



**VILLAGE OF MANCHESTER
ADAMS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2002-2001



**Auditor of State
Betty Montgomery**

VILLAGE OF MANCHESTER
ADAMS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Manchester
Adams County
400 Pike Street
Manchester, Ohio 45144

To the Village Council:

We have audited the accompanying financial statements of the Village of Manchester, Adams County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 opinion.

The Village did not provide sufficient evidence supporting traffic citations issued by the Village police for Mayor's Court during 2002 and 2001, which are recorded as other non-operating receipts in the Agency Fund and as fines, licenses, and permits in the General Fund. Without a full accountability over the citations issued, we could not assure ourselves regarding the validity of the Mayor's Court receipts or satisfy ourselves regarding the validity of the receipts through other auditing procedures. Mayor's Court receipts represent 100% of the receipts recorded in the Agency Fund Type and accounted for 14% and 12% of total receipts collected by the Village's General Fund during 2002 and 2001, respectively.

The accompanying financial statements present certain receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amount recorded as other non-operating receipts in the Agency Fund and as fines, licenses, and permits in the General Fund, and except for the omission of certain receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and 2001, and its combined unclassified cash receipts and unclassified disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 10 to the financial statements, the Village has been declared in a state of fiscal emergency under Ohio law.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 6, 2004

VILLAGE OF MANCHESTER
ADAMS COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$86,142	\$66,090	\$0	\$0	\$152,232
Intergovernmental Receipts	74,049	151,708			225,757
Interest	3,365				3,365
Fines, Licenses, and Permits	41,454				41,454
Unclassified	23,112	10,020			33,132
Total Cash Receipts	<u>228,122</u>	<u>227,818</u>	<u>0</u>	<u>0</u>	<u>455,940</u>
Cash Disbursements:					
Unclassified	<u>270,066</u>	<u>156,862</u>			<u>426,928</u>
Total Cash Disbursements	<u>270,066</u>	<u>156,862</u>	<u>0</u>	<u>0</u>	<u>426,928</u>
Total Receipts Over/(Under) Disbursements	(41,944)	70,956	0	0	29,012
Other Financing Receipts/(Disbursements):					
Return of Unspent Emergency Management Mitigation Funds		(75,697)			(75,697)
Transfers-In		7,570		2,779	10,349
Transfers-Out	(12,571)				(12,571)
Total Other Financing Receipts/(Disbursements)	<u>(12,571)</u>	<u>(68,127)</u>	<u>0</u>	<u>2,779</u>	<u>(77,919)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(54,515)	2,829	0	2,779	(48,907)
Fund Cash Balances, January 1	<u>56,056</u>	<u>56,505</u>	<u>(8,264)</u>	<u>(2,779)</u>	<u>101,518</u>
Fund Cash Balances, December 31	<u>\$1,541</u>	<u>\$59,334</u>	<u>(\$8,264)</u>	<u>\$0</u>	<u>\$52,611</u>
Reserves for Encumbrances, December 31	<u>\$2,314</u>	<u>\$8,329</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,643</u>

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

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$483,153	\$0	\$483,153
Unclassified	2,909		2,909
Total Operating Cash Receipts	<u>486,062</u>	<u>0</u>	<u>486,062</u>
Operating Cash Disbursements:			
Unclassified	361,454		361,454
Total Operating Cash Disbursements	<u>361,454</u>	<u>0</u>	<u>361,454</u>
Operating Income	<u>124,608</u>	<u>0</u>	<u>124,608</u>
Non-Operating Cash Receipts:			
Debt Proceeds	217,000		217,000
Other Non-Operating Receipts		38,685	38,685
Total Non-Operating Cash Receipts	<u>217,000</u>	<u>38,685</u>	<u>255,685</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	264,600		264,600
Interest	72,518		72,518
Other Non-Operating Cash Disbursements		38,670	38,670
Total Non-Operating Cash Disbursements	<u>337,118</u>	<u>38,670</u>	<u>375,788</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	4,490	15	4,505
Transfers-In	101,798		101,798
Transfers-Out	(99,576)		(99,576)
Other Financing Sources	3,000		3,000
Other Financing Uses	(3,000)		(3,000)
Net Receipts Over Disbursements	6,712	15	6,727
Fund Cash Balances, January 1	<u>307,673</u>	<u>0</u>	<u>307,673</u>
Fund Cash Balances, December 31	<u>\$314,385</u>	<u>\$15</u>	<u>\$314,400</u>
Reserve for Encumbrances, December 31	<u>\$4,369</u>	<u>\$0</u>	<u>\$4,369</u>

