | 1,810               |
| Urban redevelopment and housing                         | -                                    | -                                  | 6,706                                | 29,700                           | 36,406              |
| <b>Debt service:</b>                                    |                                      |                                    |                                      |                                  |                     |
| Principal   | -                                    | 34,200                             | -                                    | -                                | 149,200             |
| Interest  | -                                    | 7,212                              | -                                    | -                                | 37,315              |
|   | <u>-</u>                             | <u>41,412</u>                      | <u>21,368</u>                        | <u>29,700</u>                    | <u>1,036,025</u>    |
| <b>Total disbursements</b>                              |                                      |                                    |                                      |                                  |                     |
| Excess (deficiency) of receipts<br>over disbursements   | <u>27,455</u>                        | <u>(4,983)</u>                     | <u>95</u>                            | <u>19,800</u>                    | <u>(31,962)</u>     |
| Cash and investment fund balance - beginning            | <u>174,411</u>                       | <u>71,756</u>                      | <u>119,125</u>                       | <u>-</u>                         | <u>1,198,892</u>    |
| Cash and investment fund balance - ending               | <u>\$ 201,866</u>                    | <u>\$ 66,773</u>                   | <u>\$ 119,220</u>                    | <u>\$ 19,800</u>                 | <u>\$ 1,166,930</u> |
| <b><u>Cash and Investment Assets - Ending</u></b>       |                                      |                                    |                                      |                                  |                     |
| Cash and investments                                    | \$ -                                 | \$ -                               | \$ 119,220                           | \$ -                             | \$ 363,106          |
| <b>Restricted assets:</b>                               |                                      |                                    |                                      |                                  |                     |
| Cash and investments                                    | <u>201,866</u>                       | <u>66,773</u>                      | <u>-</u>                             | <u>19,800</u>                    | <u>803,824</u>      |
| Total cash and investment assets - ending               | <u>\$ 201,866</u>                    | <u>\$ 66,773</u>                   | <u>\$ 119,220</u>                    | <u>\$ 19,800</u>                 | <u>\$ 1,166,930</u> |
| <b><u>Cash and Investment Fund Balance - Ending</u></b> |                                      |                                    |                                      |                                  |                     |
| <b>Restricted for:</b>                                  |                                      |                                    |                                      |                                  |                     |
| Public safety   | \$ -                                 | \$ -                               | \$ -                                 | \$ -                             | \$ 203,889          |
| Highways and streets                                    | -                                    | -                                  | -                                    | -                                | 121,497             |
| Sanitation  | -                                    | -                                  | -                                    | -                                | 146,534             |
| Health and welfare                                      | -                                    | -                                  | -                                    | -                                | 34,317              |
| Culture and recreation                                  | -                                    | -                                  | -                                    | -                                | 8,105               |
| Urban redevelopment and housing                         | -                                    | -                                  | -                                    | 19,800                           | 19,800              |
| Debt service  | -                                    | -                                  | -                                    | -                                | 1,043               |
| Capital outlay  | 201,866                              | 66,773                             | -                                    | -                                | 268,639             |
| Unrestricted  | <u>-</u>                             | <u>-</u>                           | <u>119,220</u>                       | <u>-</u>                         | <u>363,106</u>      |
| Total cash and investment fund balance - ending         | <u>\$ 201,866</u>                    | <u>\$ 66,773</u>                   | <u>\$ 119,220</u>                    | <u>\$ 19,800</u>                 | <u>\$ 1,166,930</u> |

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For The Year Ended December 31, 2009

|   | <u>Fire Fighting<br/>Equipment</u> | <u>Frantz Park<br/>Donation</u> | <u>Halderman<br/>Park<br/>Donation</u> | <u>Police<br/>Donation</u> | <u>Pool<br/>Donation</u> | <u>Pool<br/>Membership<br/>Donation</u> |
|---|------------------------------------|---------------------------------|--|----------------------------|--------------------------|---|
| Additions:                                      |                                    |                                 |  |                            |                          |   |
| Contributions:                                  |                                    |                                 |  |                            |                          |   |
| Other   | \$ -                               | \$ -                            | \$ -                                   | \$ 124                     | \$ 85                    | \$ -                                    |
| Deductions:                                     |                                    |                                 |  |                            |                          |   |
| Administrative and general                      | -                                  | -                               | -                                      | -                          | -                        | -                                       |
| Excess of total additions over total deductions | -                                  | -                               | -                                      | 124                        | 85                       | -                                       |
| Cash and investment fund balance - beginning    | <u>2,748</u>                       | <u>778</u>                      | <u>40</u>                              | <u>6,904</u>               | <u>1,352</u>             | <u>167</u>                              |
| Cash and investment fund balance - ending       | <u>\$ 2,748</u>                    | <u>\$ 778</u>                   | <u>\$ 40</u>                           | <u>\$ 7,028</u>            | <u>\$ 1,437</u>          | <u>\$ 167</u>                           |

