

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF NORTH MANCHESTER  
WABASH COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
05/19/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carrie Mugford	01-01-12 to 12-31-19
President of the Town Council	Christopher Garber (deceased) (Vacant) James Smith	01-01-14 to 12-16-15 12-17-15 to 12-31-15 01-01-16 to 12-31-17
Town Manager	Daniel Hannaford (Vacant) Dave Schoeff Carrie Mugford (interim) Adam Penrod	01-01-14 to 08-31-14 09-01-14 to 10-19-14 10-20-14 to 06-01-16 06-02-16 to 09-06-16 09-07-16 to 12-31-17



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Town of North Manchester (Town), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2014.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


*Other Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 13, 2017, 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 integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

March 13, 2017



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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, the financial statement of the Town of North Manchester (Town), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated March 13, 2017, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statement is free from 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*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

March 13, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

TOWN OF NORTH MANCHESTER  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ 115,235	\$ 1,807,176	\$ 1,924,294	\$ (1,883)
Motor Vehicle Highway	47,895	433,279	455,696	25,478
Local Road And Street	129,015	24,609	44,780	108,844
Emergency Medical Services/Ambulance	70,793	251,354	244,522	77,625
Sanitation Revenue	21,850	292,105	303,019	10,936
Community Development	80,225	247	-	80,472
Law Enforcement Continuing Ed	14,865	2,460	5,724	11,601
Riverboat	247,350	36,856	93,515	190,691
Emergency Telephone System	1,282	-	1,282	-
Parks And Recreation	25,406	559,795	584,377	824
Rainy Day	160,837	501	185	161,153
Cumulative Capital Development	187,911	63,480	64,875	186,516
Cinergy Metronet Allocation Redevelopment	36,049	64,530	400	100,179
Cumulative Fire	32,411	37,837	40,000	30,248
Cumulative Capital Improvement	52,219	16,329	3,100	65,448
CEDIT Capital Projects	603,839	192,220	334,119	461,940
TLC Non-Reverting Program	-	35,699	34,465	1,234
OCRA Facade Grant	-	213,443	165,925	47,518
Park Revolving	5	5,253	4,889	369
Ordinance Enforcement Expense	4,232	570	-	4,802
Police Tactical Equipment	68	-	-	68
Sidewalk Replacement	1,580	9,410	3,001	7,989
Debt Service - Other	(4,137)	246,834	179,048	63,649
Fire Fighting Equipment	2,748	-	-	2,748
Police Donation	21,276	423	-	21,699
Pool Donation	22,892	650	7,690	15,852
Pool Membership Donation	117	-	-	117
Scout Hall Donation	3,186	-	-	3,186
Walrod Memorial Tree	5,588	1,350	1,725	5,213
Warvel Park Donation	4,461	-	-	4,461
Payroll	2,754	563,475	557,487	8,742
Court Cost Due County	199	-	-	199
Street Deposit And Refund	11,174	3,075	4,050	10,199
User Fee	1,252	-	-	1,252
Storm Water Utility-Operating	62,916	210,479	139,970	133,425
Storm Water Utility-Bond And Interest	40,365	86,303	87,680	38,988
Storm Water Utility-Deprec/Improve	292,708	867	-	293,575
Storm Water Utility-Debt Reserve	64,283	178	-	64,461
Wastewater Debt Service	28,854	38,492	-	67,346
Wastewater Construction in Progress	-	1,024,737	1,024,737	-
Wastewater Utility-Operating	194,834	992,789	1,073,350	114,273
Wastewater Utility-Bond And Interest	110,599	192,255	168,516	134,338
Wastewater Utility-Deprec/Improve	412,720	201,432	-	614,152
Water Utility-Operating	213,484	1,028,433	1,083,237	158,680
Water Utility-Bond And Interest	71,788	281,101	279,369	73,520
Water Utility-Depreciation/Improve	605,900	152,024	53,664	704,260
Water Utility-Customer Deposit	53,852	21,630	19,285	56,197
Water Utility-Debt Reserve	273,391	8,167	-	281,558
Totals	<u>\$ 4,330,271</u>	<u>\$ 9,101,847</u>	<u>\$ 8,987,976</u>	<u>\$ 4,444,142</u>

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

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENT

**Note 1. 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 some or all of 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, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

*Licenses and permits.* Amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

*Fines and forfeits.* Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

*Utility fees.* Amounts received from charges for current services.

*Penalties.* Amounts received from late payment fees.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Personal services.* Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Debt service - principal and interest.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

**F. Interfund Transfers**

The Town may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

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

State statutes authorize the Town to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The Town may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

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

TOWN OF NORTH MANCHESTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains a fund with a deficit in cash. This is a result of uncaptured revenue in the amount of \$22,760.