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

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$84,583	\$69,933			\$154,516
Intergovernmental Receipts	67,935	132,871			200,806
Interest	7,912				7,912
Fines, Licenses, and Permits	42,873				42,873
Unclassified	19,284	2,659			21,943
Total Cash Receipts	<u>222,587</u>	<u>205,463</u>	<u>0</u>	<u>0</u>	<u>428,050</u>
Cash Disbursements:					
Unclassified	<u>229,603</u>	<u>586,601</u>			<u>816,204</u>
Total Cash Disbursements	<u>229,603</u>	<u>586,601</u>	<u>0</u>	<u>0</u>	<u>816,204</u>
Total Receipts Over/(Under) Disbursements	<u>(7,016)</u>	<u>(381,138)</u>	<u>0</u>	<u>0</u>	<u>(388,154)</u>
Other Financing Receipts:					
Transfers-In					0
Transfers-Out	<u>(4,800)</u>				<u>(4,800)</u>
Total Other Financing Receipts	<u>(4,800)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,800)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(11,816)	(381,138)	0	0	(392,954)
Fund Cash Balances, January 1	<u>67,872</u>	<u>437,643</u>	<u>(8,264)</u>	<u>(2,779)</u>	<u>494,472</u>
Fund Cash Balances, December 31	<u>\$56,056</u>	<u>\$56,505</u>	<u>(\$8,264)</u>	<u>(\$2,779)</u>	<u>\$101,518</u>
Reserves for Encumbrances, December 31	<u>\$11,502</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,502</u>

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

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$490,110	\$0	\$490,110
Unclassified	16,655		16,655
Total Operating Cash Receipts	<u>506,765</u>	<u>0</u>	<u>506,765</u>
Operating Cash Disbursements:			
Unclassified	322,531		322,531
Total Operating Cash Disbursements	<u>322,531</u>	<u>0</u>	<u>322,531</u>
Operating Income	<u>184,234</u>	<u>0</u>	<u>184,234</u>
Non-Operating Cash Receipts:			
Debt Proceeds	227,300		227,300
Return of Defeasance Escrow	204,189		204,189
Other Non-Operating Receipts		42,108	42,108
Total Non-Operating Cash Receipts	<u>431,489</u>	<u>42,108</u>	<u>473,597</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	406,489		406,489
Interest	75,247		75,247
Other Non-Operating Cash Disbursements		42,108	42,108
Total Non-Operating Cash Disbursements	<u>481,736</u>	<u>42,108</u>	<u>523,844</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	133,987	0	133,987
Transfers-In	148,343		148,343
Transfers-Out	(143,543)		(143,543)
Other Financing Sources	3,000		3,000
Other Financing Uses	(3,000)		(3,000)
Net Receipts Over/(Under) Disbursements	138,787	0	138,787
Fund Cash Balances, January 1	<u>168,886</u>	<u>0</u>	<u>168,886</u>
Fund Cash Balances, December 31	<u>\$307,673</u>	<u>\$0</u>	<u>\$307,673</u>
Reserve for Encumbrances, December 31	<u>\$10,223</u>	<u>\$0</u>	<u>\$10,223</u>

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

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Manchester, Adams County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides street maintenance, police protection, park operations, and water and sewer utilities.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Village did not classify certain receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash Deposits

The Village maintains all funds in an interest-bearing checking account and certificates of deposit with a local financial institution. The certificates of deposits are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Levy Fund – This fund receives tax money to provide fire protection.

Police Levy Fund – This fund receives tax money to provide police protection.

Emergency Management Mitigation Grant – This fund received grant money to purchase property from persons that live within the flood plain within the Village.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness (except those accounted for in enterprise funds).

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Debt Fund – This fund is used to accumulate resources for retirement of mortgage revenue bonds from the United State Department of Agriculture.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Financial statements were adjusted to include encumbrances that should have been recorded at year-end.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH DEPOSITS

The Village maintains a cash deposits pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash deposits at December 31 was as follows:

	2002	2001
Demand Deposits	297,390	335,267
Certificates of Deposit	69,621	67,987
EMA Mitigation/Fiscal Agent - County Treasurer (see Note 9)		5,937
Total Deposits	367,011	409,191

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,000	\$228,122	\$53,122
Special Revenue	148,676	235,388	86,712
Capital Projects	2,779	2,779	0
Enterprise	2,602,062	807,860	(1,794,202)
Total	\$2,928,517	\$1,274,149	(\$1,654,368)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$171,724	\$284,951	(\$113,227)
Special Revenue	168,679	240,888	(72,209)
Enterprise	2,537,960	805,517	1,732,443
Total	\$2,878,363	\$1,331,356	\$1,547,007

