



**VILLAGE OF MANCHESTER
ADAMS COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MANCHESTER
ADAMS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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, 2000 and 1999. 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 paragraphs, we conducted our audits 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 audits 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 audits provide 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 2000 and 1999, 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 5% and 3% of total receipts collected by the Village's General Fund during 2000 and 1999, respectfully.

The accompanying financial statements present some receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires Villages 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 such 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 for the omission of some receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and 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 November 26, 2001, 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 audits.

This report is intended solely for the information and use of the management and 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.

Jim Petro
Auditor of State

November 26, 2001

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, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$38,845	\$70,625	\$782		\$110,252
Intergovernmental Receipts	185,633	492,226	42		677,901
Income Tax	54,728				54,728
Fines, Licenses, and Permits	17,475				17,475
Unclassified	21,770	3,001			24,771
	<u>318,451</u>	<u>565,852</u>	<u>824</u>	<u>0</u>	<u>885,127</u>
Cash Disbursements:					
Security of Persons and Property	27,704	17,705			45,409
Debt Service:					
Principal Payments	5,065	3,129	17,519	307	26,020
Interest Payments	84	375	375	4	838
Unclassified	165,419	171,175	653		337,247
Capital Outlay		16,765			16,765
	<u>198,272</u>	<u>209,149</u>	<u>18,547</u>	<u>311</u>	<u>426,279</u>
Total Receipts Over/(Under) Disbursements	<u>120,179</u>	<u>356,703</u>	<u>(17,723)</u>	<u>(311)</u>	<u>458,848</u>
Other Financing Receipts/(Disbursements):					
Proceeds of Notes					0
Sale of Assets		4,337			4,337
Other Financing Sources		1,133			1,133
Transfers-Out	(4,400)				(4,400)
	<u>(4,400)</u>	<u>5,470</u>	<u>0</u>	<u>0</u>	<u>1,070</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	115,779	362,173	(17,723)	(311)	459,918
Fund Cash Balances January 1	(47,907)	75,470	9,459	(2,468)	34,554
Fund Cash Balances, December 31	<u>\$67,872</u>	<u>\$437,643</u>	<u>(\$8,264)</u>	<u>(\$2,779)</u>	<u>\$494,472</u>
Reserves for Encumbrances, December 31	<u>\$6,554</u>	<u>\$979</u>			<u>\$7,533</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, 2000**

	<u>Proprietary Fund Type</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$492,551		\$492,551
Unclassified	12,955		12,955
Total Operating Cash Receipts	<u>505,506</u>		<u>505,506</u>
Operating Cash Disbursements:			
Debt service:			0
Principal payments	282,800		282,800
Interest payments	74,596		74,596
Unclassified	313,095		313,095
Total Operating Cash Disbursements	<u>670,491</u>		<u>670,491</u>
Operating Income/(Loss)	<u>(164,985)</u>		<u>(164,985)</u>
Non-Operating Cash Receipts:			
Proceeds of Notes	233,500		233,500
Other Non-Operating Receipts		23,246	23,246
Total Non-Operating Cash Receipts	<u>233,500</u>	<u>23,246</u>	<u>256,746</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	1,133	23,246	24,379
Total Non-Operating Cash Disbursements	<u>1,133</u>	<u>23,246</u>	<u>24,379</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	67,382	0	67,382
Transfers-In	127,037		127,037
Transfers-Out	(122,637)		(122,637)
Net Receipts Over/(Under) Disbursements	71,782	0	71,782
Fund Cash Balances, January 1	97,104	0	97,104
Fund Cash Balances, December 31	<u>\$168,886</u>	<u>\$0</u>	<u>\$168,886</u>
Reserve for Encumbrances, December 31	<u>\$12,357</u>		<u>\$12,357</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, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$36,314	\$36,900	\$31,337	\$3,425	\$107,976
Intergovernmental Receipts	56,718	76,218	3,292		136,228
Income Tax	45,987				45,987
Fines, Licenses, and Permits	5,253	595			5,848
Unclassified	15,251		21		15,272
Total Cash Receipts	<u>159,523</u>	<u>113,713</u>	<u>34,650</u>	<u>3,425</u>	<u>311,311</u>
Cash Disbursements:					
Debt Service:					
Principal Payments	3,235	3,129	20,466	3,551	30,381
Interest Payments	324	375	1,900	181	2,780
Unclassified	132,795	94,287	2,418		229,500
Total Disbursements	<u>136,354</u>	<u>97,791</u>	<u>24,784</u>	<u>3,732</u>	<u>262,661</u>
Total Receipts Over/(Under) Disbursements	<u>23,169</u>	<u>15,922</u>	<u>9,866</u>	<u>(307)</u>	<u>48,650</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		41,144			41,144
Transfers-Out	(43,585)				(43,585)
Other Financing Sources		2,214			2,214
Other Financing Uses		(2,176)			(2,176)
Total Other Financing Receipts/(Disbursements)	<u>(43,585)</u>	<u>41,182</u>	<u>0</u>	<u>0</u>	<u>(2,403)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(20,416)</u>	<u>57,104</u>	<u>9,866</u>	<u>(307)</u>	<u>46,247</u>
Fund Cash Balances January 1, restated see Note 12	<u>(27,491)</u>	<u>18,366</u>	<u>(407)</u>	<u>(2,161)</u>	<u>(11,693)</u>
Fund Cash Balances, December 31	<u>(\$47,907)</u>	<u>\$75,470</u>	<u>\$9,459</u>	<u>(\$2,468)</u>	<u>\$34,554</u>
Reserves for Encumbrances, December 31	<u>\$1,349</u>	<u>\$1,265</u>			<u>\$2,614</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, 1999**