**Note 8. Holding Corporations**

The Town has entered into capital leases with North Manchester Building Corporation and North Manchester Redevelopment Authority (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessors have been determined to be related-parties of the Town. Lease payments during the year 2014 totaled \$44,048 and \$135,000, respectively. The North Manchester Building Corporation lease was retired in 2014.

**Note 9. Subsequent Events**

On October 8, 2015, the Town issued \$610,000 in Redevelopment Bonds for the purchase of approximately 92 acres of real estate.

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#### OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Town's Annual Financial Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014

	General	Motor Vehicle Highway	Local Road And Street	Emergency Medical Services/ Ambulance	Sanitation Revenue	Community Development	Law Enforcement Continuing Ed
Cash and investments - beginning	\$ 115,235	\$ 47,895	\$ 129,015	\$ 70,793	\$ 21,850	\$ 80,225	\$ 14,865
Receipts:							
Taxes	767,430	190,063	-	127,500	-	-	-
Licenses and permits	5,088	-	-	-	-	-	1,250
Intergovernmental receipts	996,558	231,605	24,197	-	-	-	-
Charges for services	7,500	1,620	-	123,630	291,986	-	1,018
Fines and forfeits	5,689	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	24,911	9,991	412	224	119	247	192
Total receipts	<u>1,807,176</u>	<u>433,279</u>	<u>24,609</u>	<u>251,354</u>	<u>292,105</u>	<u>247</u>	<u>2,460</u>
Disbursements:							
Personal services	1,264,666	212,044	-	3,842	42,067	-	-
Supplies	66,721	157,867	-	-	-	-	5,724
Other services and charges	522,672	50,358	44,780	240,680	260,952	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	69,665	35,427	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	570	-	-	-	-	-	-
Total disbursements	<u>1,924,294</u>	<u>455,696</u>	<u>44,780</u>	<u>244,522</u>	<u>303,019</u>	<u>-</u>	<u>5,724</u>
Excess (deficiency) of receipts over disbursements	<u>(117,118)</u>	<u>(22,417)</u>	<u>(20,171)</u>	<u>6,832</u>	<u>(10,914)</u>	<u>247</u>	<u>(3,264)</u>
Cash and investments - ending	<u>\$ (1,883)</u>	<u>\$ 25,478</u>	<u>\$ 108,844</u>	<u>\$ 77,625</u>	<u>\$ 10,936</u>	<u>\$ 80,472</u>	<u>\$ 11,601</u>

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Riverboat	Emergency Telephone System	Parks And Recreation	Rainy Day	Cumulative Capital Development	Cinergy Metronet Allocation Redevelopment	Cumulative Fire
Cash and investments - beginning	\$ 247,350	\$ 1,282	\$ 25,406	\$ 160,837	\$ 187,911	\$ 36,049	\$ 32,411
Receipts:							
Taxes	-	-	298,059	-	57,876	64,348	34,725
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	36,207	-	25,860	-	5,021	-	3,013
Charges for services	-	-	226,881	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	649	-	8,995	501	583	182	99
Total receipts	36,856	-	559,795	501	63,480	64,530	37,837
Disbursements:							
Personal services	-	1,282	305,558	-	-	-	-
Supplies	-	-	42,690	-	8,226	-	-
Other services and charges	48,315	-	236,129	185	16,606	400	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	45,200	-	-	-	40,043	-	40,000
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	93,515	1,282	584,377	185	64,875	400	40,000
Excess (deficiency) of receipts over disbursements	(56,659)	(1,282)	(24,582)	316	(1,395)	64,130	(2,163)
Cash and investments - ending	\$ 190,691	\$ -	\$ 824	\$ 161,153	\$ 186,516	\$ 100,179	\$ 30,248

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Cumulative Capital Improvement	CEDIT Capital Projects	TLC Non-Reverting Program	OCRA Facade Grant	Park Revolving	Ordinance Enforcement Expense	Police Tactical Equipment
Cash and investments - beginning	\$ 52,219	\$ 603,839	\$ -	\$ -	\$ 5	\$ 4,232	\$ 68
Receipts:							
Taxes	-	-	171	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	16,167	147,226	-	148,118	-	-	-
Charges for services	-	22,905	33,699	-	-	-	-
Fines and forfeits	-	-	-	-	5,253	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	162	22,089	1,829	65,325	-	570	-
Total receipts	16,329	192,220	35,699	213,443	5,253	570	-
Disbursements:							
Personal services	-	-	7,563	-	-	-	-
Supplies	-	-	3,163	-	4,889	-	-
Other services and charges	3,100	245,658	23,048	165,925	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	88,461	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	691	-	-	-	-
Total disbursements	3,100	334,119	34,465	165,925	4,889	-	-
Excess (deficiency) of receipts over disbursements	13,229	(141,899)	1,234	47,518	364	570	-
Cash and investments - ending	\$ 65,448	\$ 461,940	\$ 1,234	\$ 47,518	\$ 369	\$ 4,802	\$ 68

