

Village of Manchester

Adams County, Ohio

Regular Audit

January 1, 2005 Through December 31, 2006

Fiscal Year Audited Under GAGAS: 2005 & 2006



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Mary Taylor, CPA
Auditor of State

Village Council
Village of Manchester
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We have reviewed the *Independent Auditor's Report* of the Village of Manchester, Adams County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Manchester is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 8, 2009

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 Adams County, Ohio
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Manchester, Adams County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005 which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Because of inadequacies in the Village's accounting records over income taxes, we were unable to form an opinion regarding the amount of income tax revenue in the accompanying financial statements (stated at \$53,435 for 2006 and \$52,933 for 2005).

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been necessary had income tax revenue been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Manchester, Adams County, Ohio as of December 31, 2006 and 2005, and the respective changes in modified cash basis financial position and the respective budgetary comparisons for the General Fund and major special revenue funds thereof for the years then ended in conformity with the accounting basis Note 2 describes.

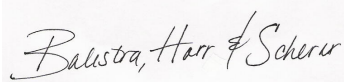
As described in Note 17 to the financial statements, the Village has been declared in a state of fiscal emergency under Ohio law.

For the years ended December 31, 2006 and 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

Village of Manchester
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Balestra, Harr & Scherer, CPAs, Inc.

September 21, 2009

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

This discussion and analysis of the Village of Manchester's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2006 are as follows:

The Village's total net assets decreased \$173,874. Net assets of Governmental Activities increased by \$79,362, due to the receipt of property tax monies relating to the fire truck levy and transfers from the Sewer Fund. Net assets of Business-Type Activities decreased by \$253,236, due to debt service payments and Sewer Fund transfers to the General Fund and Fire Levy Special Revenue Fund.

General revenues of Governmental Activities accounted for \$325,284 or 66.96 percent of all governmental revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$160,523 or 33.04 percent of total governmental revenues of \$485,807.

Enterprise funds reflected a total operating loss of \$253,236. The Water Fund reflected operating loss of \$135,657, while the Sewer Fund reflected an operating loss of \$94,579. The operating loss of the Water Fund was a result of debt service payments and an increase in operating costs of the water treatment plant. The operating loss of the Sewer Fund was a result of debt service payments and advances.

The Village had \$429,445 in expenses related to Governmental Activities. \$160,523 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$325,284 were adequate to provide for these programs. The Village had \$1,145,508 in expenses related to Business-Type Activities. \$431,288 in program specific charges for services, capital grants and contributions, along with debt proceeds were not sufficient to cover expenses.

Key highlights for 2005 are as follows:

The Village's total net assets decreased \$41,661. Revenues of Governmental Activities exceeded expenses by \$29,778. Net assets of Business-Type Activities decreased by \$71,439, mainly due to expenditures exceeding revenues.

General revenues of Governmental Activities accounted for \$380,751 or 81.54 percent of all governmental revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$86,182 or 18.46 percent of total governmental revenues of \$466,933.

Enterprise funds reflected a total operating loss of \$71,439. The Water Fund reflected operating income of \$10,480, while the Sewer Fund reflected an operating loss of \$81,919. The operating loss of the Sewer Fund was a result of debt service payments.

The Village had \$437,155 in expenses related to Governmental Activities. \$86,182 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$380,751 were adequate to provide for these programs. The Village had \$1,995,900 in expenses related to Business-Type Activities. \$1,282,027 in program specific charges for services, capital grants and contributions, along with debt proceeds were not sufficient to cover expenses.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2006 and 2005, within the limitations of the modified cash basis accounting. The Statement of Net Assets presents the cash balances of the governmental activities of the Village at year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Assets and the Statement of Activities, we divide the Village into two types of activities:

Governmental Activities - Most of the Village's basic services are reported here, including street maintenance, police and fire services. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type Activities - These services include water and sewer. Service fees for these operations are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Street Construction, Maintenance and Repair, Fire Levy, Police Levy Special Revenue Funds and the Fire Debt Service Fund.

Proprietary Funds - When the Village charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in Proprietary Funds. Proprietary Funds use the same basis of accounting as Business-Type Activities; therefore, these statements will essentially match.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2006 and 2005 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities			Business-Type Activities			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Assets									
Cash and Cash Equivalents	\$ 133,481	\$ 54,119	\$ 24,341	\$ 252,346	\$ 505,582	\$ 577,021	\$ 385,827	\$ 559,701	\$ 601,362
Net Assets									
Restricted for:									
Debt Service	113,524	55,855	-	-	-	-	113,524	55,855	-
Other Purposes	41,980	31,094	39,687	-	-	-	41,980	31,094	39,687
Unrestricted	(22,023)	(32,830)	(15,346)	252,346	505,582	577,021	230,323	472,752	561,675
Total Net Assets	\$ 133,481	\$ 54,119	\$ 24,341	\$ 252,346	\$ 505,582	\$ 577,021	\$ 385,827	\$ 559,701	\$ 601,362

As mentioned previously, net assets of governmental activities increased \$79,362 during 2006. The primary reasons contributing to the increase is that the Village received property tax monies on a new fire truck levy and advances from the Sewer Fund. Net Assets of Business-type Activities decreased \$253,236. This decrease is related to the debt service payments and advances to governmental funds.

As mentioned previously, net assets of governmental activities increased \$29,778 during 2005. The primary reasons contributing to the increase is that the Village received property tax monies on a new fire truck levy, with no expenditures being made for the new fire truck. Net assets of business-type activities decreased \$71,439. This decrease is related to the Sewer Fund debt service payments.

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Table 2 reflects the changes in net assets for 2006 and 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$76,909	\$49,291	\$421,683	\$482,467	\$498,592	531,758
Operating Grants and Contributions	47,863	36,891	0	0	47,863	36,891
Capital Grants and Contributions	35,751	0	9,605	799,560	45,356	799,560
Total Program Receipts	160,523	86,182	431,288	1,282,027	591,811	1,368,209
General Receipts:						
Property Taxes	182,912	180,446	0	0	182,912	180,446
Income Taxes	53,435	52,933	0	0	53,435	52,933
Other Local Taxes	48,493	50,483	0	0	48,493	50,483
Grants and Entitlements Not Restricted to Specific Programs	26,202	68,342	0	0	26,202	68,342
Debt Proceeds	8,000	0	479,292	642,434	487,292	642,434
Interest	4,557	2,827	0	0	4,557	2,827
Miscellaneous	1,685	25,720	4,692	0	6,377	25,720
Total General Receipts	325,284	380,751	483,984	642,434	809,268	1,023,185
Total Receipts	485,807	466,933	915,272	1,924,461	1,401,079	2,391,394
Disbursements:						
Security of Persons and Property	192,996	206,189	0	0	192,996	206,189
Public Health Services	0	545	0	0	0	545
Leisure Time Activities	47,275	32,641	0	0	47,275	32,641
Community Environment	0	17,862	0	0	0	17,862
Transportation	85,719	82,438	0	0	85,719	82,438
Health	0	0	0	0	0	0
General Government	87,394	97,367	0	0	87,394	97,367
Capital Outlay	15,000	0	0	0	15,000	0
Interest and Fiscal Charges	521	113	0	0	521	113
Other	540	0	0	0	540	0
Water	0	0	827,810	1,672,667	827,810	1,672,667
Sewer	0	0	317,698	323,233	317,698	323,233
Total Disbursements	429,445	437,155	1,145,508	1,995,900	1,574,953	2,433,055

(continued)

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
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(Table 2)
Changes in Net Assets
(Continued)

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Excess (Deficiency) Before Transfers and Advances	56,362	29,778	(230,236)	(71,439)	(173,874)	(41,661)
<i>Other Financing Sources (Uses):</i>						
Advances	23,000	0	(23,000)	0	0	0
Increase in Net Assets	79,362	29,778	(253,236)	(71,439)	(173,874)	(41,661)
Net Assets Beginning of Year	54,119	24,341	505,582	577,021	559,701	601,362
Net Assets End of Year	<u>\$133,481</u>	<u>\$54,119</u>	<u>\$252,346</u>	<u>\$505,582</u>	<u>\$385,827</u>	<u>559,701</u>

Highlights for 2006:

Program receipts represent 33.04 percent of total receipts of which 47.91 percent is charges for services, while the remaining 52.09 percent is for operating and capital grants and contributions.

General receipts represent 66.96 percent of the Village's total receipts, of which, 87.57 percent are property tax, income tax and other local taxes. Other receipts are very insignificant and are somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for other Village activities. These activities include costs of the Auditor of State of Ohio fees, clerk, and the council's salaries, as well as internal services such as payroll and purchasing. General government represents 20.35 percent of total disbursements while security of persons and property disbursements represents 44.94 percent of the total. Disbursements included within security of persons and property includes primarily police and fire protection.

Highlights for 2005:

Program receipts represent 18.46 percent of total receipts of which 57.19 percent is charges for services, while the remaining 42.81 percent is for operating grants and contributions.

General receipts represent 81.54 percent of the Village's total receipts, of which 74.55 percent are property tax, income tax and other local taxes. Other receipts are very insignificant and are somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for other Village activities. These activities include costs of the Auditor of State of Ohio fees, clerk, and the council's salaries, as well as internal services such as payroll and purchasing. General government represents 22.27 percent of total disbursements while security of persons and property disbursements represents 47.17 percent of the total. Disbursements included within security of persons and property includes primarily police and fire protection.

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
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Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. As previously mentioned, the major program disbursements for governmental activities are for general government and security of persons and property, which account for 65.29 percent of all governmental disbursements for 2006, and the major program disbursements for governmental activities are for general government and security of persons and property, which account for 20.35 and 44.95 percent of all governmental disbursements, respectively, for 2005. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2006	2006	2005	2005
Security of Persons and Property	\$192,996	(\$158,448)	\$206,189	(\$206,169)
Public Health Services	0	0	545	(545)
Leisure Time Activities	47,275	(35,650)	32,641	(31,101)
Community Environment	0	18,345	17,862	(12,331)
Basic Utility Service	0	3,973	0	2,319
Transportation	85,719	(32,238)	82,438	(36,175)
General Government	87,394	(48,843)	97,367	(66,858)
Capital Outlay	15,000	(15,000)	0	0
Interest and Fiscal Charges	521	(521)	113	(113)
Other	540	(540)	0	0
Total Expenses	\$429,445	(\$268,922)	\$437,155	(\$350,973)

Business-type Activities

The Village's Business-type Activities include water and sewer operations.