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$181,222	\$222,587	\$41,365
Special Revenue	168,313	205,463	37,150
Capital Projects	2,778		(2,778)
Enterprise	2,077,115	1,089,597	(987,518)
Total	\$2,429,428	\$1,517,647	(\$911,781)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$178,649	\$245,905	(\$67,256)
Special Revenue	162,753	586,601	(423,848)
Enterprise	2,114,327	961,033	1,153,294
Total	\$2,455,729	\$1,793,539	\$662,190

Contrary to Ohio Rev. Code, Section 5705.41(B), the Village had expenditures in excess of appropriations in the General, State Highway, Fire Levy, EMA Mitigation, CDBG Mitigation, Water Operating, and Community Building Funds in 2001 and the General, State Highway, Fire Levy, Police Levy, EMA Mitigation, Water Operating, and RT 52 Water Line Extension Funds in 2002.

Contrary to Ohio Rev. Code, Section 5705.39, appropriations exceeded estimated resources in the Water Treatment Plant Fund in 2001 and the Street, Water Treatment Plant, and Community Building Funds in 2002.

Contrary to Ohio Rev. Code, Section 5705.10, the Village had negative fund balances in the State Highway, Community Building, Law Enforcement DUI, Law Enforcement Drug, Sewer URS, Street Capital Improvement, Fire Debt, and Sewer Assessment Funds at December 31, 2001, and in the Community Building, Sewer URS, Fire Debt, and Sewer Assessment Funds at December 31, 2002.

Contrary to Ohio Rev. Code, Section 5705.41(D), the Village did not obtain prior certification of the fiscal officer for all purchases.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX (Continued)

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewer System Mortgage Revenue Bonds - Series 1998A and 1998B	\$1,172,900	4.50%
Water System Improvement Bonds	217,000	5.25%
Emergency Village Capital Improvement Special Account (EVCISA) Water Loans	20,000	0.00%
Land Purchase Note	18,000	5.00%
Total	<u>\$1,427,900</u>	

The Series 1998A Sanitary Sewer System Mortgage Revenue Bonds were issued in the principal amount of \$975,000, and the Series 1998B Sanitary Sewer System Mortgage Revenue Bonds were issued in the principal amount of \$300,000. The proceeds were issued to repay interim financing on an Ohio Water Development Authority loan which related to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. These bonds were purchased by the United States Department of Agriculture – Rural Development. The Series 1998A bonds and 1998B bonds are payable over forty years and twenty years, respectively, from sewer system charges for services receipts.

The Water System Improvement Bonds were issued in 2002 as permanent financing of two bond anticipation notes previously issued to finance water system improvements. The bonds are payable over fifteen years, from water system revenues.

The EVCISA loans were obtained from the Ohio Water Development Authority in 1996 to finance water system improvements. The loans are payable in annual installments from water system revenues.

The Land Purchase Note was issued in 1999 for the purchase of land adjacent to the Village water plant obtained by eminent domain through the court system. The loan was in the principal sum of \$30,000 payable in five equal annual principal installments of \$6,000, plus accrued interest. The loan is being repaid from water system revenues. As of December 31, 2002, the payment due in 2002 has not been paid and is included in the amortization schedule below in the 2003 scheduled payment.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Sewer Mortgage Revenue Bonds	Water System Improvement Bonds	EVCISA Loans	Land Purchase Note	Total
2003	\$76,080	\$21,033	\$5,000	\$13,500	\$115,613
2004	76,132	21,000	10,000	6,300	\$113,432
2005	76,034	20,940	5,000		\$101,974
2006	76,091	20,953			\$97,044
2007	75,994	20,933			\$96,927
2008-2012	380,194	104,458			\$484,652
2013-2017	380,156	103,884			\$484,040
2018-2022	265,038				\$265,038
2023-2027	264,937				\$264,937
2028-2032	264,955				\$264,955
2033-2037	264,810				\$264,810
Total	<u>\$2,200,421</u>	<u>\$313,201</u>	<u>\$20,000</u>	<u>\$19,800</u>	<u>\$2,553,422</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. Remittances due OP&F for 2002 have not been paid as of December 31, 2002. As a result, penalties could be owed to OP&F.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance to full-time employees through a private carrier.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