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Sidewalk Replacement	Debt Service - Other	Fire Fighting Equipment	Police Donation	Pool Donation	Pool Membership Donation	Scout Hall Donation
Cash and investments - beginning	\$ 1,580	\$ (4,137)	\$ 2,748	\$ 21,276	\$ 22,892	\$ 117	\$ 3,186
Receipts:							
Taxes	-	227,104	-	-	-	-	-
Licenses and permits	9,409	-	-	-	-	-	-
Intergovernmental receipts	-	19,704	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1	26	-	423	650	-	-
Total receipts	9,410	246,834	-	423	650	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	7,690	-	-
Other services and charges	3,001	-	-	-	-	-	-
Debt service - principal and interest	-	44,048	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	135,000	-	-	-	-	-
Total disbursements	3,001	179,048	-	-	7,690	-	-
Excess (deficiency) of receipts over disbursements	6,409	67,786	-	423	(7,040)	-	-
Cash and investments - ending	\$ 7,989	\$ 63,649	\$ 2,748	\$ 21,699	\$ 15,852	\$ 117	\$ 3,186

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Walrod Memorial Tree	Warvel Park Donation	Payroll	Court Cost Due County	Street Deposit And Refund	User Fee	Storm Water Utility-Operating
Cash and investments - beginning	\$ 5,588	\$ 4,461	\$ 2,754	\$ 199	\$ 11,174	\$ 1,252	\$ 62,916
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	3,075	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	1,350	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	207,253
Penalties	-	-	-	-	-	-	2,649
Other receipts	-	-	563,475	-	-	-	577
Total receipts	<u>1,350</u>	<u>-</u>	<u>563,475</u>	<u>-</u>	<u>3,075</u>	<u>-</u>	<u>210,479</u>
Disbursements:							
Personal services	-	-	-	-	-	-	32,329
Supplies	-	-	-	-	-	-	-
Other services and charges	1,725	-	-	-	-	-	416
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	19,153
Other disbursements	-	-	557,487	-	4,050	-	88,072
Total disbursements	<u>1,725</u>	<u>-</u>	<u>557,487</u>	<u>-</u>	<u>4,050</u>	<u>-</u>	<u>139,970</u>
Excess (deficiency) of receipts over disbursements	<u>(375)</u>	<u>-</u>	<u>5,988</u>	<u>-</u>	<u>(975)</u>	<u>-</u>	<u>70,509</u>
Cash and investments - ending	<u>\$ 5,213</u>	<u>\$ 4,461</u>	<u>\$ 8,742</u>	<u>\$ 199</u>	<u>\$ 10,199</u>	<u>\$ 1,252</u>	<u>\$ 133,425</u>

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Storm Water Utility-Bond And Interest	Storm Water Utility-Deprec/ Improve	Storm Water Utility-Debt Reserve	Wastewater Debt Service	Wastewater Construction in Progress	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest
Cash and investments - beginning	\$ 40,365	\$ 292,708	\$ 64,283	\$ 28,854	\$ -	\$ 194,834	\$ 110,599
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	963,892	-
Penalties	-	-	-	-	-	14,245	-
Other receipts	86,303	867	178	38,492	1,024,737	14,652	192,255
Total receipts	<u>86,303</u>	<u>867</u>	<u>178</u>	<u>38,492</u>	<u>1,024,737</u>	<u>992,789</u>	<u>192,255</u>
Disbursements:							
Personal services	-	-	-	-	-	243,494	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	18,845	-
Debt service - principal and interest	87,680	-	-	-	-	-	168,516
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	1,024,737	351,990	-
Other disbursements	-	-	-	-	-	459,021	-
Total disbursements	<u>87,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,024,737</u>	<u>1,073,350</u>	<u>168,516</u>
Excess (deficiency) of receipts over disbursements	<u>(1,377)</u>	<u>867</u>	<u>178</u>	<u>38,492</u>	<u>-</u>	<u>(80,561)</u>	<u>23,739</u>
Cash and investments - ending	<u>\$ 38,988</u>	<u>\$ 293,575</u>	<u>\$ 64,461</u>	<u>\$ 67,346</u>	<u>\$ -</u>	<u>\$ 114,273</u>	<u>\$ 134,338</u>