	<u>Proprietary Fund Type</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$421,755		\$421,755
Unclassified	44,416		44,416
	<u>466,171</u>		<u>466,171</u>
Operating Cash Disbursements:			
Debt service:			0
Principal payments	168,871		168,871
Interest payments	72,326		72,326
Capital Outlay	138,000		138,000
Unclassified	377,525		377,525
	<u>756,722</u>		<u>756,722</u>
Total Operating Cash Disbursements	<u>756,722</u>		<u>756,722</u>
Operating Income/(Loss)	<u>(290,551)</u>		<u>(290,551)</u>
Non-Operating Cash Receipts:			
Proceeds of Loan	241,500		241,500
Other Non-Operating Receipts		6,116	6,116
	<u>241,500</u>	<u>6,116</u>	<u>247,616</u>
Total Non-Operating Cash Receipts	<u>241,500</u>	<u>6,116</u>	<u>247,616</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	38	6,116	6,154
	<u>38</u>	<u>6,116</u>	<u>6,154</u>
Total Non-Operating Cash Disbursements	<u>38</u>	<u>6,116</u>	<u>6,154</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(49,089)	0	(49,089)
Transfers-In	133,125		133,125
Transfers-Out	(130,684)		(130,684)
	<u>(46,648)</u>	<u>0</u>	<u>(46,648)</u>
Net Receipts Over/(Under) Disbursements	<u>(46,648)</u>	<u>0</u>	<u>(46,648)</u>
Fund Cash Balances, January 1 Restated in Note 12	143,752	0	143,752
	<u>143,752</u>	<u>0</u>	<u>143,752</u>
Fund Cash Balances, December 31	<u>\$97,104</u>	<u>\$0</u>	<u>\$97,104</u>
Reserve for Encumbrances, December 31	<u>\$8,995</u>		<u>\$8,995</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, 2000 AND 1999**

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 general governmental services, including water and sewer utilities, park operations (leisure time activities), road maintenance, street lighting and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians which are not included in these financial statements. Assets held by custodians are described further in Note 9 to the financial statements.

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 some of its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A) (effective July 1, 2000) and Ohio Administrative Code Section 117-5-11 (effective through June 30, 2000). These Ohio Administrative Code Sections require classifying receipts and disbursements.

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

C. Cash and Deposits

Certificates of deposit are valued at cost. The repurchase agreements are valued at amounts reported by the financial institution.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and deposits 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, 2000 AND 1999
(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 is set up to receive tax receipts to be used to pay for fire protection.