Water treatment and facility repairs are paid for through user fees. The revenue is used to pay for the necessary level of staffing required to operate the facility, debt service payments on system improvements and to fund system improvements. The Village owns and maintains the infrastructure necessary to furnish service to their residents and is responsible for major reconstruction and expansion within the community.

Sewer treatment and facility repairs are paid for through user fees. The revenue is used to pay for the necessary level of staffing required to operate the facility, debt service payments on system improvements and to fund system improvements. The Village owns and maintains the infrastructure necessary to furnish service to their residents and is responsible for major reconstruction and expansion within the community.

Net assets of Business-type Activities decreased \$253,236, primarily due to debt service payments and advances to governmental funds for 2006. Net assets of Business-type Activities decreased \$71,439, primarily due to debt service payments for 2005.

Village of Manchester, Adams County
Management's Discussion and Analysis
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Unaudited

The Village's Funds

Highlights for 2006:

Total governmental funds had receipts of \$477,807 and disbursements of \$428,905. The greatest change within governmental funds occurred within the Debt Service Fund. The Debt Service Fund increased \$57,669 due primarily to a new fire truck levy that, as of year-end, the Village had not ordered.

General Fund receipts were greater than disbursements however advances from the Sewer Fund made to support the General Fund caused an increase in fund balance of \$7,753.

The Street Construction Maintenance and Repair Fund's balance at December 31, 2005, was \$18,033. This is an increase from the prior year however, if you factor out the bond proceeds, the fund balance actually experienced a slight decrease of \$1,453.

The Fire Levy Fund's balance at December 31, 2006, was \$8,776. Fund balance increased by \$4,930.

The Police Levy Fund's balance at December 31, 2006, was \$2,623. Disbursements continue to exceed receipts however, with transfers from the General Fund and an advance from the Sewer Fund, fund balance increase by \$3,752.

The Debt Service Fund's balance at December 31, 2006 was \$113,524. This fund has been accumulating property tax revenue in anticipation of the Village purchasing a new fire truck. As of year-end the Village has yet to issue bonds for the purchase of the new fire truck.

The Water Fund's net assets decreased \$135,657 primarily due to debt service payments.

The Sewer Fund's net assets decreased \$117,579 due to debt service payments and advances to governmental funds.

Highlights for 2005:

Total governmental funds had receipts of \$466,933 and disbursements of \$437,155. The greatest change within governmental funds occurred within the Debt Service Fund.

General Fund receipts were greater than disbursements however transfers made to support the police department caused a decrease in fund balance of \$14,430.

The Street Construction Maintenance and Repair Fund's balance at December 31, 2005, was \$11,486. The decrease was due to disbursements slightly exceeded receipts by \$3,278.

The Police Levy Fund's balance at December 31, 2005, was (\$1,129). Disbursements continue to exceed receipts and other financing sources.

The Water Fund's net assets increased \$10,480 primarily due to revenues exceeding expenditures.

The Sewer Fund's net assets decreased \$81,919 due to debt service payments.

Village of Manchester, Adams County
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General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Highlights for 2006:

For the General Fund, the difference between the original budget basis revenue and final budget basis revenues was \$89,792. The increase is related to an increase in intergovernmental revenue. Original budget basis expenditures were \$51,921 lower than final budget basis expenditures. The increase in appropriation was related to an increase in expenditure for leisure time activities.

Actual revenues were \$66,652 lower than the final budget basis revenues, while the actual expenditures were \$5,925 lower than the final budget basis appropriations. This resulted in the Village's ending unobligated cash balance to be \$15,467 below the final budgeted amount.

Highlights for 2005:

For the General Fund, the difference between the original budget basis revenue and final budget basis revenues was \$23,126. The increase is related to an increase in intergovernmental revenue. Original budget basis expenditures were \$74,942 lower than final budget basis expenditures. The increase is related to increases in contractual services.

Actual revenues were \$2,768 lower than the final budget basis revenues, while the actual expenditures were \$35,431 lower than the final budget basis appropriations. This resulted in the Village's ending unobligated cash balance to be \$28,963 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2006, the Village of Manchester had \$2,676,566 in debt outstanding.

Table 4
 Outstanding Debt at Year End

	Governmental Activities			Business-Type Activities		
	2006	2005	2004	2006	2005	2004
Mortgage Revenue Bonds	\$ -	\$ -	\$ -	\$ 1,562,880	\$ 1,115,494	\$ 1,125,200
General Obligation Bonds	6,109	-	-	169,800	181,300	192,200
OWDA Loans Payable	-	-	-	937,777	976,763	350,650
Bond Anticipation Notes	-	1,029	3,434	-	-	-
Total	\$ 6,109	\$ 1,029	\$ 3,434	\$ 2,670,457	\$ 2,273,557	\$ 1,668,050

Outstanding debt increased by \$401,980 from 2005, primarily due to the Village receiving the majority of the 2004 USDA Rural Development Mortgage Revenue Bonds.

The mortgage revenue bonds will be paid from operating revenues of the Business-Type Activities. The General Obligation Bonds and OWDA loans will be paid from operating revenue of the Water Fund.

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For the Years Ended December 31, 2006 and 2005
Unaudited

The Village's overall 10.5 percent legal debt margin was \$1,599,945 as of December 31, 2006. The more restrictive unvoted legal debt margin within 5.5 percent was \$889,216 as of the same date. See Note 13 of the notes to the basic financial statements for more detailed information.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jacqueline Smith, Clerk, Village of Manchester, 400 Pike St., Manchester, OH 45144.

Village of Manchester, Adams County
Statement of Net Assets - Modified Cash Basis
December 31, 2006

	Governmental Activities	Business - Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 133,481	\$ 252,346	\$ 385,827
<u>Net Assets:</u>			
Restricted for:			
Debt Service	113,524	-	113,524
Other Purposes	41,980	-	41,980
Unrestricted (Deficit)	(22,023)	252,346	230,323
<i>Total Net Assets</i>	\$ 133,481	\$ 252,346	\$ 385,827

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts				Net Receipts (Disbursements) and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
Security of Persons and Property	\$ 192,996	\$ 24,000	\$ 2,317	\$ 8,231	\$ (158,448)	\$ -	\$ (158,448)
Leisure Time Activities	47,275	2,250	-	9,375	(35,650)	-	(35,650)
Community Environment	-	200	-	18,145	18,345	-	18,345
Basic Utility Services	-	3,973	-	-	3,973	-	3,973
Transportation	85,719	7,935	45,546	-	(32,238)	-	(32,238)
General Government	87,394	38,551	-	-	(48,843)	-	(48,843)
Capital Outlay	15,000	-	-	-	(15,000)	-	(15,000)
Interest and Fiscal Charges	521	-	-	-	(521)	-	(521)
Other	540	-	-	-	(540)	-	(540)
<i>Total Governmental Activities</i>	<u>429,445</u>	<u>76,909</u>	<u>47,863</u>	<u>35,751</u>	<u>(268,922)</u>	<u>-</u>	<u>(268,922)</u>
<u>Business Type Activities:</u>							
Water Operating	827,810	200,211	-	9,605	-	(617,994)	(617,994)
Sewer Operating	317,698	221,472	-	-	-	(96,226)	(96,226)
<i>Total Business-Type Activities</i>	<u>1,145,508</u>	<u>421,683</u>	<u>-</u>	<u>9,605</u>	<u>-</u>	<u>(714,220)</u>	<u>(714,220)</u>
Total	<u>\$ 1,574,953</u>	<u>\$ 498,592</u>	<u>\$ 47,863</u>	<u>\$ 45,356</u>	<u>(268,922)</u>	<u>(714,220)</u>	<u>(983,142)</u>
<u>General Receipts:</u>							
Property Taxes Levied for							
General Purposes					182,912	-	182,912
Police					-	-	-
Capital Outlay					-	-	-
Municipal Income Taxes					53,435	-	53,435
Other Local Taxes					48,493	-	48,493
Grants and Entitlements not Restricted to Specific Programs					26,202	-	26,202
Debt Proceeds					8,000	479,292	487,292
Interest					4,557	-	4,557
Miscellaneous					1,685	4,692	6,377
<i>Total General Receipts</i>					<u>325,284</u>	<u>483,984</u>	<u>809,268</u>
Advances					23,000	(23,000)	-
<i>Total General Receipts, Transfers and Advances</i>					<u>348,284</u>	<u>460,984</u>	<u>809,268</u>
Change in Net Assets					79,362	(253,236)	(173,874)
<i>Net Assets at Beginning of Year</i>					<u>54,119</u>	<u>505,582</u>	<u>559,701</u>
<i>Net Assets at End of Year</i>					<u>\$ 133,481</u>	<u>\$ 252,346</u>	<u>\$ 385,827</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Street Construction, Maintenance and Repair	Fire Levy	Police Levy	Fire Debt Service	Other Governmental	Total Governmental Funds
<u>Assets:</u>							
Equity in Pooled Cash and Cash Equivalents	\$ (22,023)	\$ 18,033	\$ 8,776	\$ 2,623	\$ 113,524	\$ 12,548	\$ 133,481
<i>Total Assets</i>	<u>(22,023)</u>	<u>18,033</u>	<u>8,776</u>	<u>2,623</u>	<u>113,524</u>	<u>12,548</u>	<u>133,481</u>
<u>Fund Balances:</u>							
Reserved:							
Reserved for Encumbrances	4,795	4,613	135	8,882	-	-	18,425
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	(26,818)	-	-	-	-	-	(26,818)
Special Revenue Funds	-	13,420	8,641	(6,259)	-	12,548	28,350
Debt Service Fund	-	-	-	-	113,524	-	113,524
<i>Total Fund Balances(Deficit)</i>	<u>\$ (22,023)</u>	<u>\$ 18,033</u>	<u>\$ 8,776</u>	<u>\$ 2,623</u>	<u>\$ 113,524</u>	<u>\$ 12,548</u>	<u>\$ 133,481</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Cash Receipts, Disbursements and Changes in
Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Street Construction, Maintenance and Repair	Fire Levy	Police Levy	Fire Debt Service	Other Governmental	Total Governmental Funds
<u>Receipts:</u>							
Property and Other Local Taxes	\$ 40,254	\$ 44,317	\$ 33,299	\$ 29,422	\$ 51,634	\$ 3,499	\$ 202,425
Municipal Income Taxes	53,435	-	-	-	-	-	53,435
Charges for Services	6,224	-	24,000	-	-	-	30,224
Fines, Licenses and Permits	42,561	-	-	-	-	4,773	47,334
Intergovernmental	77,758	34,130	6,959	5,879	7,689	3,416	135,831
Interest	4,557	-	-	-	-	-	4,557
Other	125	-	1,304	2,572	-	-	4,001
Total Receipts	224,914	78,447	65,562	37,873	59,323	11,688	477,807
<u>Disbursements:</u>							
Current:							
Security of Persons and Property	26,106	-	46,632	113,621	-	6,637	192,996
Leisure Time Activities	47,275	-	-	-	-	-	47,275
Transportation	-	76,729	-	-	-	6,340	83,069
General Government	85,740	-	-	-	1,654	-	87,394
Capital Outlay	-	-	15,000	-	-	-	15,000
Debt Service:							
Principal Retirement	-	2,920	-	-	-	-	2,920
Interest and Fiscal Charges	-	251	-	-	-	-	251
Total Disbursements	159,121	79,900	61,632	113,621	1,654	12,977	428,905
Excess of Receipts Over (Under) Disbursements	65,793	(1,453)	3,930	(75,748)	57,669	(1,289)	48,902
<u>Other Financing Sources (Uses):</u>							
Bonds Issued	-	8,000	-	-	-	-	8,000
Transfers In	-	-	-	76,500	-	-	76,500
Transfers Out	(76,500)	-	-	-	-	-	(76,500)
Advances In	20,000	-	1,000	3,000	-	-	24,000
Advances Out	(1,000)	-	-	-	-	-	(1,000)
Other Financing Uses	(540)	-	-	-	-	-	(540)
Total Other Financing Sources (Uses)	(58,040)	8,000	1,000	79,500	-	-	30,460
Net Change in Fund Balances	7,753	6,547	4,930	3,752	57,669	(1,289)	79,362
Fund Balances (Deficit) at Beginning of Year	(29,776)	11,486	3,846	(1,129)	55,855	13,837	54,119
Fund Balances (Deficit) at End of Year	\$ (22,023)	\$ 18,033	\$ 8,776	\$ 2,623	\$ 113,524	\$ 12,548	\$ 133,481