TOWN OF NORTH MANCHESTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	Wastewater Utility-Deprec/ Improve	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility- Depreciation/ Improve	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 412,720	\$ 213,484	\$ 71,788	\$ 605,900	\$ 53,852	\$ 273,391	\$ 4,330,271
Receipts:							
Taxes	-	36,818	-	-	-	-	1,804,094
Licenses and permits	-	-	-	-	-	-	18,822
Intergovernmental receipts	-	-	-	-	-	-	1,653,676
Charges for services	-	-	-	-	-	-	709,239
Fines and forfeits	-	-	-	-	-	-	12,292
Utility fees	-	942,483	-	-	-	-	2,113,628
Penalties	-	11,060	-	-	-	-	27,954
Other receipts	<u>201,432</u>	<u>38,072</u>	<u>281,101</u>	<u>152,024</u>	<u>21,630</u>	<u>8,167</u>	<u>2,762,142</u>
Total receipts	<u>201,432</u>	<u>1,028,433</u>	<u>281,101</u>	<u>152,024</u>	<u>21,630</u>	<u>8,167</u>	<u>9,101,847</u>
Disbursements:							
Personal services	-	189,472	-	-	-	-	2,302,317
Supplies	-	-	-	-	-	-	296,970
Other services and charges	-	22,397	-	-	-	-	1,905,192
Debt service - principal and interest	-	-	279,369	-	-	-	579,613
Capital outlay	-	-	-	53,664	-	-	372,460
Utility operating expenses	-	414,708	-	-	19,285	-	1,829,873
Other disbursements	<u>-</u>	<u>456,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,701,551</u>
Total disbursements	<u>-</u>	<u>1,083,237</u>	<u>279,369</u>	<u>53,664</u>	<u>19,285</u>	<u>-</u>	<u>8,987,976</u>
Excess (deficiency) of receipts over disbursements	<u>201,432</u>	<u>(54,804)</u>	<u>1,732</u>	<u>98,360</u>	<u>2,345</u>	<u>8,167</u>	<u>113,871</u>
Cash and investments - ending	<u>\$ 614,152</u>	<u>\$ 158,680</u>	<u>\$ 73,520</u>	<u>\$ 704,260</u>	<u>\$ 56,197</u>	<u>\$ 281,558</u>	<u>\$ 4,444,142</u>

TOWN OF NORTH MANCHESTER  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Storm Water	\$ 1,536	\$ 18,938
Wastewater	48,601	98,019
Water	29,959	79,542
Governmental activities	<u>98,707</u>	<u>37,824</u>
Totals	<u>\$ 178,803</u>	<u>\$ 234,323</u>

TOWN OF NORTH MANCHESTER  
SCHEDULE OF LEASES AND DEBT  
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
North Manchester Redevelopment Authority	Downtown Sidewalk Renovation	\$ 133,000	5/15/2012	1/15/2032
Crossroads Bank	Equipment Lease	<u>14,848</u>	9/12/2014	7/15/2019
Total governmental activities		<u>147,848</u>		
Total of annual lease payments		<u>\$ 147,848</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Storm Water:			
Revenue bonds	Refunding Revenue Bonds of 2007	<u>\$ 120,000</u>	<u>\$ 84,282</u>
Wastewater:			
Notes and loans payable	State Revolving Fund Loan 2013	<u>3,011,873</u>	<u>191,168</u>
Water:			
Notes and loans payable	State Revolving Fund Loan 2000	432,000	150,528
Notes and loans payable	State Revolving Fund Loan 2009	<u>2,711,824</u>	<u>128,986</u>
Total Water		<u>3,143,824</u>	<u>279,514</u>
Totals		<u>\$ 6,275,697</u>	<u>\$ 554,964</u>

TOWN OF NORTH MANCHESTER  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2014

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.

	Ending Balance
Governmental activities:	
Land	\$ 778,719
Infrastructure	779,261
Buildings	3,125,174
Improvements other than buildings	415,853
Machinery, equipment, and vehicles	3,075,879
Total governmental activities	8,174,886
Storm Water:	
Buildings	208,454
Improvements other than buildings	2,320,457
Machinery, equipment, and vehicles	79,153
Construction in progress	1,766,426
Total Storm Water	4,374,490
Wastewater:	
Land	26,977
Buildings	2,055,352
Improvements other than buildings	1,539,559
Machinery, equipment, and vehicles	748,364
Total Wastewater	4,370,252
Water:	
Land	84,980
Buildings	1,993,704
Improvements other than buildings	6,112,339
Machinery, equipment, and vehicles	368,590
Total Water	8,559,613
Total capital assets	\$ 25,479,241

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

**Report on Compliance for the Major Federal Program**

We have audited the Town of North Manchester's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2014. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

**Report on Internal Control over Compliance**


Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

March 13, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Town. The schedule and notes are presented as intended by the Town.