9. EMERGENCY MANAGEMENT MITIGATION GRANT

The Village of Manchester entered into a grant agreement in the amount of \$831,790 by, and between the State of Ohio, Department of Public Safety, and the Ohio Emergency Management Agency. The grant was for the period beginning March 15, 2000, and ending March 15, 2002. This grant was for the purpose of purchasing property within the flood plain from property owners affected by the flood. The Adams County Auditor was the fiscal agent for the grant and recorded the activity as an agency fund on the Adams County financial records. The money is maintained in a pool with other Adams County funds. The receipts and disbursements of this grant are recorded on the Village financial statements as a Special Revenue Fund. On December 23, 2002, \$75,697 of unspent funds was returned to the Ohio Emergency Management Agency. This payment is presented in the financial statements as Return of Unspent Emergency Management Mitigation Funds.

10. FISCAL EMERGENCY

The Village was declared to be in a state of fiscal emergency on October 1, 1997, pursuant to Chapter 118, Ohio Revised Code, by the Auditor of State of Ohio. A Financial Planning Commission was appointed according to this Chapter. The Commission was organized on December 8, 1997. The Commission appointed a Financial Supervisor on April 21, 1998. The Financial Supervisor is required to assist the Village with financial matters. On July 1, 2003, the Auditor of State's Local Government Services Division replaced the Village's former Financial Supervisor in conjunction with the Financial Planning Commission.

The Financial Planning Commission will cease to exist when the Auditor of State determines that the conditions that existed to cause the fiscal emergency no longer exist.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Manchester
Adams County
400 Pike Street
Manchester, Ohio 45144

To the Village Council:

We have audited the accompanying financial statements of the Village of Manchester, Adams County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated January 6, 2004, which was qualified for lack of supporting documentation for Mayor's Court receipts and disbursements recorded in the Agency Fund and fines recorded in the General Fund, and was qualified since the Village did not classify receipts and disbursements in its financial statements. Except as regards Mayor's Court receipts and disbursements and General Fund fines, 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-005, 2002-011 through 2002-014, and 2002-018. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated January 6, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 through 2002-002, and 2002-005 through 2002-010, and 2002-013 through 2002-017.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described, we believe findings 2002-001, 2002-002, 2002-006, 2002-010, and 2002-015 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated January 6, 2004.

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery
Auditor of State

January 6, 2004

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village's fiscal officer did not properly maintain a receipt ledger or an appropriation ledger. The Village did not properly classify receipt and disbursement transactions. The Village was therefore unable to monitor compliance with its appropriation resolution. The Village was also unable to classify receipts by source or disbursements by purpose in their annual report, contrary to Ohio Rev. Code Section 117.38.

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin, Code Section 117-2-02(C), accounting records that can help achieve these objectives include:

1. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund. The Village maintained a receipts ledger during the audit period; however, the ledger did not include estimated receipts, credit postings, and declining balances. The receipts ledger was also not totaled and did not utilize account classifications to facilitate preparation of the Village's annual financial report.
2. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The Village maintained an appropriation ledger during the audit period; however, the ledger did not include appropriations, encumbrances, and declining unencumbered appropriation balances. The appropriation ledger was also not totaled and did not utilize account classifications to facilitate preparation of the Village's annual financial report.

Ohio Admin. Code, Section 117-9-01, provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State

FINDING NUMBER 2002-002

Noncompliance Citation/Material Weakness - Negative Fund Balances

Ohio Rev. Code, Section 5705.10, provides that all money paid into a fund must be used only for purposes for which the fund was established. As a result, negative fund balances indicate that money from one fund was used to cover the expenses of another fund. The Village had negative fund balances in various funds, as follows:

Date	Fund	Balance
December 31, 2002	Community Building	(\$6,101)
	Sewer URS	(1,949)
	Fire Debt	(52)
	Sewer Assessment	(8,212)
December 31, 2001	State Highway	(2,780)
	Law Enforcement DUI	(110)
	Law Enforcement Drug	(814)
	Community Building	(6,842)
	Sewer URS	(1,949)
	Fire Debt	(52)
	Street Improvement	(2,779)
	Sewer Assessment	(8,212)

We recommend that the Village monitor their fund balances to ensure that funds are used solely for their intended purpose and to prevent negative fund balances. Additionally, some of the above-listed funds are no longer used. The Village should evaluate these funds to determine if they should be closed out.