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - (Budget Basis)
General Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		Actual	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 42,000	\$ 45,893	\$ 40,254	\$ (5,639)
Municipal Income Taxes	50,471	52,933	53,435	502
Charges for Services	9,000	6,629	6,224	(405)
Fines, Licenses and Permits	46,600	46,600	42,561	(4,039)
Intergovernmental	41,103	123,911	77,758	(46,153)
Interest	600	3,600	4,557	957
Other	12,000	12,000	125	(11,875)
<i>Total Receipts</i>	<u>201,774</u>	<u>291,566</u>	<u>224,914</u>	<u>(66,652)</u>
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	16,500	26,231	26,106	125
Leisure Time Activities	7,440	47,700	47,275	425
General Government	93,980	95,910	90,535	5,375
<i>Total Disbursements</i>	<u>117,920</u>	<u>169,841</u>	<u>163,916</u>	<u>5,925</u>
Excess of Receipts Over Disbursements	<u>83,854</u>	<u>121,725</u>	<u>60,998</u>	<u>(60,727)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	(66,000)	(76,500)	(76,500)	-
Advances In	-	5,000	20,000	15,000
Advances Out	-	(31,000)	(1,000)	30,000
Other Financing Uses	(5,000)	(800)	(540)	260
Total Other Financing Uses	<u>(71,000)</u>	<u>(103,300)</u>	<u>(58,040)</u>	<u>45,260</u>
Net Change in Fund Balance	12,854	18,425	2,958	(15,467)
Fund Balance (Deficit) at Beginning of Year	<u>(29,776)</u>	<u>(29,776)</u>	<u>(29,776)</u>	<u>-</u>
Fund Balances (Deficit) at End of Year	<u>\$ (16,922)</u>	<u>\$ (11,351)</u>	<u>\$ (26,818)</u>	<u>\$ (15,467)</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - (Budget Basis)
Street Construction, Maintenance and Repair
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 31,160	\$ 27,658	\$ 44,317	\$ 16,659
Intergovernmental	44,840	31,905	42,130	10,225
<i>Total Receipts</i>	<u>76,000</u>	<u>59,563</u>	<u>86,447</u>	<u>26,884</u>
<u>Disbursements:</u>				
Current:				
Transportation	80,000	90,165	82,654	7,511
Debt Service:				
Principal Retirement	-	2,600	1,858	742
Interest and Fiscal Charges	-	-	-	-
<i>Total Disbursements</i>	<u>80,000</u>	<u>92,765</u>	<u>84,512</u>	<u>8,253</u>
Net Change in Fund Balance	(4,000)	(33,202)	1,935	35,137
Fund Balance at Beginning of Year	<u>11,485</u>	<u>11,485</u>	<u>11,485</u>	<u>-</u>
Fund Balance (Deficit) at End of Year	<u>\$ 7,485</u>	<u>\$ (21,717)</u>	<u>\$ 13,420</u>	<u>\$ 35,137</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - (Budget Basis)
Fire Levy
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 35,850	\$ 35,850	\$ 33,299	\$ (2,551)
Charges for Services	24,000	24,000	24,000	-
Intergovernmental	-	-	6,959	6,959
Other	-	1,240	1,304	64
<i>Total Receipts</i>	<u>59,850</u>	<u>61,090</u>	<u>65,562</u>	<u>4,472</u>
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	44,700	54,700	46,766	7,934
Capital Outlay	-	15,000	15,000	-
<i>Total Disbursements</i>	<u>44,700</u>	<u>69,700</u>	<u>61,766</u>	<u>7,934</u>
Excess of Receipts Over (Under) Disbursements	15,150	(8,610)	3,796	12,406
<u>Other Financing Sources:</u>				
Advances In	-	-	1,000	1,000
Net Change in Fund Balance	15,150	(8,610)	4,796	13,406
Fund Balance at Beginning of Year	<u>3,846</u>	<u>3,846</u>	<u>3,846</u>	<u>-</u>
Fund Balances (Deficit) at End of Year	<u>\$ 18,996</u>	<u>\$ (4,764)</u>	<u>\$ 8,642</u>	<u>\$ 13,406</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - (Budget Basis)
Police Levy
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 35,341	\$ 32,900	\$ 29,422	\$ (3,478)
Intergovernmental	-	-	5,879	5,879
Other	22,100	22,100	2,572	(19,528)
<i>Total Receipts</i>	57,441	55,000	37,873	(17,127)
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	131,640	150,911	122,504	28,407
Excess of Receipts Over (Under) Disbursements	(74,199)	(95,911)	(84,631)	11,280
<u>Other Financing Sources:</u>				
Transfers In	79,000	79,000	76,500	(2,500)
Advances In	-	-	3,000	3,000
Total Other Financing Sources	79,000	79,000	79,500	500
Net Change in Fund Balance	4,801	(16,911)	(5,131)	11,780
Fund Balance at Beginning of Year	(1,129)	(1,129)	(1,129)	-
Fund Balance (Deficit) at End of Year	<u>\$ 3,672</u>	<u>\$ (18,040)</u>	<u>\$ (6,260)</u>	<u>\$ 11,780</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Fund Net Assets - Modified Cash Basis
Enterprise Funds
December 31, 2006

	Business-Type Activities		
	Water Operating	Sewer Operating	Total Enterprise Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$207,859	\$44,487	\$252,346
<u>Net Assets:</u>			
Unrestricted	\$207,859	\$44,487	\$252,346

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Cash Receipts, Disbursements and
Changes in Fund Net Assets - Modified Cash Basis
Enterprise Funds
For the Year Ended December 31, 2006

	Business-Type Activities		
	Water Operating	Sewer Operating	Total Enterprise Funds
<u>Operating Receipts:</u>			
Charges for Services	\$ 200,211	\$ 221,472	\$ 421,683
Other Operating Receipts	3,045	1,647	4,692
<i>Total Operating Receipts</i>	<u>203,256</u>	<u>223,119</u>	<u>426,375</u>
<u>Operating Disbursements:</u>			
Personal Services	55,585	84,649	140,234
Fringe Benefits	18,583	32,631	51,214
Contractual Services	484,496	-	484,496
Materials and Supplies	158,543	111,232	269,775
<i>Total Operating Disbursements</i>	<u>717,207</u>	<u>228,512</u>	<u>945,719</u>
<i>Operating Loss</i>	(513,951)	(5,393)	(519,344)
<u>Non-Operating Receipts (Disbursements):</u>			
Special Assessments	9,605	-	9,605
Proceeds of Loans	551,242	-	551,242
Capital Outlay	(19,643)	(13,095)	(32,738)
Principal Payments	(134,380)	(26,600)	(160,980)
Interest	(28,530)	(49,491)	(78,021)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>378,294</u>	<u>(89,186)</u>	<u>289,108</u>
<i>Loss before Advances</i>	(135,657)	(94,579)	(230,236)
Advances Out	-	(23,000)	(23,000)
<i>Change in Net Assets</i>	(135,657)	(117,579)	(253,236)
<i>Net Assets at Beginning of Year</i>	<u>343,516</u>	<u>162,066</u>	<u>505,582</u>
<i>Net Assets at End of Year</i>	<u>\$ 207,859</u>	<u>\$ 44,487</u>	<u>\$ 252,346</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2006