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For The Year Ended December 31, 2009  
 (Continued)

|   | Scout Hall<br>Donation | Seward<br>Building<br>Donation | Walrod<br>Memorial<br>Tree | Warvel<br>Park<br>Donation | Totals           |
|---|------------------------|--------------------------------|----------------------------|----------------------------|------------------|
| Additions:                                      |                        |                                |                            |                            |                  |
| Contributions:                                  |                        |                                |                            |                            |                  |
| Other   | \$ 700                 | \$ -                           | \$ 5,809                   | \$ 450                     | \$ 7,168         |
| Deductions:                                     |                        |                                |                            |                            |                  |
| Administrative and general                      | -                      | -                              | 5,109                      | 384                        | 5,493            |
| Excess of total additions over total deductions | 700                    | -                              | 700                        | 66                         | 1,675            |
| Cash and investment fund balance - beginning    | 1,354                  | 678                            | 5,088                      | 1,872                      | 20,981           |
| Cash and investment fund balance - ending       | <u>\$ 2,054</u>        | <u>\$ 678</u>                  | <u>\$ 5,788</u>            | <u>\$ 1,938</u>            | <u>\$ 22,656</u> |

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2009

|   | <u>Payroll</u>   | <u>Court Costs<br/>Due County</u> | <u>Street Deposit<br/>and Refund</u> | <u>User Fee</u> | <u>Town<br/>Court</u> | <u>Totals</u>    |
|---|------------------|-----------------------------------|--------------------------------------|-----------------|-----------------------|------------------|
| Additions:  |                  |                                   |                                      |                 |                       |                  |
| Agency fund additions   | \$ 454,024       | \$ 868                            | \$ 2,121                             | \$ 1,760        | \$ 12,260             | \$ 471,033       |
| Deductions:   |                  |                                   |                                      |                 |                       |                  |
| Agency fund deductions  | <u>455,062</u>   | <u>924</u>                        | <u>2,478</u>                         | <u>1,655</u>    | <u>11,091</u>         | <u>471,210</u>   |
| Excess (deficiency) of total additions<br>over total deductions | (1,038)          | (56)                              | (357)                                | 105             | 1,169                 | (177)            |
| Cash and investment fund balance - beginning                    | <u>12,595</u>    | <u>367</u>                        | <u>7,817</u>                         | <u>843</u>      | <u>1,227</u>          | <u>22,849</u>    |
| Cash and investment fund balance - ending                       | <u>\$ 11,557</u> | <u>\$ 311</u>                     | <u>\$ 7,460</u>                      | <u>\$ 948</u>   | <u>\$ 2,396</u>       | <u>\$ 22,672</u> |

TOWN OF NORTH MANCHESTER  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2009

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<br/>Balance</u> |
|---|---------------------------|
| Governmental activities:  |                           |
| Capital assets, not being depreciated:                              |                           |
| Land  | \$ 650,904                |
| Infrastructure  | 641,242                   |
| Buildings   | 2,949,614                 |
| Improvements other than buildings                                   | 286,487                   |
| Machinery and equipment   | 2,484,856                 |
| Construction in progress  | <u>18,860</u>             |
| Total governmental activities, capital assets not being depreciated | <u>\$ 7,031,963</u>       |
| Business-type activities:   |                           |
| Water Utility:  |                           |
| Capital assets, not being depreciated:                              |                           |
| Land  | \$ 55,480                 |
| Buildings   | 1,994,713                 |
| Improvements other than buildings                                   | 6,046,192                 |
| Machinery and equipment   | <u>197,967</u>            |
| Total Water Utility capital assets                                  | <u>8,294,352</u>          |
| Wastewater Utility:   |                           |
| Capital assets, not being depreciated:                              |                           |
| Land  | 26,977                    |
| Buildings   | 2,047,076                 |
| Improvements other than buildings                                   | 1,429,042                 |
| Machinery and equipment   | <u>697,563</u>            |
| Total Wastewater Utility capital assets                             | <u>4,200,658</u>          |
| Storm Water Utility:  |                           |
| Capital assets, not being depreciated:                              |                           |
| Construction in progress  | 99,130                    |
| Buildings   | 109,324                   |
| Improvements other than buildings                                   | 2,313,977                 |
| Machinery and equipment   | <u>64,179</u>             |
| Total Storm Water Utility capital assets                            | <u>2,586,610</u>          |
| Total business-type activities capital assets                       | <u>\$ 15,081,620</u>      |