FINDING NUMBER 2002-003

Noncompliance Citation - Expenditures over Appropriations

Ohio Rev. Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following funds and fiscal years:

Year	Fund	Appropriation Authority	Budgetary Expenditures	Variance
2002	General	\$171,724	\$284,951	(\$113,227)
	State Highway	-	888	(888)
	Fire Levy	42,000	48,904	(6,904)
	Police Levy	36,000	44,698	(8,698)
	EMA Mitigation	-	81,987	(81,987)
	Water Operating	178,000	453,313	(275,313)
	Route 52 Water Line	11,722	13,245	(1,523)
2001	General	178,649	245,905	(67,256)
	State Highway	-	104	(104)
	Fire Levy	34,850	57,301	(22,451)
	EMA Mitigation	-	408,026	(408,026)
	CDBG Mitigation	-	24,381	(24,381)
	Water Operating	183,119	573,632	(390,513)
	Community Building	9,578	11,932	(2,354)

**FINDING NUMBER 2002-003
 (Continued)**

The Clerk-Treasurer should deny payment requests exceeding appropriations. The Clerk-Treasurer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2002-004

Noncompliance Citation – Appropriations in Excess of Estimated Resources

Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue. Contrary to this section, the Village had total appropriations in excess of estimated resources in the following funds:

	Fund	Appropriation Authority	Estimated Resources	Variance
December 31,2002	Street	\$ 66,800	\$ 66,625	\$ (175)
	Water Treatment Plant	1,500,000	1,495,000	(5,000)
	Community Building	12,168	0	(12,168)
December 31,2001	Water Treatment Plant	1,500,000	1,454,000	(46,000)

FINDING NUMBER 2002-005

Noncompliance Citation/Reportable Condition – Prior Certification of Disbursements

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 (which was changed to \$3,000 effective April 7, 2003), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

**FINDING NUMBER 2002-005
(Continued)**

Contrary to the above requirement, prior certification was not properly obtained for 100% of Village disbursements during 2002 and 2001, and neither of the two exceptions provided for above were utilized. This resulted in the Village having material unrecorded encumbrances at year end. The financial statements have been adjusted to properly reflect these encumbrances. Failure to certify the availability of funds and encumber appropriations results in overspending funds and negative cash fund balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Clerk-Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2002-006

Material Weakness – Record Keeping

Monthly reconciliations were not performed accurately and in a timely manner during the audit period. The Village's inability to get the books in balance with the bank resulted from several mispostings in the cashbook and several receipts and disbursements which were not posted at all. Failure to post all transactions and to perform monthly reconciliations could lead to unauthorized or inaccurate transactions occurring and going undetected. The Village also incurred additional costs for the audit as these errors were identified and corrected.

Additionally, financial information is provided periodically to Village Council by the Clerk-Treasurer; however, accurate monthly financial reports and reconciliations are not consistently provided to Council by the Clerk-Treasurer and documented in the minutes. The lack of effective monitoring by Village Council also could lead to unauthorized or inaccurate transactions occurring and going undetected.

We recommend that monthly reconciliations be performed accurately and in a timely manner. Monthly reconciliations and monthly financial reports should be provided to Village Council by the Clerk-Treasurer at each regular meeting to facilitate effective monitoring of Village financial activity. Village Council's review of monthly reconciliations and financial reports should be documented in the minutes.

FINDING NUMBER 2002-007

Reportable Condition - Disbursements

We noted the following weaknesses in the controls over Village disbursements:

- Disbursements were not certified as available for expenditure in advance of purchase commitments being made via purchase orders.
- Disbursements were made without supporting documentation, such as a vendor invoice.
- There is no consistent documentation on invoices that a review was performed by individuals who received the goods or services to determine that amounts billed were for items actually received by the Village.
- Vouchers were not consistently signed by Council members as evidence of review and approval.

Lack of an effective control system over the Village's expenditures could result in overspending of funds or unauthorized or inaccurate expenditures occurring. We recommend that the Village take appropriate steps to correct the above-mentioned control weaknesses.

FINDING NUMBER 2002-008

Reportable Condition – Payroll

The following deficiencies were noted in the Village's payroll:

1. Payroll ledgers were not maintained for all Village officials and employees. Payroll ledgers were maintained for some Village employees, but were not posted accurately. Without the use of or proper posting to a payroll ledger, errors and omissions result when calculating gross pay and deductions, when remitting withholdings to various agencies, and when preparing W-2's. There were several errors noted on remittances to various agencies and on amounts reported on employee W-2 Forms.
2. Wage and salary rates were not always approved by a Village Ordinance. Rates were approved on payroll vouchers; however, previous Ordinances were not repealed or updated to reflect the current approved payroll rates. This could result in employees being compensated at incorrect rates.
3. Payroll checks were sometimes prepared and distributed prior to the end of the pay period. This results in wages being paid in advance. Employee absences at the end of the pay period also required adjustment in the following pay period.
4. Time sheets and payroll vouchers were not always signed as approved by the appropriate supervisor. This could result in employees being paid incorrect amounts.
5. Council members were absent from meetings but the minutes did not document a determination that absences were excused or unexcused. Village Ordinance 2001-17 provides that Council members are to be docked for not attending meetings, unless the absence is approved by a two-thirds vote of Council. Failure of Council to document a determination as to whether absences are excused or unexcused does not provide for compliance with this Ordinance.
6. The Village does not maintain vacation, sick, and compensatory time records for all employees. This could result in employees taking unauthorized leave, not having available balances, being paid for compensatory time not earned, or leave being taken and not recorded.
7. The Village clerk withheld and remitted PERS during part of the audit period from the Police department employees instead of withholding and remitting to the Ohio Police and Fire Pension Fund. This could result in remittances to retirement agencies being incorrect and difficulties determining benefits upon retirement of employees.

We recommend the following:

1. The Village should maintain a payroll ledger which documents gross pay, withholdings, and net pay for all officials and employees. Due care should be exercised in posting these ledgers. The Village should reconcile between amounts withheld from employees and amounts remitted to the appropriate agencies for 2002 and 2001. The Village should also contact the Internal Revenue Service to resolve discrepancies on W-2 Forms.
2. Salary and wage rates should always be approved by Village Ordinance and documented expressly in the minutes.

**FINDING NUMBER 2002-008
(Continued)**

3. Payroll checks should not be prepared and distributed in advance of the end of the pay period. The Village should consider preparing and distributing payroll checks after the end of the pay period.
4. Time sheets and payroll vouchers should always be signed as approved by the appropriate supervisor and filled out completely with adequate detail to determine purpose and amount.
5. Village Council should expressly approve or disapprove of Council member absences from official meetings. When absences are not approved by a two-thirds vote of Council, the absent Council member's salary should be docked in accordance with Ordinance 2001-17.
6. Vacation, sick leave, and compensatory time records should be maintained for all Village employees.
7. The Village Clerk-Treasurer should enroll employees in the appropriate retirement systems.

The Village should consider utilizing the payroll function of the UAN system, which facilitates many of these procedures.

FINDING NUMBER 2002-009

Reportable Condition - Budgetary

Monitoring controls over budgetary compliance have not been placed in operation. The Village Council is not receiving and reviewing monthly financial reports detailing monthly and year-to-date budgetary information and actual receipts and expenditures totals. Additionally, budgeted receipts and appropriations passed throughout the audit period were not properly integrated into the accounting system. Failure to properly post budgeted receipts and appropriations to receipts and appropriations ledgers, respectively, and a lack of Village Council monitoring, results in spending of funds in excess of resources. We recommend that the Clerk-Treasurer properly post budgeted receipts and appropriations to the accounting system and that monthly reports detailing budgetary status be provided to Village Council for review.

FINDING NUMBER 2002-010

Material Weakness - Segregation of Duties

The Clerk/Treasurer handles all financial record-keeping, including receipting and posting. The weakness of this system is that it may allow for diversion of funds through possible alteration of source documents. Also, bookkeeping errors may occur without detection in a timely manner.

To enhance accountability and to strengthen internal accounting controls, officials should periodically review the records, (i.e. reconciliations, etc.) to determine accuracy and to verify that proper procedures were followed by the fiscal officer. We recommend these periodic reviews be noted in the minutes, and the documents reviewed be initialed by the reviewer.

FINDING NUMBER 2002-011

Noncompliance Citation – Finding Repaid Under Audit

Ohio Rev. Code, Section 9.03(C)(1)(e), prohibits political subdivisions from using public funds to publish, distribute, or communicate information that supports or opposes the passage of a tax levy. In 2002 and 2001, the Village purchased advertisements in a local newspaper supporting the passage of Village tax levies on the ballot. Advertisements encouraged citizens to vote yes on a fire levy, a police levy, and a general operating levy. Disbursements for the advertisements totaled \$391.

When informed by these facts, the \$391 was repaid by the mayor to the Village in favor of the various funds from which the original disbursements occurred. This amount was repaid and deposited in the Village's bank account on January 28, 2004.

FINDING NUMBER 2002-012

Noncompliance Citation – Finding for Recovery

Ohio Rev. Code, Section 731.13, provides that the legislative authority of a Village shall fix the compensation of employees of the Village. Village of Manchester, Ordinance 2001-09, passed September 4, 2001 and made retroactive to September 1, 2000, established the salary rate of the police chief. Jon Woods was hired as the Village's police chief in August of 2000. Prior to starting work with the Village, a payment of \$800 was made to Mr. Woods. The payment was not officially approved by Council by resolution noted in the minutes and constituted an advance on wages.