	<u>Mayors Court</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6</u>
<u>Liabilities:</u>	
Restricted	<u>\$ 6</u>

See accompanying notes to the basic financial statements

Village of Manchester, Adams County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Governmental Activities	Business - Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 54,119	\$ 505,582	\$ 559,701
<u>Net Assets:</u>			
Restricted for:			
Debt Service	55,855	-	55,855
Other Purposes	31,094	-	31,094
Unrestricted (Deficit)	(32,830)	505,582	472,752
<i>Total Net Assets</i>	\$ 54,119	\$ 505,582	\$ 559,701

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts				Net Receipts (Disbursements) and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
Security of Persons and Property	\$ 206,189	\$ 20	\$ -	\$ -	\$ (206,169)	\$ -	\$ (206,169)
Public Health Services	545	-	-	-	(545)	-	(545)
Leisure Time Activities	32,641	1,540	-	-	(31,101)	-	(31,101)
Community Environment	17,862	5,531	-	-	(12,331)	-	(12,331)
Basic Utility Services	-	2,319	-	-	2,319	-	2,319
Transportation	82,438	9,372	36,891	-	(36,175)	-	(36,175)
General Government	97,367	30,509	-	-	(66,858)	-	(66,858)
Interest and Fiscal Charges	113	-	-	-	(113)	-	(113)
Total Governmental Activities	437,155	49,291	36,891	-	(350,973)	-	(350,973)
<u>Business Type Activities:</u>							
Water Operating	1,672,667	241,153	-	799,560	-	(631,954)	(631,954)
Sewer Operating	323,233	241,314	-	-	-	(81,919)	(81,919)
Total Business-Type Activities	1,995,900	482,467	-	799,560	-	(713,873)	(713,873)
Total	\$ 2,433,055	\$ 531,758	\$ 36,891	\$ 799,560	(350,973)	(713,873)	(1,064,846)
<u>General Receipts:</u>							
Property Taxes Levied for							
General Purposes					48,960	-	48,960
Police					35,789	-	35,789
Capital Outlay					95,697	-	95,697
Municipal Income Taxes					52,933	-	52,933
Other Local Taxes					50,483	-	50,483
Grants and Entitlements not Restricted to Specific Programs					68,342	-	68,342
Debt Proceeds					-	642,434	642,434
Interest					2,827	-	2,827
Miscellaneous					25,720	-	25,720
Total General Receipts					380,751	642,434	1,023,185
Change in Net Assets					29,778	(71,439)	(41,661)
<i>Net Assets at Beginning of Year - Restated (See Note 3)</i>					24,341	577,021	601,362
<i>Net Assets at End of Year</i>					\$ 54,119	\$ 505,582	\$ 559,701

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Street Construction, Maintenance and Repair	Police Levy	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$ (29,776)	\$ 11,486	\$ (1,129)	\$ 73,538	\$ 54,119
<i>Total Assets</i>	<u>(29,776)</u>	<u>11,486</u>	<u>(1,129)</u>	<u>73,538</u>	<u>54,119</u>
<u>Fund Balances:</u>					
Reserved:					
Reserved for Encumbrances	-	322	2,071	-	2,393
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	(29,776)	-	-	-	(29,776)
Special Revenue Funds	-	11,164	(3,200)	17,683	25,647
Debt Service Fund	-	-	-	55,855	55,855
<i>Total Fund Balances (Deficit)</i>	<u>\$ (29,776)</u>	<u>\$ 11,486</u>	<u>\$ (1,129)</u>	<u>\$ 73,538</u>	<u>\$ 54,119</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County

Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2005

	General	Street Construction, Maintenance and Repair	Police Levy	Other Governmental	Total Governmental Funds
<u>Receipts:</u>					
Property and Other Local Taxes	\$ 48,960	\$ 46,303	\$ 35,789	\$ 100,688	\$ 231,740
Municipal Income Taxes	52,933	-	-	-	52,933
Charges for Services	3,909	-	-	4,781	8,690
Fines, Licenses and Permits	36,145	-	-	3,625	39,770
Intergovernmental	68,342	31,905	-	4,986	105,233
Interest	2,827	-	-	-	2,827
Other	7,139	-	17,549	1,052	25,740
<i>Total Receipts</i>	<u>220,255</u>	<u>78,208</u>	<u>53,338</u>	<u>115,132</u>	<u>466,933</u>
<u>Disbursements:</u>					
Current:					
Security of Persons and Property	15,272	-	129,766	61,152	206,190
Public Health Services	545	-	-	-	545
Leisure Time Activities	32,640	-	-	-	32,640
Community Environment	17,862	-	-	-	17,862
Transportation	-	79,523	-	510	80,033
General Government	97,346	-	-	21	97,367
Debt Service:					
Principal Retirement	-	1,882	-	523	2,405
Interest and Fiscal Charges	-	81	-	32	113
<i>Total Disbursements</i>	<u>163,665</u>	<u>81,486</u>	<u>129,766</u>	<u>62,238</u>	<u>437,155</u>
Excess of Receipts Over (Under) Disbursements	<u>56,590</u>	<u>(3,278)</u>	<u>(76,428)</u>	<u>52,894</u>	<u>29,778</u>
<u>Other Financing Sources (Uses):</u>					
Transfers In	-	-	66,000	1,320	67,320
Transfers Out	(67,320)	-	-	-	(67,320)
Advances In	-	-	3,700	-	3,700
Advances Out	(3,700)	-	-	-	(3,700)
<i>Total Other Financing Sources (Uses)</i>	<u>(71,020)</u>	<u>-</u>	<u>69,700</u>	<u>1,320</u>	<u>-</u>
Net Change in Fund Balances	(14,430)	(3,278)	(6,728)	54,214	29,778
Fund Balances (Deficit) at Beginning of Year - Restated (See Note 3)	<u>(15,346)</u>	<u>14,764</u>	<u>5,599</u>	<u>19,324</u>	<u>24,341</u>
Fund Balances (Deficit) at End of Year	<u>\$ (29,776)</u>	<u>\$ 11,486</u>	<u>\$ (1,129)</u>	<u>\$ 73,538</u>	<u>\$ 54,119</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - (Budget Basis)
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 47,000	\$ 47,000	\$ 48,960	\$ 1,960
Municipal Income Taxes	61,700	61,700	52,933	(8,767)
Charges for Services	1,600	4,100	3,909	(191)
Fines, Licenses and Permits	44,750	44,750	36,145	(8,605)
Intergovernmental	44,347	64,973	68,342	3,369
Interest	500	500	2,827	2,327
Other	-	-	7,139	7,139
<i>Total Receipts</i>	<u>199,897</u>	<u>223,023</u>	<u>220,255</u>	<u>(2,768)</u>
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	16,620	16,620	15,272	1,348
Public Health Services	600	600	545	55
Leisure Time Activities	2,000	35,000	32,640	2,360
Community Environment	15,130	23,630	17,862	5,768
General Government	92,804	123,246	97,346	25,900
<i>Total Disbursements</i>	<u>127,154</u>	<u>199,096</u>	<u>163,665</u>	<u>35,431</u>
Excess of Receipts Over Disbursements	<u>72,743</u>	<u>23,927</u>	<u>56,590</u>	<u>32,663</u>
<u>Other Financing Uses:</u>				
Transfers Out	(66,000)	(67,320)	(67,320)	-
Advances Out	-	-	(3,700)	(3,700)
Total Other Financing Uses	<u>(66,000)</u>	<u>(67,320)</u>	<u>(71,020)</u>	<u>(3,700)</u>
Net Change in Fund Balance	6,743	(43,393)	(14,430)	28,963
Fund Balance at Beginning of Year	<u>(15,346)</u>	<u>(15,346)</u>	<u>(15,346)</u>	<u>-</u>
Fund Balances (Deficit) at End of Year	<u>\$ (8,603)</u>	<u>\$ (58,739)</u>	<u>\$ (29,776)</u>	<u>\$ 28,963</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - (Budget Basis)
Street Construction, Maintenance and Repair
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 22,400	\$ 22,400	\$ 46,303	\$ 23,903
Intergovernmental	-	-	31,905	31,905
<i>Total Receipts</i>	<u>22,400</u>	<u>22,400</u>	<u>78,208</u>	<u>55,808</u>
<u>Disbursements:</u>				
Current:				
Transportation	76,370	90,991	80,708	10,283
Debt Service:				
Principal Retirement	1,704	1,704	1,020	684
Interest and Fiscal Charges	144	144	81	63
<i>Total Disbursements</i>	<u>78,218</u>	<u>92,839</u>	<u>81,809</u>	<u>11,030</u>
Net Change in Fund Balance	(55,818)	(70,439)	(3,601)	66,838
Fund Balance at Beginning of Year	<u>14,764</u>	<u>14,764</u>	<u>14,764</u>	<u>-</u>
Fund Balance (Deficit) at End of Year	<u><u>\$ (41,054)</u></u>	<u><u>\$ (55,675)</u></u>	<u><u>\$ 11,163</u></u>	<u><u>\$ 66,838</u></u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - (Budget Basis)
Police Levy
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 36,000	\$ 72,000	\$ 35,789	\$ (36,211)
Other	-	2,000	17,549	15,549
<i>Total Receipts</i>	36,000	74,000	53,338	(20,662)
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	100,000	132,176	131,837	339
Excess of Receipts Under Disbursements	(64,000)	(58,176)	(78,499)	(20,323)
<u>Other Financing Sources:</u>				
Transfers In	64,000	64,000	66,000	2,000
Advances In	-	-	3,700	3,700
Total Other Financing Sources	64,000	64,000	69,700	5,700
Net Change in Fund Balance	-	5,824	(8,799)	(14,623)
Fund Balance at Beginning of Year	5,599	5,599	5,599	-
Fund Balance (Deficit) at End of Year	<u>\$ 5,599</u>	<u>\$ 11,423</u>	<u>\$ (3,200)</u>	<u>\$ (14,623)</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Fund Net Assets - Modified Cash Basis
Enterprise Funds
December 31, 2005