TOWN OF NORTH MANCHESTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii 2014 OCRA Facade Project	Indiana Office of Community and Rural Affairs	14.228	B-12-DC-18-001	\$ 148,118
Total - CDBG - State-Administered CDBG Cluster				148,118
Total - Department of Housing and Urban Development				148,118
<u>Department of Transportation</u>				
Highway Safety Cluster				
State and Community Highway Safety Operation Pullover	Indiana Criminal Justice Institute	20.600	18x9204020IN13	2,200
Total - Highway Safety Cluster				2,200
Total - Department of Transportation				2,200
<u>Environmental Protection Agency</u>				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water State Revolving Funds 2013 CSO/LTCP Stormwater Improvements	Indiana Finance Authority	66.458	WW13038501	346,230
Total - Clean Water State Revolving Fund Cluster				346,230
Total - Environmental Protection Agency				346,230
<u>Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters) 2014 Snow Removal				
	Indiana Department of Homeland Security	97.036	169-UY117-00	7,114
Total - Department of Homeland Security				7,114
Total federal awards expended				\$ 503,662

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

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

**Note 1. *Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

**Note 2. *Summary of Significant Accounting Policies***

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, 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 Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weakness identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

No matters are reportable.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2014-001 - Davis-Bacon Act**

Federal Agency: Environmental Protection Agency  
 Federal Program: Capitalization Grants for Clean Water State Revolving Funds  
 CFDA Number: 66.458  
 Federal Award Number and Year (or Other Identifying Number): WW13038501, 2014  
 Pass-Through Entity: Indiana Finance Authority

TOWN OF NORTH MANCHESTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition*

Management of the Town had not established an effective internal control system related to the grant agreement and the Davis-Bacon Act compliance requirement. The following deficiency constituted a material weakness.

Monitoring procedures were not in place at the Town in order to verify compliance with requirements related to the grant agreement and the Davis-Bacon Act compliance requirement. The Town paid an independent contractor to provide grant administration services for the Capitalization Grants for Clean Water State Revolving Funds. The Town relied solely on communications with the independent contractor to determine compliance with the Davis-Bacon Act.

*Context*

Internal control issues were systemic, occurring throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

*Cause*

Management had not developed an effective system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the Davis-Bacon Act compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls related to the grant agreement and the Davis-Bacon Act compliance requirement.

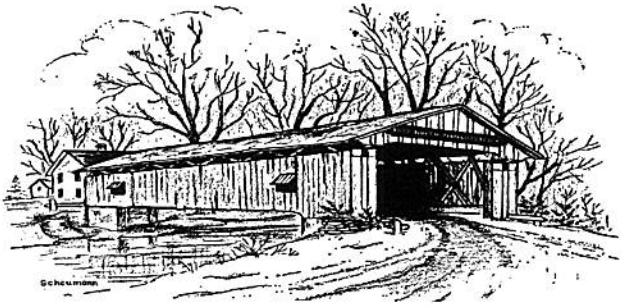
*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.



**Town of North Manchester**

103 East Main Street  
North Manchester, Indiana 46962  
Phone: 260-982-9800 Fax: 260-982-7428

**Clerk-Treasurer**

Carrie Mugford, IAMC  
cmugford@nmanchester.org

**North Manchester Town Council**

Jim Smith, Laura Rager  
Chalmer Tobias, Tom Dale, Allen Miracle

Carrie Mugford  
Clerk-Treasurer

Finding 2014-001

Contact person responsible for corrective action: Carrie Mugford  
Contact phone number: 260-982-9800

Views of responsible official:

We concur with the finding.

Description of corrective action plan:

1. The town will continue to enhance our internal controls and improve our oversight functions.
2. The town has instituted a segregation of duties, to ensure compliance with both the grant agreement and the Davis Bacon compliance requirements.
3. The town will commit to training of employees involved in projects with federal funding so that they understand the requirements of the Davis Bacon Act.

Anticipated completion date: Immediately.

Carrie Mugford  
(Signature)

Clerk-Treasurer  
(Title)

3-13-17  
(Date)

JW Smith  
(Signature)

President / Town Council  
(Title)

03.13.2017  
(Date)

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.