Federal Emergency Management Agency 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. The Village had the following significant debt service funds:

Fire Debt Fund - This fund was set up to make debt service payments for loan used to buy fire equipment.

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). The Village had the following significant capital project fund:

Street Capital Improvement Fund - This fund received proceeds from notes and was used to improve Village streets.

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

Sewer Debt Fund - used to retire mortgage revenue bonds from the United State Department of Agriculture.

West Union Water Line Extension Fund - used to account for loan proceeds for the construction of a waterline extension between West Union and Manchester.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court - This fund receives fines collected by Mayor's Court and distributed to the Village and State.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. 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. The Village did not certify amounts available for expenditures in each fund to the County Auditor for January 1999 and certified incorrect amounts for January 2000 and 2001.

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 commitments as required by Ohio law. However, a review was performed to determine the amount of encumbrances outstanding at year end which were not recorded. These encumbrances were added to the financial statements as reserves for encumbrances.

A summary of 2000 and 1999 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.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and deposit pool used by all funds. The Adams County Treasurer is the fiscal agent for the FEMA Mitigation Funds and the funds are maintained with other county funds on the county books. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and deposits at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
FEMA Fund/Fiscal Agent-County Treasurer	\$202,348	
Demand Deposits	231,348	\$21,038
Certificates of Deposit	<u>64,753</u>	<u>62,341</u>
Total Deposits	<u>498,449</u>	<u>83,379</u>
Repurchase Agreement	<u>164,909</u>	<u>48,279</u>
Total Investments	<u>164,909</u>	<u>48,279</u>
Total Deposits and Investments	<u>\$663,358</u>	<u>\$131,658</u>

A. Deposits

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

B. Investments

The Village invested in repurchase agreements which are backed by Federal Agency Mortgage backed securities. These repurchase agreements are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 270,000	\$ 318,451	\$ 48,451
Special Revenue	148,700	571,322	422,622
Debt Service	4,508	824	3,684
Enterprise	<u>700,200</u>	<u>866,043</u>	<u>165,843</u>
Total	<u>\$ 1,123,408</u>	<u>\$ 1,756,640</u>	<u>\$ 633,232</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 221,098	\$ 209,226	\$ 11,872
Special Revenue	50,615	210,128	(159,513)
Debt Service	25,840	18,547	7,293
Capital Projects	12,408	311	12,097
Enterprise	<u>493,288</u>	<u>806,618</u>	<u>(313,330)</u>
Total	<u>\$ 803,249</u>	<u>\$ 1,244,830</u>	<u>\$ (441,581)</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 197,565	\$ 159,523	\$ (38,042)
Special Revenue	87,406	157,071	69,665
Debt Service	28,696	34,650	5,954
Capital Projects	3,425	3,425	0
Enterprise	<u>1,876,874</u>	<u>840,796</u>	<u>1,036,078</u>
Total	<u>\$ 2,193,966</u>	<u>\$ 1,195,465</u>	<u>\$ (998,501)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 125,898	\$ 181,288	\$ (55,390)
Special Revenue	88,254	101,232	(12,978)
Debt Service	23,621	24,784	(1,163)
Capital Projects	4,147	3,732	415
Enterprise	<u>704,972</u>	<u>896,439</u>	<u>(191,467)</u>
Total	<u>\$ 946,892</u>	<u>\$ 1,207,475</u>	<u>\$ (260,583)</u>

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, expenditures exceeded appropriations in the following funds:

1999 Fund	Appropriations	Expenditures	Variance
General	\$ 125,898	181,288	\$ (55,390)
St. Maintenance and Repair	48,259	51,814	(3,556)
State Highway	2,356	2,497	(141)
Fire Levy	28,714	37,995	(9,280)
Fire Debt	23,621	24,368	(747)
Sewer Assess Linda Vista		416	(416)
Water Debt		24,469	(24,469)
Community Building	13,677	14,788	(1,111)
Sewer Operating	277,088	283,959	(6,871)
Water Operating	237,425	365,062	(127,638)
Water Repair and Improvement		10,000	(10,000)
Sewer Reserve		22,913	(22,913)
Rt 52 Water Line Extension		14,787	(14,787)

