

Village of Manchester

Adams County, Ohio

Regular Audit

January 1, 2007 through December 31, 2008

Fiscal Year Audited Under GAGAS: 2007 & 2008



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Dave Yost • Auditor of State

Village Council
Village of Manchester
400 Pike Street
Manchester, Ohio 45144

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, 2007 through December 31, 2008. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 26, 2011

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 Adams County, Ohio
 For the Years Ended December 31, 2008 and 2007
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Ohio Society of Certified Public Accountants

Independent Auditor's Report

To Members of Council and the Mayor
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, 2008 and 2007 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 tax receipts, we were unable to form an opinion regarding the amount of income tax receipts in the accompanying financial statements (stated at \$141,987 for 2008 and \$90,215 for 2007).

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

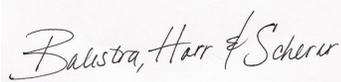
In our opinion, except for the effects of such adjustments, if any, as might have been necessary had income tax receipts been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the 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, 2008 and 2007, and the respective changes in 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 1 to the financial statements, the Village has been declared in a state of fiscal emergency under Ohio law.

Village of Manchester
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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.

December 22, 2009

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
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, 2008 and 2007, within the limitations of the Village's cash basis of 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 2008 are as follows:

The Village's total net assets decreased \$9,181. Net Assets of Governmental Activities decreased by \$1,353 which was insignificant. Net assets of Business-Type Activities decreased by \$7,828, due to increased disbursements for operations.

General receipts of Governmental Activities accounted for \$424,414 or 74.18 percent of all governmental receipts. Program specific receipts in the form of charges for services, grants and contributions accounted for \$147,689 or 25.82 percent of total governmental receipts of \$572,103.

Enterprise funds reflected total operating income of \$147,045. The Water Operating Fund reflected operating income of \$89,285 while the Sewer Operating Fund reflected operating income of \$57,760. The operating income is due to collections for a full year of the rate increase for water and sewer services.

The Village had \$573,456 in disbursements related to Governmental Activities. \$147,689 of these disbursements were offset by program specific charges for services, grants and contributions. General receipts of \$424,414 were not adequate to provide for these programs. The Village had \$607,571 in disbursements related to Business-Type Activities. \$599,743 in program specific charges for services, capital grants and contributions were not sufficient to cover disbursements.

Key highlights for 2007 are as follows:

The Village's total net assets decreased \$82,913. Net Assets of Governmental Activities decreased by \$60,109, primarily due to the payment towards the purchase of the Village's new fire truck along with the first payment on the Fire Truck Loan. Net assets of Business-Type Activities decreased by \$22,804, due to increased disbursements for operations.

General receipts of Governmental Activities accounted for \$680,355 or 83.69 percent of all governmental receipts. Program specific receipts in the form of charges for services, grants and contributions accounted for \$132,632 or 16.31 percent of total governmental receipts of \$812,987.

Enterprise funds reflected total operating income of \$120,650. The Water Operating Fund reflected operating income of \$65,228 while the Sewer Operating Fund reflected operating income of \$55,422. The operating income is due to collections for a mid-year of the rate increase for water and sewer services.

The Village had \$873,096 in disbursements related to Governmental Activities. \$132,632 of these disbursements were offset by program specific charges for services, grants and contributions. General receipts of \$680,355 were not adequate to provide for these programs. The Village had \$593,017 in disbursements related to Business-Type Activities. \$524,717 in program specific charges for services, capital grants and contributions, along with debt proceeds were not sufficient to cover disbursements.

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 cash basis of accounting.