In January of 2001, the Village began withholding \$30.77 from each of Mr. Woods' paychecks to repay the advance; however, Mr. Woods left employment in June of 2001 and the amount was not fully repaid. At the time of separation, \$369 had been repaid and \$431 was the remaining unpaid balance. A voucher was completed for Mr. Woods' final paycheck on June 29, 2001, which indicated that the \$431 would be withheld to repay the remaining balance. However, when the final check was prepared, the \$431 was added back to the check amount and was therefore not recovered from Mr. Woods. The check for final payment was signed by both Alice McCreary and Jacqueline Smith.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Jon Woods, former Village employee, Jacqueline Smith, Clerk-Treasurer, and her bonding company, Ohio Casualty Insurance Company, and Alice McCreary, Council President, jointly and severally in the amount of \$431 and in favor of the Village of Manchester's Police Levy Fund.

FINDING NUMBER 2002-013

Noncompliance Citation/Reportable Condition – Ohio Police & Fire Physical Examinations

Ohio Rev. Code, Section 742.38, provides that all employers of prospective members of Ohio Police and Fire Pension Fund (OP&F) are required to obtain physical examinations for the prospective members prior to the date of hire. These examinations are to be submitted to OP&F within 30 days after the prospective member's hire date. Employers, who do not submit such physical examinations by the 60 days after the hire date, are subject to fines as determined by OP&F in accordance with Ohio Rev. Code Section 742.353. During the audit period, the Village submitted the physical examinations late for three police officers hired. As a result, the Village paid \$2,530 in fines to OP&F in 2002. We recommend that the Village implement procedures to ensure that physical examinations are obtained and submitted for all potential members of OP&F to avoid such fines.

FINDING NUMBER 2002-014

Noncompliance Citation/Reportable Condition – Ohio Police and Fire Remittances

Ohio Rev. Code, Section 742.33, requires that employers shall pay quarterly to OP&F the “police officer employers’ contribution” which shall be nineteen and one-half per cent of the police officers’ salaries. Failure to remit these required contributions within 60 days of the applicable due date results in penalties in accordance with Ohio Rev. Code Section 742.352. The Village failed to remit the required contribution for the fourth quarter in 2001. As a result, the Village incurred and paid a penalty of \$3,000 to OP&F. Additionally, remittances for 2002 have not paid as of December 31, 2002. As a result, a significant amount of penalties could be owed to OP&F. We recommend that the Village ensure that all remittances to OP&F are done in a timely manner to avoid such penalties.

FINDING NUMBER 2002-015

Material Weakness - Police Citation Log

The Police Chief failed to maintain a complete and accurate citation log for the entire audit period. The purpose of a citation log is to maintain an independent record of all citations issued. The citation log should account for all pre-numbered traffic tickets and minor misdemeanor tickets. Not maintaining a log of tickets issued reduces the assurance that all citations or cases and their related fines and court costs have been properly accounted for. Without this evidential matter, we were unable to obtain sufficient information regarding the disposition of numerous court cases in which citations were issued during the audit period. Without a full accountability over the citations issued, we could not assure ourselves regarding the validity of the Mayor’s Court receipts. To help prevent recording errors and add assurance that all court cases have been documented, we recommend the Police Chief account for every citation issued by the police department on a citation log.

FINDING NUMBER 2002-016

Reportable Condition – Utility Department

The following deficiencies exist in the controls over the Village’s utilities receipts:

- Adjustments to utility bills due to leaks, pool fills, etc., are not approved in the minutes of the Board of Public Affairs (the “BPA”). The BPA should approve any adjustments and approval should be documented in the minutes. We recommend the BPA adopt a policy regarding adjustments and who has the authority to make them. The Board should adopt a form to be used for this purpose and be signed by authorized personnel.
- Ohio Rev. Code, Chapter 135, does not provide for a Village to have a separate checking account for depositing utility receipts. The Village should close the account and pay all collections into the Village Clerk daily.
- Utility billing reports need to include usage, total amount billed and total number of customers for each type of service provided. These totals would provide the utility department with data to compare to previous month or years and would help detect any large billing errors. This recommendation was made in the last two audits and the software vendor is aware of the issue, however it has not been corrected.
- Senior citizens are given a 10% discount upon proof of age. This is not a programmed procedure. The clerk makes the deduction manually and posts the discount as a write off when posting the receipt to the system. This should be programmed into the computer billing system.