2000 Fund	Appropriations	Expenditures	Variance
Street Maintenance and Repair	\$ 20,009	76,637	\$ (56,628)
State Highway	6,141	22,611	(16,470)
Fire Levy	24,465	30,701	(6,236)
Police Levy		37,325	(37,325)
FEMA 97		25,039	(25,039)
Computer		1,050	(1,050)
FEMA Mitigation		16,765	(16,765)
Water Debt		12,284	(12,284)
Sewer Debt		75,956	(75,956)
Community Building	9,225	13,407	(4,181)
Water Repair and Improvement		4,000	(4,000)
Rt 52 Water Line Extension		9,837	(9,837)
West Union Water Line Extension		104,000	(104,000)
Water Operating	226,759	339,250	(112,491)

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Also, contrary to Ohio law, appropriations exceeded estimated resources in the following funds:

1999 Fund	Appropriations	Estimated Resources	Variance
Street Maintenance and Repair	\$ 47,515	5,690	\$ (41,826)
FEMA 97	8,925	612	(8,313)
Sewer Debt	68,783		(68,783)
Community Building	13,677	7,948	(5,729)
Water Operating	234,099	179,497	(54,602)
Street Capital Improvement	4,147	1,264	(2,883)
West Union Water Line Extension	108,000		(108,000)

2000 Fund	Appropriations	Estimated Resources	Variance
Sewer Assessment Linda Vista	\$ 4,140	(8,588)	\$ (12,728)
Street Capital Improvement	12,408	(2,467)	(14,875)

Contrary to Ohio law, the Village had negative fund balances throughout the year and at year end for the following funds:

1999 Fund	Year End Balance
General	\$(47,907)
Community Building	(4,142)
Law Enforcement DUI	(812)
Law Enforcement Drug	(1,564)
Sewer Assessment Linda Vista	(8,588)
Sewer URS	(1,949)
Sewer Reserve	(6,763)
Water Debt	(10,205)
Street Cap. Improvement	(2,467)

2000 Fund	Year End Balance
State Highway	\$(7,521)
Fire Debt	(50)
Community Building	(7,191)
Law Enforcement DUI	(533)
Law Enforcement Drug	(1,314)
Sewer Assessment Linda Vista	(8,213)
Street Capital Improvement	(2,778)
Sewer URS	(1,949)
Street Capital Improvement	(2,778)

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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. FEDERAL EMERGENCY MANAGEMENT AGENCY 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 is 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.

6. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Land Purchase Note	\$ 24,000	5.00%
General Obligation Bonds		
Street Capital Improvement Bonds - 1996	328	7.00%
Bond Anticipation Notes:		
Water Line Extension Note - 1999	104,000	5.25%
Water System Bond Anticipation Note	129,500	5.25%
Emergency Village Capital Improvement:		
Special Account (EVCISA) Water Loans	45,000	0.00%
Sanitary Sewer System Mortgage Revenue		
Bonds - Series 1998A and 1998B	1,216,500	4.50%
Water Mortgage Revenue Bond - 1978	<u>140,689</u>	5.00%
Total	<u>\$1,660,017</u>	

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. DEBT (Continued)

In 1998 the Village issued two mortgage revenue bonds. 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 OWDA 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 with an interest rate of 4.5%. The Series 1998A bonds are payable over forty years and the 1998B Series bonds are payable over twenty years.

The Village obtained a note from First State Bank of Adams County, Ohio on February 23, 1999 for the purpose of extending water lines between West Union and Manchester. The note was renewed February 23, 2001 in the amount of \$104,000.

The Village renewed the Water System Bond Anticipation Note in the amount of \$133,500 March 26, 1999 and again March 23, 2000 in the amount of \$129,500.

On December 6, 1999 the Village issued a promissory note to Oscar Ralston for the purchase of land obtained by eminent domain through the court system. The purchase was in the principal sum of \$30,000 payable in five equal annual principal installments of six thousand dollars each plus accrued interest of five percent (5%) per annum. The first payment was due and payable December 1, 2000 in the amount of \$6,000.