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
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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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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 2008 and 2007, within the limitations of the cash basis of 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 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
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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 2008, 2007 and 2006 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities			Business-Type Activities			Total		
	2008	2007	2006*	2008	2007	2006*	2008	2007	2006*
Assets									
Cash and Cash Equivalents	\$ 71,739	\$ 73,092	\$ 133,201	\$ 221,959	\$ 229,787	\$ 252,591	\$ 293,698	\$ 302,879	\$ 385,792
Net Assets									
Restricted for:									
Debt Service	52,977	32,051	113,524	-	-	-	52,977	32,051	113,524
Other Purposes	24,260	28,943	41,980	-	-	-	24,260	28,943	41,980
Unrestricted	(5,498)	12,098	(22,303)	221,959	229,787	252,591	216,461	241,885	230,288
Total Net Assets	\$ 71,739	\$ 73,092	\$ 133,201	\$ 221,959	\$ 229,787	\$ 252,591	\$ 293,698	\$ 302,879	\$ 385,792

*As Restated

As mentioned previously, net assets of governmental activities decreased \$1,353 during 2008, which was insignificant. Net Assets of Business-type Activities decreased \$7,828. This small decrease is related to higher non-operating costs.

As mentioned previously, net assets of governmental activities decreased \$60,109 during 2007. The primary reasons contributing to the decrease was the initial purchase amount and the first debt services payment on the Village's new fire truck. Net assets of business-type activities decreased \$22,804. This decreased is related to increased non-operating costs.

Village of Manchester, Adams County
Management's Discussion and Analysis
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Table 2 reflects the changes in net assets for 2008, 2007 and 2006.

(Table 2)
Changes in Net Assets

	Governmental Activities			Business-Type Activities		
	2008	2007	2006*	2008	2007	2006*
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$57,206	\$65,036	\$76,909	\$590,193	\$515,096	421,683
Operating Grants and Contributions	90,483	67,596	47,863	0	0	0
Capital Grants and Contributions	0	0	35,751	9,550	9,621	9,605
Total Program Receipts	147,689	132,632	160,523	599,743	524,717	431,288
General Receipts:						
Property Taxes	159,512	173,751	182,912	0	0	0
Income Taxes	141,987	90,215	53,435	0	0	0
Other Local Taxes	9,581	40,811	48,493	0	0	0
Grants and Entitlements Not Restricted to Specific Programs	76,942	91,256	26,202	0	28,014	0
Debt Proceeds	0	250,000	8,000	0	1,002	479,292
Interest	110	5,937	4,557	0	0	0
Miscellaneous	36,282	28,385	1,405	0	16,480	4,937
Total General Receipts	424,414	680,355	325,004	0	45,496	484,229
Total Receipts	572,103	812,987	485,527	599,743	570,213	915,517
Disbursements:						
Security of Persons and Property	259,358	255,953	192,996	0	0	0
Leisure Time Activities	9,769	6,688	47,275	0	0	0
Community Environment	5,944	8,407	0	0	0	0
Transportation	90,128	88,283	85,719	0	0	0
General Government	167,664	121,434	87,394	0	0	0
Capital Outlay	0	349,972	15,000	0	0	0
Debt Service:						
Principal Retirement	27,000	31,109	0	0	0	0
Interest and Fiscal Charges	13,593	11,250	521	0	0	0
Other	0	0	540	0	0	0
Water	0		0	295,413	304,125	827,810
Sewer	0		0	312,158	288,892	317,698
Total Disbursements	573,456	873,096	429,445	607,571	593,017	1,145,508
Advances	0	0	23,000	0	0	(23,000)
Transfers	0	0	0	0	0	0
Increase in Net Assets	(1,353)	(60,109)	79,082	(7,828)	(22,804)	(252,991)
Net Assets Beginning of Year	73,092	133,201	54,119	229,787	252,591	505,582
Net Assets End of Year	\$71,739	\$73,092	\$133,201	\$221,959	\$229,787	\$252,591

*As Restated

Village of Manchester, Adams County
Management's Discussion and Analysis
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Highlights for 2008:

Program receipts represent 25.82 percent of total receipts of which 38.73 percent is charges for services, while the remaining 61.27 percent is for operating and capital grants and contributions.