TOWN OF NORTH MANCHESTER  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2009

The Town has entered into the following debt:

| Description of Debt                 | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|-------------------------------------|--------------------------------|---|
| Governmental activities:            |                                |   |
| Capital leases:                     |                                |   |
| Public safety building              | \$ 560,000                     | \$ 144,375  |
| Fire truck                          | <u>112,986</u>                 | <u>41,412</u>                                       |
| Total governmental activities debt  | <u>\$ 672,986</u>              | <u>\$ 185,787</u>                                   |
| Business-type activities:           |                                |   |
| Water Utility:                      |                                |   |
| Loans payable:                      |                                |   |
| \$1,147,000 2000 Plant improvements | \$ 1,075,000                   | \$ 151,305  |
| State revolving fund loan 2009      | <u>2,664,128</u>               | <u>*</u>  |
| Total Water Utility                 | <u>3,739,128</u>               | <u>151,305</u>                                      |
| Wastewater Utility:                 |                                |   |
| Revenue bonds:                      |                                |   |
| \$875,000 2002 refunding            | 20,000                         | 20,445  |
| Loans payable:                      |                                |   |
| \$400,000 2002 Plant improvements   | <u>341,994</u>                 | <u>29,643</u>                                       |
| Total Wastewater Utility            | <u>361,994</u>                 | <u>50,088</u>                                       |
| Storm Water Utility:                |                                |   |
| Revenue bonds:                      |                                |   |
| \$635,000 2007 refunding            | <u>480,000</u>                 | <u>84,745</u>                                       |
| Total business-type activities debt | <u>\$ 4,581,122</u>            | <u>\$ 286,138</u>                                   |

\*Project not completed, amortization schedule not available.

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of North Manchester (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2009. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 Town'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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A control deficiency in a Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 5, 2010

TOWN OF NORTH MANCHESTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2009

| Federal Grantor Agency/Pass-Through Entity<br>Program Title/Project Title  | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended |
|--|---------------------------|--|-------------------------------------|
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>  |                           |  |                                     |
| Pass-Through Indiana Office of Community and Rural Affairs<br>Community Development Block Grants/State's Program<br>and Non-Entitlement Grants in Hawaii | 14.228                    | PL-05-055  | \$ 29,700                           |
| Total for federal grantor agency   |                           |  | <u>29,700</u>                       |
| <u>U.S. DEPARTMENT OF JUSTICE</u>  |                           |  |                                     |
| Direct Grant<br>Bulletproof Vest Partnership Program   | 16.607                    |  | <u>1,290</u>                        |
| Total for federal grantor agency   |                           |  | <u>1,290</u>                        |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u>   |                           |  |                                     |
| Pass-Through Indiana Criminal Justice Institute<br>Highway Safety Cluster<br>State and Community Highway Safety  | 20.600                    | OP-09-01-01-37   | <u>1,550</u>                        |
| Alcohol Impaired Driving Countermeasures Incentive Grants  | 20.601                    | OP-10-02-01-30   | <u>550</u>                          |
| Total for federal grantor agency   |                           |  | <u>2,100</u>                        |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>  |                           |  |                                     |
| Pass-Through Indiana Finance Authority<br>Capitalization Grants for Drinking Water State<br>Revolving Funds  | 66.468                    | 2F-00E72901-0  | 1,028,535                           |
| ARRA - Capitalization Grants for Drinking Water State<br>Revolving Funds   | 66.468                    | 2F-00E72901-0  | <u>1,162,934</u>                    |
| Total for federal grantor agency   |                           |  | <u>2,191,469</u>                    |
| Total federal awards expended  |                           |  | <u>\$ 2,224,559</u>                 |

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF NORTH MANCHESTER  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of North Manchester (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

TOWN OF NORTH MANCHESTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

|  |               |
|--|---------------|
| Material weaknesses identified?  | no            |
| Significant deficiencies identified that are not considered to be material weaknesses? | none reported |

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

|  |               |
|--|---------------|
| Material weaknesses identified?  | no            |
| Significant deficiencies identified that are not considered to be material weaknesses? | none reported |

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

| CFDA<br>Number | Name of Federal Program or Cluster                                       |
|----------------|--|
| 66.468         | Capitalization Grants for Drinking Water<br>State Revolving Funds        |
| 66.468         | ARRA – Capitalization Grants for Drinking Water<br>State Revolving Funds |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF NORTH MANCHESTER  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF NORTH MANCHESTER  
EXIT CONFERENCE

The contents of this report were discussed on May 5, 2010, with Carrie C. Mugford, Clerk-Treasurer; Daniel A. Hannaford, Town Manager; and Christopher W. Garber, President of the Town Council. Our audit disclosed no material items that warrant comment at this time.