	Business-Type Activities		
	Water	Sewer	Total
	Operating	Operating	Enterprise Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 343,516	\$ 162,066	\$ 505,582
<u>Net Assets:</u>			
Unrestricted	\$ 343,516	\$ 162,066	\$ 505,582

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Cash Receipts, Disbursements and
Changes in Fund Net Assets - Modified Cash Basis
Enterprise Funds
For the Year Ended December 31, 2005

	Business-Type Activities		
	Water Operating	Sewer Operating	Total Enterprise Funds
<u>Operating Receipts:</u>			
Charges for Services	\$ 222,788	\$ 240,709	\$ 463,497
Other Operating Receipts	18,364	605	18,969
<i>Total Operating Receipts</i>	<u>241,152</u>	<u>241,314</u>	<u>482,466</u>
<u>Operating Disbursements:</u>			
Personal Services	64,348	87,171	151,519
Fringe Benefits	24,176	32,656	56,832
Contractual Services	31,121	17,788	48,909
Materials and Supplies	80,101	84,063	164,164
<i>Total Operating Disbursements</i>	<u>199,746</u>	<u>221,678</u>	<u>421,424</u>
<i>Operating Income</i>	<u>41,406</u>	<u>19,636</u>	<u>61,042</u>
<u>Non-Operating Receipts (Disbursements):</u>			
Special Assessments	10,361	-	10,361
Proceeds of Loans	642,434	-	642,434
Capital Outlay	(1,467,920)	(10,616)	(1,478,536)
Principal Payments	(5,000)	(36,300)	(41,300)
Capital Grants	789,199	-	789,199
Interest	-	(54,639)	(54,639)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(30,926)</u>	<u>(101,555)</u>	<u>(132,481)</u>
<i>Income (Loss) before Transfers</i>	10,480	(81,919)	(71,439)
Transfers In	-	8,213	8,213
Transfers Out	-	(8,213)	(8,213)
<i>Change in Net Assets</i>	10,480	(81,919)	(71,439)
<i>Net Assets at Beginning of Year - Restated (See Note 3)</i>	<u>333,036</u>	<u>243,985</u>	<u>577,021</u>
<i>Net Assets at End of Year</i>	<u>\$ 343,516</u>	<u>\$ 162,066</u>	<u>\$ 505,582</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2005

	<u>Mayors Court</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6</u>
<u>Net Assets:</u>	
Restricted	<u>\$ 6</u>

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

The Village of Manchester, Adams County, Ohio (the Village), is a body politic and corporate 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 reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village streets and bridges, park operations, and police and fire services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

The Village participates in one shared risk pool, the Public Entities Pool of Ohio (PEP). This organization is presented in Note 14 of the basic financial statements.

The Auditor of State of Ohio declared the Village of Manchester to be in a state of fiscal emergency on September 29, 1997, in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the Village, the Council President, three local financial business professionals and two representatives from the State of Ohio. This commission approved a financial recovery plan which has been adopted by the Village, and the plan must be updated annually. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the cash balance of the governmental and business-type activities of the Village at year-end. The Statement of Activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories: governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund - The General Fund is the operating fund of the Village and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Note 2 – Summary of Significant Accounting Policies (Continued)

Street Construction, Maintenance and Repair Fund - The Street Construction, Maintenance and Repair Fund accounts for State gasoline tax and other local tax monies designated for construction and maintenance of streets within the Village.

Fire Levy - The Fire Levy Fund accounts for property tax monies to provide fire protection for the Village.

Police Levy - The Police Levy Fund accounts for property tax monies and transfers from the General Fund to provide police protection for the Village.

Fire Debt Service Fund - The Fire Debt Service Fund accounts for property tax monies that are used for payment of principal and interest on the Fire Truck Acquisition Bonds.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water and Sewer Funds.

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has one agency fund which is used to account for money held for other governments, individuals and organizations for the distribution of mayor's court fines.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Village Council may appropriate.

Note 2 – Summary of Significant Accounting Policies (Continued)

The appropriations resolution is the Village Council’s authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department and object level for all funds. Any budgetary modifications at these levels may only be made by resolution of the Village Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk/Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources that were in effect at the time the final appropriations were passed by the Village Council.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year, including all supplemental appropriations.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 negative receipts (contra revenue), respectively.

During 2006 and 2005, the Village’s investments were non-negotiable certificates of deposit.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund were \$4,557 and \$2,827 which includes \$4,298 and \$2,742 assigned from other Village funds for 2006 and 2005, respectively.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Interfund Receivables/Payables

The Village reports Advances In and Advances Out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street maintenance and repair, police protection services and fire protection services.

The Village's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Net Assets reports \$155,504 and \$86,949 of restricted net assets, none of which is restricted by enabling legislation for 2006 and 2005, respectively.

N. Fund Balance Reserve

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balances are reserved for encumbrances.

O. Internal Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 3 – Restatement of Fund Balances

During January 2005, numerous outstanding 2004 warrants were voided. These voided warrants created a discrepancy between the 2004 ending fund balance and the 2005 beginning fund balance. Also the negative Sewer Debt Fund balance was recorded in the 2003 and 2004 audited financial statements as governmental fund, but it should be included as part of the Sewer Operating Fund. These adjustments resulted in the following changes to net assets/fund balances at December 31, 2004:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
Net Assets, December 31, 2004	\$7,226	\$582,279		
Return of Outstanding Warrants	8,902	2,955		
Sewer Debt Service Recorded as Governmental Fund on Prior Year Report	8,213	(8,213)		
Net Assets, December 31, 2004 as Restated	<u>\$24,341</u>	<u>\$577,021</u>		

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Police Levy</u>	<u>Other Governmental</u>
Fund Balance/Net Assets, December 31, 2004	(\$19,133)	\$12,940	\$4,590	\$8,829
Return of Outstanding Warrants	3,787	1,824	1,009	2,282
Sewer Debt Service Recorded as Governmental Fund on Prior Year Report	0	0	0	8,213
Fund Balance/Net Assets, December 31, 2004, As Restated	<u>(\$15,346)</u>	<u>\$14,764</u>	<u>\$5,599</u>	<u>\$19,324</u>

	<u>Water Operating</u>	<u>Sewer Operating</u>
Fund Balance/Net Assets, December 31, 2004	\$330,425	\$251,854
Return of Outstanding Warrants	2,611	344
Sewer Debt Service Recorded as Governmental Fund on Prior Year Report	0	(8,213)
Fund Balance/Net Assets, December 31, 2004, As Restated	<u>\$333,036</u>	<u>\$243,985</u>

Note 4 – Accountability and Compliance

A. Accountability

At December 31, 2006 and 2005, the General fund has a deficit fund balance of \$22,023 and \$29,776 and the Police Levy had a deficit fund balance at December 31, 2005 of \$1,129, respectively. The Village is currently in fiscal emergency and has been working to decrease the deficit fund balance.

B. Compliance

The General Fund had original appropriations in excess of original revenues and available fund balance. The General Fund, Street Construction, Maintenance and Repair, Fire Levy and Police Levy Special Revenue Funds had final appropriations in excess of final revenues and available fund balances. The following table lists the related compliance issues for 2006:

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 4 – Accountability and Compliance (Continued)

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Original Budget:</u>			
General Fund	\$171,998	\$188,920	(\$16,922)
<u>Final Budget :</u>			
General Fund	\$266,790	\$278,141	(\$11,351)
Street Construction			
Maintenance and Repair	\$71,046	\$92,765	(\$21,719)
Fire Levy	64,936	69,700	(4,764)
Police Levy	132,871	150,911	(18,040)

The following table lists the related compliance issues for 2005.

<u>Fund Type/Fund</u>	<u>Estimated Resources and Available Fund Balance</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Original Budget:</u>			
General Fund	\$184,551	\$193,154	(\$8,603)
Street Construction			
Maintenance and Repair	37,164	78,218	(41,054)
<u>Final Budget :</u>			
General Fund	207,677	266,416	(58,739)
Street Construction			
Maintenance and Repair	37,164	92,839	(55,675)

Other material compliance issues:

- Several instances were noted in which goods or services were ordered prior to purchase orders being certified by the Clerk during 2006 and 2005.
- The Village did not certify the necessary tax levies to the county auditor by the required date of October 1st for 2006 or 2005.
- The Village did not adopt a tax budget for 2006 or 2005.
- The Village had significant negative fund balances during 2006 and 2005.
- The Village did not file its annual cash basis reports for 2006 and 2005 within 60 days of year end as required by the Ohio Revised Code.
- The Village’s minutes record did not contain all actions taken by City Council.
- Village deposits were not made to the designated depository within one business day of being collected as required by the Ohio Revised Code.
- PERS contributions were not remitted during the audit period.
- Ohio Police and Fire Pension remittances were not made during the audit period.
- Medicare taxes were not remitted during the audit period.
- Workers’ Compensation Insurance remittances were not made during the audit period.
- Ohio Department of Job and Family Services remittances were not made during the audit period.
- State of Ohio taxes were not remitted during the audit period.
- Supporting documentation for income tax receipts was not able to be audited for 2006 or 2005.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Construction, Maintenance and Repair, Fire Levy, Police Levy Special Revenue Funds and Debt Service Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis normally are outstanding year end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$4,794, \$4,613, \$135 and \$8,882 for the General Fund, Street Construction, Maintenance and Repair, Fire Levy and Police Levy Special Revenue Funds, respectively, for 2006. The encumbrances outstanding at year-end (budgetary basis) amounted to \$322 and \$2,071 for the Street Construction, Maintenance and Repair and the Police Levy Special Revenue Funds, respectively, for 2005.