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

Year ending December 31:	General Obligation Bonds	General Obligation Notes	EVCISA Loans	Mortgage Revenue Bonds	Land Purchase
2001	\$ 330	\$ 245,759	\$ 10,000	\$ 88,143	\$ 7,200
2002	0	0	10,000	87,934	6,900
2003	0	0	10,000	88,681	6,600
2004	0	0	10,000	88,432	6,300
2005	0	0	5,000	88,034	
Subsequent	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,130,175</u>	<u> </u>
Total	<u>\$ 330</u>	<u>\$ 245,759</u>	<u>\$ 45,000</u>	<u>\$ 2,571,399</u>	<u>\$ 27,000</u>

In addition to the debt described above, the Village has defeased certain debt issues from prior years. As described in Note 9, assets accumulated to retire this debt are held by a trustee.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post retirement 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 2000 and 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 1999 and 10.84% of participants' gross salaries for 2000. The Village has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public official's liability
- Vehicles

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

9. DEBT SERVICE TRUSTEE FUNDS

As disclosed in Note 6, the Village has also defeased the 1968 "First Mortgage Sanitary Sewerage System Bond" issue. At December 31, 2000, all defeased bonds had been redeemed and the custodian held \$199,050 in excess Village assets. These assets are not included in the accompanying financial statements.

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 in the following areas:

- To review all tax budgets, tax levy ordinances, bond and note ordinances or resolutions, official budgetary documents to ensure they are correct and to determine whether revenue estimates and estimates of expenditures and appropriations will result in a balanced budget and carry out the financial plan;
- To inspect and secure copies of any document, ordinance, resolution, or instrument pertaining to the effective financial accounting and reporting system, debt obligations, debt limits, financial plan, balanced appropriation budgets, appropriation measures, report of an audit, statement or invoice, or other worksheet or record of the Village; provided that any attorney-client privilege shall remain inviolate;

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

10. FISCAL EMERGENCY (Continued)

- To consult with the officials of the Village and the Auditor of State regarding any necessary or appropriate steps to bring the books of account, accounting systems, and financial procedures and reports of the Village into compliance with requirements prescribed by the Auditor of State, and regarding desirable modifications and supplementary systems and procedures pertinent to the Village;
- Prepare year-end financial reports;
- Training/assistance in the cash journal, receipts journal, pay-in journal, warrants and appropriation ledger for all funds;
- Training/assistance in monthly reconciliation between the bank and the Village's funds;
- Training/assistance with the encumbrance system for all funds;
- Assist in the preparation of the financial plan.

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.

11. CONTINGENT LIABILITIES

The Village is a defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

12. FUND BALANCE RESTATEMENT

<u>Fund Type</u>	<u>Balance December 31, 1998</u>	<u>Restatement</u>	<u>Restated Balance January 1, 1999</u>
Debt Service	\$1,857	(\$2,264)	(\$407)
Capital Project	11,374	(13,535)	(2,161)
Enterprise	129,082	14,670	143,752

A restatement was made to adjust the beginning balances for two Debt Service Funds (Water Debt Fund and Sewer Debt Fund) and two Capital Project Funds (Route 52 Water Line Extension Fund and West Union Water Line Extension Fund) to reclassify as Enterprise Funds since their activity related to enterprise activity.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

13. SUBSEQUENT EVENT

On September 21, 2001 the trustee account identified in note 9 was closed since all obligations or debts were met. These funds totaled \$204,189 which were received by the Village and were transferred into the water fund per a court order dated August 1, 2001.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTS 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, 2000 and 1999, and have issued our report thereon dated November 26, 2001, which was qualified for lack of supporting documentation for Mayor's Court citations and receipts recorded in the Agency Fund and General Fund. Additionally our report was qualified since the Village did not classify some receipts and disbursements in its financial statements. Except as discussed in the first sentence, 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 2000-30401-001 through 2000-30401-006 and 2000-30401-012. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 26, 2001.

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 judgement, could adversely effect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2000-30401-006 through 2000-30401-011.

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 financials 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. We consider all the reportable conditions described above 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 November 26, 2001.