**FINDING NUMBER 2002-016
(Continued)**

- Differences were noted between the manual books and the postings to customer accounts in the utilities computer system. These variances were verified as being corrected by viewing the following month's beginning balance on accounts. We recommend that the cash receipt/writeoff log be reprinted after corrections are posted.

FINDING NUMBER 2002-017

Reportable Condition – Income Tax Collection

The following items were not during our review of income tax collections:

- There is no documentation on file which documents periodic reviews of income tax collection efforts. This could lead to individuals or businesses within the Village not complying with the income tax ordinance and lost revenues to the Village. We recommend that annual reviews be performed to determine that all individuals and businesses within the Village are complying with the income tax ordinance.
- Tax returns are not on file for all individuals paying the income tax and wage documentation is not on file for all businesses submitting income tax withholdings. Copies of checks received were kept by the Village; however, failure to obtain income tax returns from individuals and wage documentation from businesses could lead to taxes not being paid in accordance with the income tax ordinance. We recommend that the Village require these supporting documents be filed by individuals and businesses to verify that income taxes are being paid in accordance with the income tax ordinance. Copies of checks received were copied and retained on file
- Testing of income tax receipts indicated a couple instances where the posted amount of income tax receipts did not agree to the supporting documentation. We recommend the Clerk-Treasurer use due care when posting income tax receipts to avoid discrepancies.
- Form 1099-G's are not issued for refunds made to taxpayers. These forms should be issued for all refunds of Village income tax overpayments.

FINDING NUMBER 2002-018

Noncompliance Citation - Illegal Transfers

Ohio Rev. Code, Section 5705.14, provides that no transfer can be made from one fund of a subdivision to any other fund, except as provided for in this code section. In addition to the transfers listed in this code section, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another fund under its supervision. The Village transferred \$20,929 in 2002 from the FEMA 97 Fund to the General Fund. This transfer did not meet one of the exceptions provided for in the Revised Code and the Village did not obtain approval from the Tax Commissioner and the Court of Common Pleas. The financial statements and the Village's accounting records have been adjusted to reverse this transfer.

The Village Council also approved by resolution to transfer \$16,560 from the Sewer Assessment Fund into the Sewer Operating Fund. This transfer also does not meet one of the exceptions provided for in the Ohio Revised Code and the Village did not obtain approval from the Tax Commissioner and the Court of Common Pleas. The transfer was posted to the Village's cashbook; however, the Sewer Assessment Fund actually had a negative fund balance and funds were therefore not available to be transferred. The financial statements and the Village's accounting records have been adjusted to reverse this transfer and the Sewer Assessment Fund remains with a deficit fund balance of \$8,212.

FINDING NUMBER 2002-018
(Continued)

The Village should only make transfers as provided for in the Ohio Revised Code, or as approved by the Tax Commissioner and the Court of Common Pleas.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30401-001	Negative fund balances, contrary to Ohio Rev. Code (ORC), Section 5705.10.	No	See Finding 2002-002.
2000-30401-002	Amendments to appropriations not properly done, ORC Section 5705.40, and expenditures in excess of appropriations, ORC 5705.41(B).	No	See Finding 2002-003.
2000-30401-003	Appropriations in excess of estimated resources, ORC Section 5705.39.	No	See Finding 2002-004.
2000-30401-004	Expenditures not certified as available prior to purchase commitment and unencumbered purchase commitments, ORC Section 5705.41(D).	No	See Finding 2002-005.
2000-30401-005	Village did not file certifications to County Auditor of year-end balances, ORC Section 5705.36.	No	Repeated in management letter for 2002.
2000-30401-006	Weaknesses and errors in Village's accounting system, ORC 733.28 and Ohio Admin. Code Section 117-2-02.	No	See Finding 2002-001.
2000-30401-007	Monthly bank reconciliations not performed.	No	See Finding 2002-006.
2000-30401-008	Budgetary procedures not followed.	No	See Finding 2002-009.
2000-30401-009	Lack of segregation of duties.	No	See Finding 2002-010.

Village of Manchester
 Adams County
 Schedule of Prior Audit Findings
 Page 2

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30401-010	Weaknesses in record keeping.	No	See Finding 2002-006.
2000-30401-011	Police citation log not kept.	No	See Finding 2002-015.
2000-30401-012	FEMA Mitigation Funds not properly posted – finding for adjustment.	Yes	N/A



**Auditor of State
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VILLAGE OF MANCHESTER

ADAMS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2004**