Note 6 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio):

Note 6 – Deposits and Investments (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in any amount not exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 7 – Income Taxes

The Village levies a .5 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the .5 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 8 – Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the Village. Property tax revenue received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes. 2006 real property taxes are levied after October 1, 2006 on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007. Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes. 2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Grove City. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 8 – Property Taxes (Continued)

represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2006, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 operations, and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$1.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$10,913,740
Commercial/Industrial/Mineral	2,199,090
Tangible Personal Property:	
General	202,630
Public Utility Real	899,110
Total Assessed Value	\$14,214,570

Note 9 – Inter-fund Activity

Inter-fund balances at December 31, 2006, consisted of the following individual fund receivables and payables:

		Receivable			
		General	Police Levy	Fire Levy	Total
Payable	General	\$0	\$3,700	\$1,000	\$4,700
	Sewer	20,000	3,000	0	23,000
	Total	\$20,000	\$6,700	\$1,000	\$27,700

The advance from the General Fund to the Police Levy fund was carried over from the prior year due to timing differences in receiving tax monies. When the monies are finally received, the Police Levy Fund will use these restricted monies to reimburse the General Fund's advance. The advance from the Sewer Fund to the Police Levy fund was a posting error it should have been from the General Fund. The Police Levy Fund will repay the Sewer Debt Fund in 2007. The advance from the Sewer Fund to the General fund was to cover the operating expenses. The General Fund will reimburse the Sewer Fund for the advance in 2007.

Transfers made during the year ended December 31, 2006 were as follows:

		Transfers To
Transfers From		Police
		Levy
General		\$76,500

A transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 9 – Inter-fund Activity(Continued)

Inter-fund balances at December 31, 2005, consisted of the following individual fund receivables and payables:

Receivable	
	Police
	Levy
	\$3,700
	\$3,700

	Payable
	General

This advance is necessary due to timing differences in receiving grant and tax monies. When the monies are finally received, the Police Levy Fund will use these restricted monies to reimburse the General Fund's advance.

Transfers made during the year ended December 31, 2005 were as follows:

Transfers To			
	Police	All Other	
	Levy	Nonmajor Funds	Total
	\$66,000	\$1,320	\$67,320
	\$66,000	\$1,320	\$67,320

	Transfers From
	General

A transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

Note 10 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village is a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entities Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

General, Automobile, Police Professional and Public Officials' Liability Coverage (Casualty Coverage) – PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$2,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$2,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage – PEP retains property risks, including automobile physical damage, up to \$250,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000, up to \$2,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective City/Village.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 10 – Risk Management (Continued)

The Village has elected to pay for coverage with the following limits:

Legal Liability – Third Party Claims Coverage (\$0 deductible) – per occurrence	\$2,000,000
Automobile Liability Coverage (\$0 deductible) – per occurrence	2,000,000
Wrongful Acts Coverage (\$5,000 deductible) – per occurrence	2,000,000
Law Enforcement Operations Coverage (\$2,500 deductible) – per occurrence	2,000,000
Property Coverage - Dishonesty Coverage (\$500 deductible)	100,000
Boiler & Machinery Coverage - \$5,281,000 Limit (\$1,000 deductible) \$100,000 extra expense	
Additional Fire Department Coverage - \$500,000 Limit \$25,000 Freezing Extension	

Note 11 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.43 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005 and 2004 were \$21,375, \$20,809 and \$19,787, respectively. The full amount has been contributed for 2006, 2005 and 2004. No contributions to the member-directed plan were made during 2006.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. The Village has no firefighters. Contributions are authorized by State statute. The Village's contributions to OP&F for police

Note 11 – Defined Benefit Pension Plan (Continued)

were \$2,933 for the year ended December 31, 2006, \$2,820 for the year ended December 31, 2005 and \$2,688 for the year ended December 31, 2004. The full amount has been contributed for 2006, 2005 and 2004.

Note 12 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .5 and 6.0 percent annually for the next nine years and 4.0 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$10,455. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. The Village has no fire personnel; therefore, OP&F covers police personnel only.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 12 - Postemployment Benefits (Continued)

The Village's actual contributions for 2006 that were used to fund postemployment benefits were \$1,934 for police. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

Note 13 - Debt

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

<u>Types / Issues</u>	<u>Balance 12/31/2005</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/2006</u>	<u>Due Within One Year</u>
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
2002 Water System					
Improvement Bonds 5.25%	\$181,300	\$0	\$11,500	\$169,800	\$12,100
<u>Mortgage Revenue Bonds</u>					
Water Fund					
2004 USDA Rural					
Development Mortgage Revenue Bonds 4.375%	15,694	479,292	5,306	489,680	5,539
Sewer Fund					
1998 Sanitary Sewer					
System Mortgage Revenue Bonds Series A 4.50%	889,500	0	13,000	876,500	13,500
1998 Sanitary Sewer					
System Mortgage Revenue Bonds Series B 4.50%	210,300	0	13,600	196,700	14,200
Total Sewer Fund	1,099,800	0	26,600	1,073,200	27,700
Total Mortgage Revenue Bonds	1,115,494	479,292	31,906	1,562,880	33,239
<u>Other Long-Term Obligations</u>					
Water Fund					
2002 OWDA Water Treatment					
Loan 2.56%	91,931	0	91,931	0	0
2004 OWDA Water Treatment And Wellfield Improvement					
Loan 1.50%	884,832	78,588	25,643	937,777	26,029
Total Water Fund	976,763	78,588	117,574	937,777	26,029
Total Business-Type Activities	\$2,273,557	\$557,880	\$160,980	\$2,670,457	\$71,368

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 13 – Debt (continued)

The Village’s long-term debt activity for the year ended December 31, 2005, was as follows:

Types / Issues	Balance 12/31/2004	Issued	Retired	Balance 12/31/2005	Due Within One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
2002 Water System Improvement Bonds 5.25%	\$192,200	\$0	\$10,900	\$181,300	\$11,500
<u>Mortgage Revenue Bonds</u>					
Water Fund					
2004 USDA Rural Development Mortgage Revenue Bonds 4.375%	0	15,694	0	15,694	5,306
Sewer Fund					
1998 Sanitary Sewer System Mortgage Revenue Bonds Series A 4.50%	901,900	0	12,400	889,500	13,000
1998 Sanitary Sewer System Mortgage Revenue Bonds Series B 4.50%	223,300	0	13,000	210,300	13,600
Total Sewer Fund	1,125,200	0	25,400	1,099,800	26,600
Total Mortgage Revenue Bonds	1,125,200	15,694	25,400	1,115,494	31,906
<u>Other Long-Term Obligations</u>					
Water Fund					
2002 OWDA Water Treatment Loan 2.56%	91,931	0	0	91,931	91,931
1995 OWDA Planning Loan 0.0%	5,000	0	5,000	0	0
2004 OWDA Water Treatment And Wellfield Improvement Loan 1.50%	253,719	631,113	0	884,832	25,643
Total Water Fund	350,650	631,113	5,000	976,763	117,574
Total Business-Type Activities	\$1,668,050	\$646,807	\$41,300	\$2,273,557	\$160,980

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 13 – Debt (continued)

Types / Issues	Balance	Issued	Retired	Balance	Due Within One Year
	12/31/2005			12/31/2006	
<u>Governmental Activities</u>					
<u>Other Long-Term Obligations</u>					
2003 Lift Truck and Stop Light					
Bond Anticipation Notes 4.25%	\$1,029	\$0	\$1,029	\$0	\$0
2006 Dump Truck Bond 5%	0	8,000	1,891	6,109	6,109
Total Governmental Activities	<u>\$1,029</u>	<u>\$8,000</u>	<u>\$2,920</u>	<u>\$6,109</u>	<u>\$6,109</u>

Types / Issues	Balance	Issued	Retired	Balance	Due Within One Year
	12/31/2004			12/31/2005	
<u>Governmental Activities</u>					
<u>Other Long-Term Obligations</u>					
2003 Lift Truck and Stop Light					
Bond Anticipation Notes 4.25%	\$3,434	\$0	\$2,405	\$1,029	\$1,029
Total Governmental Activities	<u>\$3,434</u>	<u>\$0</u>	<u>\$2,405</u>	<u>\$1,029</u>	<u>\$1,029</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$1,599,945 and an unvoted debt margin of \$889,216.

The following is a summary of the Village's future annual debt service requirements:

Year	<i>Business-Type Activities</i>					
	<i>Water Fund</i>					
	<i>General Obligation Bonds</i>		<i>Revenue Bonds</i>		<i>OWDA Loans</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2007	\$12,100	\$8,833	\$5,539	\$22,649	\$26,029	\$13,969
2008	12,800	8,180	5,781	22,407	26,420	13,578
2009	13,400	7,492	6,033	22,154	26,818	13,180
2010	14,100	6,770	6,298	21,890	27,222	12,776
2011	14,900	6,009	6,573	21,614	27,632	12,366
2012-2016	86,800	17,161	37,440	103,498	144,527	55,463
2017-2021	15,700	530	46,378	94,560	155,740	44,250
2022-2026	0	0	57,451	83,487	167,822	32,568
2027-2031	0	0	71,168	69,771	180,843	19,147
2032-2036	0	0	88,158	52,780	154,724	5,268
2037-2041	0	0	109,205	31,732	0	0
2024-2044	0	0	49,656	6,893	0	0
Totals	<u>\$169,800</u>	<u>\$54,975</u>	<u>\$489,680</u>	<u>\$553,435</u>	<u>\$937,777</u>	<u>\$222,565</u>

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 13 – Debt (continued)

<i>Business-Type Activities</i>		
<i>Sewer Revenue Bonds</i>		
<i>Year</i>	<i>Principal</i>	<i>Interest</i>
2007	\$27,700	\$48,294
2008	29,000	47,048
2009	30,300	45,743
2010	31,600	44,379
2011	33,100	42,957
2012-2016	189,100	191,066
2017-2021	137,200	150,912
2022-2026	143,300	121,585
2027-2031	178,700	86,297
2032-2036	222,500	42,322
2037-2040	50,700	2,281
Totals	\$1,073,200	\$822,884

On March 22, 2002, the Village issued \$217,000 in general obligation bonds for the purpose of retiring the Waterline Extension Bond Anticipation Notes and the Water System Bond Anticipation Notes. The 2002 Water System Improvement Bonds were issued for a fifteen year period with final maturity on March 1, 2017. The bonds will be repaid from the service fee collected for the Water fund.