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

Jim Petro
Auditor of State

November 26, 2001

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2000-30401-001

Material Noncompliance

Ohio Rev. Code Section 5705.10, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The following funds had negative fund balances in 1999 and 2000 as follows:

1999 Fund	Year End Balance	2000 Fund	Year End Balance
General	\$ (47,907)	State Highway	\$ (7,521)
Community Building	(4,142)	Fire Debt	(50)
Law Enforcement DUI	(812)	Community Building	(7,191)
Law Enforcement Drug	(1,564)	Law Enforcement DUI	(533)
Sewer Assessment Linda Vista	(8,588)	Law Enforcement Drug	(1,314)
Sewer URS	(1,949)	Sewer Assessment Linda Vista	(8,213)
Sewer Reserve	(6,763)	Street Capital Improvement	(2,778)
Water Debt	(10,205)		
Street Cap. Improvement	(2,467)		

A deficit balance indicates that cash from other funds have been used to pay the obligations of these funds.

FINDING NUMBER 2000-30401-002

Material Noncompliance

Ohio Rev. Code Section 5705.40, allows for amendments or supplemental appropriations with the same provisions of the law as in making the original appropriation. Only one appropriation amendment was made in 1999 and no amendments were made in 2000, however expenditures exceeded appropriations in numerous funds in 1999 and 2000.

FINDING NUMBER 2000-30401-002
(Continued)

Ohio Rev. Code Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in the following funds:

1999 Fund	Appropriations	Expenditures	Variance
General	\$ 125,898	181,288	\$ (55,390)
St. Maintenance and Repair	48,259	51,814	(3,556)
State Highway	2,356	2,497	(141)
Fire Levy	28,714	37,995	(9,280)
Fire Debt	23,621	24,368	(747)
Sewer Assess Linda Vista	0	416	(416)
Water Debt	0	24,469	(24,469)
Community Building	13,677	14,788	(1,111)
Sewer Operating	277,088	283,959	(6,871)
Water Operating	237,425	365,062	(127,638)
Water Repair and Improvement	0	10,000	(10,000)
Sewer Reserve	0	22,913	(22,913)
Rt 52 Water Line Extension	0	14,787	(14,787)

2000 Fund	Appropriations	Expenditures	Variance
Street Maintenance and Repair	\$ 20,009	76,637	\$ (56,628)
State Highway	6,141	22,611	(16,470)
Fire Levy	24,465	30,701	(6,236)
Police Levy	0	37,325	(37,325)
FEMA 97	0	25,039	(25,039)
Computer	0	1,050	(1,050)
FEMA Mitigation	0	16,765	(16,765)
Water Debt	0	12,284	(12,284)
Sewer Debt	0	75,956	(75,956)
Community Building	9,225	13,407	(4,181)
Water Repair and Improvement	0	4,000	(4,000)
Rt 52 Water Line Extension	0	9,837	(9,837)
West Union Water Line Extension	0	104,000	(104,000)
Water Operating	226,759	339,250	(112,491)

FINDING NUMBER 2000-30401-003

Material Noncompliance

Ohio Rev. Code Section 5705.39, requires that the total appropriations from each fund not exceed the total estimated resources for that fund. Appropriations exceeded estimated resources in the following funds:

1999 Fund	Appropriations	Estimated Resources	Variance
Street Maintenance and Repair	\$ 47,515	5,690	\$ (41,826)
FEMA 97	8,925	612	(8,313)
Sewer Debt	68,783	0	(68,783)
Community Building	13,677	7,948	(5,729)
Water Operating	234,099	179,497	(54,602)
Street Capital Improvement	4,147	1,264	(2,883)
West Union Water Line Extension	108,000	0	(108,000)

2000 Fund	Appropriations	Estimated Resources	Variance
Sewer Assessment Linda Vista	\$ 4,140	(8,588)	\$ (12,728)
Street Capital Improvement	12,408	(2,467)	(14,875)

FINDING NUMBER 2000-30401-004

Material Noncompliance

Ohio Rev. Code Section 5705.41(D), provides that a subdivision or taxing unit shall make any contract or order involving the disbursement 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 the subdivision 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 one thousand dollars (\$1,000.00), the Clerk 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.