For the 2004 USDA Rural Development Mortgage Revenue Bonds, the work has not been fully completed therefore the loan amount has not been issued in full. During 2006, a liability was included for \$489,680, which represents the amount of the loan used as of year-end less the 2006 principal payment of \$5,306. The Village should receive the remaining balance of this loan in 2007. The bonds were obtained for the purpose of paying for the costs of constructing improvements to the Village’s water system. The loan will be repaid over thirty-nine years. The revenue bonds will be repaid from the service fee collected for the Water fund.

The Sanitary Sewer System Mortgage Revenue Bonds Series A was issued for \$975,000. The bonds were obtained for the purpose of paying for the cost of constructing improvements to the Villages sewer system. The loan will be repaid over forty years. These bonds will be repaid from the service fee collected for the Sewer Fund.

The Sanitary Sewer System Mortgage Revenue Bonds Series B was issued for \$300,000. The bonds were obtained for the purpose of paying for the cost of constructing improvements to the Villages water system. The loan will be repaid over fifteen years. These bonds will be repaid from the service fee collected for the Sewer Fund.

The Ohio Water Development Authority (OWDA) loans consist of money owed to the Ohio Water Development Authority for various construction projects within the Village. These consist of 5 or 30 year loans payable from gross revenues of the Water Fund.

The 2004 OWDA Water Treatment and Wellfield Improvement loan was issued for \$963,420. The loan was obtained for the purpose of paying for the cost of constructing improvements to the Village’s water treatment plant and well field. A portion of this loan amount was used by OWDA to pay the 2002 OWDA Water Treatment Loan. The amount that OWDA applied to the 2002 loan was \$71,950. The loan will be repaid over thirty years. This loan will be repaid from the service fee collected for the Water Fund.

On April 23, 2003, the Village issued a 4.25 percent bond anticipation note for the purpose of purchasing a lift truck and a street light installation, in the amount of \$7,500. The note was paid off during the year.

On March 1, 2006 the Village issued a 5 percent truck acquisition bond in the amount of \$8,000. The bond will be retired on March 1, 2008.

Note 14 – Shared Risk Pool

The Public Entities Pool of Ohio (PEP) is a statutory entity created pursuant to section 2744.081 of the Ohio Revised Code, by the execution of an intergovernmental contract (“Participation Agreements”). PEP enables the subscribing subdivisions to pool risk for property, liability and public official’s liability. PEP has no employees, rather it is administrated through contracts with various professionals. Pursuant to a contract, the firm Accordia of Ohio administers PEP. PEP is a separate legal entity. PEP subcontracts certain self-insurance, administrative and claims functions to a “Pool Operator,” currently Crawford and Company. PEP has executed contracts with various professionals for actuary services, as independent auditors, as loss control representatives, as litigation management and defense law firms, as council to PEP and others as required.

PEP is governed by a seven member Board of Trustees elected by the members of PEP. The Village makes an annual contribution to PEP for the coverage it is provided, based on rates established by PEP. Financial information may be obtained by writing to the Public Entities Pool of Ohio, 229 Riverside Drive, Dayton, Ohio 45402.

Note 15 – Contingent Liabilities

A. Litigation

The Village is party to legal proceedings. The Village is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the Village.

B. Federal and State Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 16 – Subsequent Event

On January 1, 2007, the Village increased the income tax up to 1 percent on all income earned within the Village as well as on incomes of residents earned outside the Village.

On March 1, 2007, the Village issued the \$250,000 in Fire Truck Acquisition Bonds, bearing interest at the rate of 6 percent per annum, payable semi-annually on June 1 and December 1 of each year, commencing on December 1, 2007. The bonds were issued for the purpose of purchasing a new fire truck.

On June 18, 2007, the Village passed ordinance 2007-10 to increase the water and sewer rates.

Note 17 – Fiscal Emergency

The Auditor of State of Ohio declared the Village of Manchester to be in a state of fiscal emergency on September 29, 1997, in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the Village, the Council President, three local financial business professionals and two representatives from the State of Ohio. This Commission approved a financial recovery plan which had been adopted by the Village, and the plan must be updated annually. Once the plan has been adopted, the Village’s discretion is limited in that all financial activity of the Village must be in accordance with the plan.

On May 10, 2005, the Financial Planning Commission requested that the Auditor of State determine whether the Village should be released from fiscal emergency. This analysis is ongoing.

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Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village of Manchester
Adams County
400 Pike Street
Manchester, Ohio

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Manchester, Adams County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 21, 2009, wherein we noted the Village prepares its financial statements on the modified cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America, and that the Village has been declared in a state of fiscal emergency. We also noted that we were not able to form an opinion on income tax revenue due to inadequacies in the Village's accounting records. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

We were engaged to audit the financial statements of the Village and not to provide an opinion on the internal control over financial reporting. As noted in the previous paragraph we were unable to form an opinion on income tax revenues reported in the accompanying financial statements. We noted certain matters involving the internal controls over financial reporting and its operation that we significant deficiencies. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Government's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting, listed as items 2006-010 through 2006-013 and 2006-20 through 2006-21.

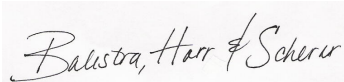
A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding numbers 2006-010 through 2006-013 and 2006-20 are also material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-009 and 2006-014 through 2006-020 and 2006-22.

We intended this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

September 21, 2009

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-001

Material Noncompliance – Expenditure Certification

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Other exceptions to this basic requirement include:

1. Continuing contracts to be performed in whole or in part in an ensuing fiscal year.
2. Per unit contracts.
3. Contract or lease running beyond the termination of the fiscal year made.

During testing of non-payroll disbursements we identified several instances where goods or services were ordered prior to purchase orders being certified by the Clerk.

Client Response:

This has been corrected in the current year.

Finding Number 2006-002

Material Noncompliance – Certification of Tax Levies

Ohio Revised Code Section 5705.34 requires each taxing authority to certify the necessary tax levies to the county auditor before October 1 for the following year.

The Village did not certify the necessary tax levies to the county auditor by the required date.

The Village should certify the necessary tax levies to the county auditor by the required date.

Client Response:

Clerk is researching the matter.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-003

Material Noncompliance – Adoption of Tax Budget

Ohio Revised Code Section 5705.28 requires that the taxing authority of each subdivision adopt a tax budget for the next succeeding fiscal year on or before July 15 each year. The tax budget is to be filed with the County Auditor by July 20.

The Village did not adopt a tax budget by the required date for 2005 and 2006.

The Village should adopt a tax budget before July 15 and file it with the County Auditor by July 20 each fiscal year.

Client Response:

This has been corrected in the current year.

Finding Number 2006-004

Material Noncompliance – Significant Negative Fund Balances

Ohio Revised Code Section 5705.10 provides that all money paid into a fund must be used for purposes for which that fund was established. Negative fund balances indicate that money from one fund was used to cover the expenses of another fund.

The Village had significant negative fund balances as follows:

2006:	
General Fund -	(\$22,023)
2005:	
General Fund -	(\$29,776)

The Village should monitor fund balances to ensure funds are used solely for their intended purposes.

Client Response:

The Village did not provide a response.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-005

Material Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations were in excess of estimated resources plus unencumbered beginning balances (available resources) in the following funds at 12/31/06:

- General Fund - \$11,351
- Street Construction - \$21,719
- Fire Levy - \$4,764
- Police Levy - \$18,040

Appropriations were in excess of estimated resources plus unencumbered beginning balances (available resources) in the following funds at 12/31/05:

- General Fund - \$58,739
- Street Construction - \$55,675

Appropriations in excess of estimated resources could result in overspending, leading to negative fund balances.

The Village should ensure appropriations and estimated resources are monitored, and that revisions are made as necessary.

Client Response:

The Village did not provide a response.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-006

Material Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.36 provides in part that total appropriations from each fund shall not exceed the total available resources.

Appropriations were in excess of actual revenues plus unencumbered beginning balances (available resources) in the following funds at 12/31/06:

- General Fund - \$17,943
- Police Levy - \$111,150
- Sewer Operating - \$53,144

Appropriations were in excess of actual revenues plus unencumbered beginning balances (available resources) in the following funds at 12/31/05:

- General Fund - \$65,294
- Police Levy - \$74,248

Appropriations in excess of estimated resources could result in overspending, leading to negative fund balances.

The Village should ensure appropriations and estimated resources are monitored, and that revisions are made as necessary and the Village amends its certificate of estimated resources as appropriate when revisions are made.

Client Response:

The Village did not provide a response.

Finding Number 2006-007

Material Noncompliance – Filing of Annual Financial Reports

Ohio Revised Code Section 117.38 requires that cash basis entities file annual reports with the Auditor of State within 60 days of the fiscal year end.

The Village did not file their 2005 or 2006 annual reports within the 60 day deadline.

The Village should file their annual report within the 60 day deadline.

Client Response:

The Village did not provide a response.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-008

Material Noncompliance – Incomplete Minutes Record

Ohio Revised Code Section 733.27 requires that all actions of Village Council be recorded in a Minute Record.

The Minute Record did not contain notation that financial reports were being provided to council each month. We also noted an instance where the minutes were not signed.

The Village should ensure the minutes document all official actions of the Council and be signed as approved.

Client Response:

The Village did not provide a response.

Finding Number 2006-009

Material Noncompliance – Timely Deposits

Ohio Revised Code Section 9.38 provides that public money must be deposited with the Treasurer of the public office or to the designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The Village does not have such a policy and Village receipts were not always deposited to the bank within 24 hours. Council should review depository procedures and determine whether they wish to establish a daily deposit policy. The Village should ensure that all officials/employees deposit collections with the Clerk or bank daily.

Client Response:

This problem has been corrected. Receipts are taken to the bank daily.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-010

Material Weakness – Monthly Bank Reconciliations

Accurate monthly reconciliations of the ending bank account balance to the Village's ending book balance were not performed each month during the audit period by the Clerk. Additionally, old outstanding checks greater than one year old were being carried on the Village's reconciliation.

This resulted in inaccurate book balances and cumbersome reconciliation procedures.