The Village’s appropriation ledgers did not indicate any posted encumbrances or appropriation balances so it was impossible for the Clerk/Treasurer to accurately certify expenditures. Failure to encumber allowed the Village to over spend fund balances as noted in finding number 2000-30401-001.

The following funds had unencumbered liabilities as a result of not using purchase orders:

Fund	Unencumbered Amount as of December 31, 1999	Unencumbered Amount as of December 31, 2000
General	\$1,349	\$6,554
Community Building	\$1,025	\$1,378
Fire	\$1,115	
Water Revenue	\$2,537	\$8,296
Sewer Revenue	\$5,533	\$2,683
Street Maintenance & Repair		\$414

FINDING NUMBER 2000-30401-005

Material Noncompliance

Ohio Rev. Code Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year. The Village did not file this certificate for January 1, 2000 and due to not certifying all year-end commitments, incorrect numbers were certified. In addition estimated receipts exceeded actual receipts in numerous funds.

FINDING NUMBER 2000-30401-006

Material Noncompliance/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 maintain a receipt ledger and appropriation ledger, thus not classifying receipt and disbursement transactions. Without an appropriation ledger, the Village was unable to monitor compliance with its appropriation resolution. Due to the lack of these ledgers, the Village was also unable to classify receipts by source or disbursements by purpose in its annual report, contrary to Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-02(A), prior to July 1, 2000, these requirements were included in Ohio Administrative Code Section 117-5, 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. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code Section 117-9-01, prior to July 1, 2000, these requirements were included in Ohio Administrative Code Section 117-5, 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 2000-30401-007

Material Weakness - Monthly Bank Reconciliations

The Village did not reconcile bank balances with cash fund balances on a monthly basis throughout the audit period. Failure to reconcile monthly resulted in the Village's overspending fund cash balances as noted in finding number 2000-30401-001.

Due to the Village being in Fiscal Emergency, the Village has a Financial Supervisor. One of the Financial Supervisor's duties is to consult with the officials of the Village and the Auditor of State regarding any necessary or appropriate steps to bring the books of account, accounting systems, and financial procedures and reports of the Village into compliance with requirements prescribed by the Auditor of State, which would include monthly bank reconciliations between the bank and the Village records. The Financial Supervisor for the Village has not prepared monthly bank reconciliations for the Village or aided the Clerk in preparing or learning the proper reconciliation procedures. We recommend the Village reconcile the fund cash balances and bank balances on a monthly basis. If the Village needs assistance in this area the Village should ask their Financial Supervisor to assist in performing these duties. If he is unable to provide this assistance the Village should hire someone to assist them.

FINDING NUMBER 2000-30401-008

Material Weakness - Budgetary

Our audit disclosed that the Village does not follow mandatory budgetary procedures required by Ohio law. Failure to follow these procedures resulted in deficit cash fund balances, overspending, and contributed to placing the Village in a state of fiscal emergency. We recommend the Village become knowledgeable with Ohio Rev. Code Chapter 5705 (budgetary law) and follow mandatory budgetary procedures in order to control spending and to possibly help eliminate deficit cash fund balances.

FINDING NUMBER 2000-30401-009

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 2000-30401-010

Material Weakness - Record Keeping

The following items were noted in regards to record keeping:

- A. Numerous posting errors were found in the Village records. Due to this, additional time was used to correct these errors and related records. This process entailed tracing individual receipts, vouchers, and canceled checks to the records and making necessary corrections where needed. In addition, bank reconciliations were performed for each month under audit.
- B. The annual financial reports for 2000 and 1999 were not completed until June of 2001.
- C. Purchase orders were not used correctly and as a result disbursements were not properly encumbered, which resulted in the Village not using the encumbrance method of accounting.

Ohio Rev. Code Section 118.07 details the duties of the Financial Supervisor in assisting the Village in the aforementioned areas and there was limited or no improvement shown in the current audit compared to prior audits. The Village share for the cost of the Financial Supervisor for the period January 1, 1999 through December 31, 2000 was \$ 2,002. Several deficiencies were noted in the record keeping of the Village. The Village should ask the Financial Supervisor to take a more active role to assist the Village in their record keeping or hire someone else.

FINDING NUMBER 2000-30401-011

Material Weakness - Police Citation Log

The Police Chief failed to maintain a citation log. The purpose of a citation log is to maintain an independent record of all citations issued. 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 FOR ADJUSTMENT 2000-30401-012

FEMA Mitigation Funds

During the audit period the Village of Manchester received a FEMA Mitigation Grant to allow them to buy homes and property that was damaged by the flood. The Village has made a decision to implement the Salvage Program part of the grant.

As a result of this implementation the Village sold items from trailers and homes they mitigated with the FEMA Mitigation funds and deposited the monies into the General Fund. Program guidelines outlined in documentation we obtained from Ohio EMA that has in the heading "Guidance and Policy Handbook September 1999" requires that any income generated from the program be posted to a program income account and be used for further mitigation efforts or used to reimburse the grant. If the items are sold, full disclosure must be made regarding the type and amount of damage from the disaster incident. We noted the Village collected the following amounts and deposited them to the General Fund:

**FINDING FOR ADJUSTMENT 2000-30401-012
(Continued)**

Year	Amount
1999	\$151
2000	265
2001 (to date)	1,050
Total	\$1,466

A finding for adjustment is made against the General Fund for \$1,466 in favor of a FEMA Mitigation Program Income Fund, which the Village needs to establish to account for these FEMA funds. Program guidelines require that when a homeowner wishes to buy any items from their home a value must be established by an appraiser and be deducted from the offer to avoid duplication of benefits. In the above cases the homeowner paid the Village directly instead of deducting the amounts from the offer.

In addition we noted that the salvage program is optional and will only apply in jurisdictions with approval from their local Health Departments. The local jurisdiction must contact their County Health Department prior to participation in the Salvage Program and receive written approval to participate. The Village of Manchester did not contact the Health Department prior to selling these items.

We recommend the Financial Supervisor and the Village, become familiar with and abide by the program guidelines and grant agreements to avoid future problems.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
1998-30401-001	Ohio Rev. Code Section 5705.10, deficit fund balances in some funds.	No	Some funds corrected, however, there are different funds that have deficit fund balances at the end of December 31, 2000 and 1999. Reissued as finding number 2000-30401-001.
1998-30401-002	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in numerous funds.	No	Some funds corrected, however, there are different funds that have expenditures exceeding appropriations during the current audit period. Reissued as finding number 2000-30401-002.
1998-30401-003	Ohio Rev. Code Section 5705.39, County Auditor's certificate was not on file appropriations exceeded total estimated resources.	No	Some funds corrected, however, the problem still exists in various funds. Reissued as finding number 2000-30401-003.
1998-30401-004	Ohio Administrative Code Sections 117-5-01 through 117-5-18, require proper classification of receipts and disbursements by program and records were not maintained properly. Monthly bank reconciliations were not performed and there were deficit fund balances..	No	No improvement shown. Reissued as finding number 2000-30401-006.
1998-30401-005	Ohio Rev. Code Section 5705.41(D), encumbrances and appropriaitons not posted to ledgers.	No	No improvement shown. Reissued as finding number 2000-30401-004.
1998-30401-006	Village Ordinance 1998-2 required the establishment of separate sinking funds for the payment of principal and interest on Sanitary Sewer System Mortgage Revenue Bonds, Series A and B, as well as reserve funds for each series.	No	The Village established one reserve fund. Partially corrected. We reported this finding in the management letter.
1998-30401-007	The Village did not perform monthly bank reconciliations.	No	No improvement shown. Reissued as finding number 2000-30401-007.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000
(Continued)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
1998-30401-008	The Village prepares and distributes payroll checks prior to the end of the pay period being paid.	No	Not corrected. We Reported this finding in the management letter.
1998-30401-009	The Village did not follow mandatory budgetary procedures required by Ohio Law which resulted in deficit fund balances, overspending, and contributed to placing the Village in a state of fiscal emergency.	No	Limited improvement shown. Reissued as finding number 2000-30401-008.
1998-30401-010	The Clerk/Treasurer handles all financial record keeping, including receipting and posting.	No	Same condition exists. Reissued as finding number 2000-30401-009.



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OFFICE OF THE AUDITOR

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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 7, 2002**