As a result, we make the following recommendations:

- We recommend that accurate reconciliations of the Village's bank accounts be performed by the Clerk on a monthly basis. Any reconciling items should be documented and investigated to prevent unsupported adjustments from being recorded.
- We recommend the Village Clerk maintain accurate listing of outstanding checks and deposits and follow up on items which have been outstanding for an extended period of time to ensure that proper credit is given to the Village for outstanding deposits and outstanding checks are voided and paid into the Village's unclaimed monies fund in accordance with Auditor of State Bulletin 96-013 or reissued.
- We recommend that monthly bank reconciliations be reviewed and approved by the Council as part of their monthly Council Meetings and signed or initialed by the Council President indicating review and approval.
- We recommend interest should be posted monthly based on amounts indicated on the bank statements and checks be issued in a manner to agree to the amount posted to the accounting system.

Client Response:

The Village did not provide a response.

Finding Number 2006-011

Material Weakness – Budgetary

Monitoring controls over budgetary compliance have not been place 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.

Client Response:

The Village did not provide a response.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-012

Material Weakness – Utility Department

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

- Adjustments to utility bills due to leaks, pool fill, 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.
- Utility billing reports need to include usage, total amount billed and total number of customers for each type to 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.

Client Response:

The Village did not provide a response.

Finding Number 2006-013

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.

Client Response:

The Village did not provide a response.

Finding Number 2006-014

Material Noncompliance – PERS Contributions

Ohio Revised Code Sections 145.47 and 145.48 states, in part, that the fiscal officer of each local authority shall transmit promptly to the Public Employees Retirement System a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions. Ohio Revised Code Section 145.48(A) requires that each employer shall pay to the system an amount that shall be a certain percent of the earnable salary of all contributions to be known as the “employer contributions”.

Per review of payroll records, it was determined that the Village did not remit all of the required contributions for 2002 and 2003. Additionally, the reports were not filed in a timely manner.

We recommend the employee’s withholdings and corresponding employer’s share be paid and reports filed in a timely manner. We also recommend the Village remit all outstanding unpaid balances due to the Public Employees Retirement System.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Client Response:

The Village did not provide a response.

Finding Number 2006-015

Material Noncompliance – Ohio Police and Fire Pension Fund Contributions

Ohio Revised Code Section 742.32 states, in part, that each fiscal officer shall transmit promptly monthly to the Secretary of the Board of Trustees of the Ohio Police and Fire Pension Fund a report of member employee deductions and employer's portions of retirement along with a check covering the total of such remittances.

Ohio Revised Code 742.33 requires (A) that each employer shall pay quarterly, on such dates as the Board of Trustees of the Ohio Police and Fire Pension Fund requires, from its general fund, or from any levy imposed pursuant to division (J) or (W) of Ohio Revised Code Section 5705.19, to the fund an amount known as the "police officer employer's contribution," which shall be nineteen and one-half percent of the salaries defined in division (L) of Ohio Revised Code Section 742.71 of the members of the police department of the employer.

As of the date of December 31, 2006 and 2005, the Village had not remitted all of the required contributions. As a result, penalties and interest have been assessed and will continue to accrue for late payment and late filing of withholding reports until such time as the Village has paid the due balance.

We recommend the employee's withholdings and the corresponding employer's share be paid and the required reports be filed as required by Ohio Law. We also recommend the Village remit all outstanding unpaid balances due to the Ohio Police and Fire Pension Fund. The Village is currently in negotiations with the Pension Fund to establish a payment plan to resolve past due amounts.

Client Response:

The Village did not provide a response.

Finding Number 2006-016

Material Noncompliance – Medicare Taxes

26 U.S.C. Sections 3102(a) and 3101(b) and Ohio Attorney General Opinion 88-021 require that mandatory Medicare coverage be deducted from the wages of elected officials and employees hired after March 1, 1986. Internal Revenue Service, Publication 15, Circular E, Chapter 9 states that the employer tax rate for Medicare tax is also 1.45% (2.9% total).

Medicare taxes were withheld from applicable employees' and elected officials wages during the audit period. However, there was no indication or documentation that amounts withheld, nor the employer's share was remitted to the Internal Revenue Service.

We recommend the Village Clerk remit Medicare taxes withheld, along with the employer's share, on a timely basis. Additionally, the Village should maintain documentation concerning the remittance of Medicare taxes as well as the required reports.

As of the date of the audit report, the Village has settled with the Internal Revenue Service and is making monthly payments for past due amounts.

Client Response:

The Village did not provide a response.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-017

Material Noncompliance – Worker’s Compensation Insurance

Ohio Revised Code Section 4123.38 requires that every employer mentioned in division (B)(1) of section 4123.01 of the Revised Code shall contribute to the public insurance fund in the amount of money determined by the administrator of worker’s compensation, and the manner of determining contributions and the classifications of employers is as provided in sections 4123.39 to 4123.41 and section 4123.48 of the Revised Code.

The Village had unpaid obligations for the Bureau of Worker’s Compensation contribution. As a result, penalties and interest have been assessed and will continue to accrue for late payment and late filing of reports until the Village has paid the balance due.

We recommend the Village Clerk remit the required reports and amounts to the Bureau of Worker’s Compensation on a timely basis. Additionally, the Village should maintain documentation concerning the remittance of state income taxes as well as the required reports.

The Village is currently in negotiations with the Bureau of Worker’s Compensation to establish a payment plan to resolve past due amounts.

Client Response:

The Village did not provide a response.

Finding Number 2006-018

Material Noncompliance – Ohio Department of Job and Family Services

Ohio Revised Code Section 4141.20(B) states, in part, that effective with the calendar quarter beginning April 1, 1987, every contributory employer shall file a quarterly contribution report and quarterly report of wages. The quarterly reports shall be filed no later than the last day of the month following the close of the calendar quarter for which the quarterly reports are being filed. The employer shall enter on the quarterly contribution report the total and taxable remuneration paid to all employees during the quarter. The employer shall enter on the quarterly report of wages the name and social security number of each individual employed during the calendar quarter, the total remuneration paid the individual, the number of weeks during the quarter the individual was paid remuneration, and any other information as required by section 1137 of the “Social Security Act”.

The Village did not provide evidence that the Village had filed any of the required reports, or made all of the required payments during the audit period.

We recommend the Village Clerk remit the required reports and any outstanding amounts to the Ohio Department of Job and Family Services on a timely basis.

Client Response:

The Village did not provide a response.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-019

Material Noncompliance – State Taxes

Ohio Revised Code Section 5747.07(B)(4) states an employer shall make the payment of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December of each year. The employer shall file the return prescribed by the tax commissioner with the payment.

The Village did not make the required tax payments during the audit period.

Ohio Revised Code Section 5747.07(E)(2) requires that in addition to other returns required to be filed and payments made under this section, every employer required to deduct and withhold taxes shall file, not later than the thirty-first day of January of each year, an annual return covering, but not limited to, both the aggregate amount deducted and withheld and the aggregate amount required to be deducted and withheld during the entire preceding year for tax imposed under section 5747.02 of the Revised Code. At the time of filing the return, the employer shall pay any amounts of undeposited taxes for the preceding year, whether actually deducted and withheld or required to be deducted and withheld, that have not been previously paid. The employer shall make the annual report, to each employee and to the tax commissioner, of the compensation paid and each tax withheld, as the commissioner by rule may prescribe.

The Village did not file the required returns during the audit period.

The Village should implement controls over compliance to mitigate the risk of future instances of noncompliance.

Client Response:

The Village did not provide a response.

Finding Number 2006-020

Material Noncompliance/Material Weakness

Ohio Revised Code Section 149.351(A) requires that all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by records commissions provided under section 149.38 to 149.42 of the Ohio Revised Code.

During the audit period, supporting documentation for income tax revenue was not provided by the Village. Due to lack of supporting documentation, it could not be determined whether income tax revenues were fairly presented in the financial statements.

We recommend the Village require all supporting documentation to be maintained in order for the Village to ensure that all income tax revenues are accurate and complete.

Client Response:

The Village did not provide a response.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-021

Significant Deficiency – Audit Committee

The Village has not established a formal audit committee. The Village should establish an audit committee to serve as a liaison between management and its auditors. The primary functions of such a committee are to monitor and review the Village's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

The Audit Committee should be actively involved in:

- Meeting with the Village's independent auditor before and after each audit;
- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance audit; and
- Ensuring that internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

In addition, the Audit Committee should meet regularly to monitor the Village's compliance, financial condition, and controls over safeguarding of assets.

The Audit Committee can include members of Council. However, it can also include representation that is independent from appointed officials or management. The Committee may also include professionals knowledgeable in the Village's financial operations, such as attorneys or bankers.

We recommend the Village establish a formal audit committee and that the committee meet on a regular basis and document the minutes of such meetings.

Client Response:

The Village did not provide a response.

Finding Number 2006-022

Material Noncompliance – Federal Income Taxes

26 U.S.C. 3402(a)(1) requires employers to withhold and remit federal income taxes from the wages of employees and elected officials.

Federal taxes were withheld from employees' and elected officials' wages during the audit period; however, there was no indication that withheld amounts were remitted.

We recommend the Village Clerk to remit federal income taxes withheld on a timely basis. Additionally, the Village should maintain documentation concerning the remittance of federal income taxes as well as the required reports.

As of the date of the Auditor's report, the Village is negotiating a settlement with the Internal Revenue Service to repay past due balances.

Client Response:

The Village did not provide a response.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS END DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Revised Code 5705.10, negative fund balance.	No	Re-issued finding number 2006-004.
2004-002	Revised Code 5705.41(B), expenditures exceeded appropriations.	Yes	N/A
2004-003	Revised Code 5705.39, appropriations exceeding estimated resources.	No	Re-issued finding number 2006-005.
2004-004	Citation 5705.41(D), prior certification of disbursements.	No	Re-issued finding number 2006-001.
2004-005	Disbursements	Yes	N/A
2004-006	Payroll	Yes	N/A
2004-007	Budgetary	No	Re-issued finding number 2006-011.
2004-008	Utility Department	No	Re-issued finding number 2006-012.
2004-009	Income Tax Collection	Yes	N/A
2004-010	Record Keeping	Yes	N/A
2004-011	Segregation of Duties	No	Re-issued finding number 2006-013.



Mary Taylor, CPA
Auditor of State

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
OCTOBER 19, 2009**