General receipts represent 74.18 percent of the Village's total receipts, of which, 73.30 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 29.24 percent of total disbursements while security of persons and property disbursements represents 45.23 percent of the total. Disbursements included within security of persons and property includes primarily police and fire protection.

Highlights for 2007:

Program receipts represent 16.31 percent of total receipts of which 49.03 percent is charges for services, while the remaining 50.97 percent is for operating grants and contributions.

General receipts represent 83.69 percent of the Village's total receipts, of which 44.80 percent are property tax, income tax and other local taxes. Debt proceeds of \$250,000 made up 36.75 percent of general receipts. Other receipts are very insignificant and are somewhat unpredictable revenue sources.

The largest Governmental Activities disbursements of the Village for 2007 was for capital outlay. This was for the purchase of the Village's new fire truck. This made up 40.08 percent of the 2007 disbursements.

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 13.91 percent of total disbursements while security of persons and property disbursements represents 29.32 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, 2008 and 2007
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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 74.47 percent of all governmental disbursements for 2008. As previously mentioned, the major program disbursements for governmental activities are for general government and security of persons and property, which account for 43.23 percent of all governmental disbursements for 2007. 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	Total Cost Of Services	Net Cost of Services
	2008	2008	2007	2007	2006	2006
Security of Persons and Property	\$259,358	(\$249,358)	\$255,953	(\$245,353)	\$192,996	(\$158,448)
Leisure Time Activities	9,769	(9,739)	6,688	11,648	47,275	(35,650)
Community Environment	5,944	(5,644)	8,407	(8,257)	0	18,345
Basic Utility Service	0	140	0	4,045	0	3,973
Transportation	90,128	355	94,392	(38,217)	85,719	(32,238)
General Government	167,664	(120,928)	121,434	(78,108)	87,394	(48,843)
Capital Outlay	0	0	349,972	(349,972)	15,000	(15,000)
Debt Service:						
Principal Retirement	27,000	(27,000)	25,000	(25,000)	0	0
Interest and Fiscal Charges	13,593	(13,593)	11,250	(11,250)	521	(521)
Other	0	0	0	0	540	(540)
Total Expenses	<u>\$573,456</u>	<u>(\$425,767)</u>	<u>\$873,096</u>	<u>(\$740,464)</u>	<u>\$429,445</u>	<u>(\$268,922)</u>

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 \$7,828, primarily due to increased non-operating costs for 2008. Net assets of Business-type Activities decreased \$22,804, primarily due to increased non-operating costs for 2007.

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
Unaudited

The Village's Funds

Highlights for 2008:

Total governmental funds had receipts of \$572,103 and disbursements of \$573,456. The greatest change within governmental funds occurred within the Fire Debt Service Fund. The Fire Debt Service Fund increased \$20,926 due to greater receipts of tax monies than was needed for principal and interest payments.

General Fund receipts and other financing sources were less than disbursements and other financing uses, causing a decrease in fund balance of \$17,596.

The Street Construction Maintenance and Repair Fund's balance at December 31, 2008, was \$7,331. This is a small decrease from the prior year of \$1,216.

The Fire Debt Service Fund's balance at December 31, 2008, was \$52,977.

The Police Levy Fund's balance at December 31, 2008, was \$518. Disbursements continue to exceed receipts however, with transfers from the General Fund, fund balance decreased only \$1,742.

The Water Fund's net assets increased \$10,460.

The Sewer Fund's net assets decreased \$18,288, due to increased non-operating costs.

Highlights for 2007:

Total governmental funds had receipts of \$562,987 and disbursements of \$873,096. The greatest change within governmental funds occurred within the Fire Debt Service Fund. The Fire Debt Service Fund decreased \$81,473 due primarily to the transfer out of \$99,972 to the Fire Levy Fund for purchase of the Village's new fire truck, along with the first principal and interest payment on the Fire Truck Loan.

General Fund receipts and other financing sources were greater than disbursements and other financing uses, causing an increase in fund balance of \$34,401.

The Street Construction Maintenance and Repair Fund's balance at December 31, 2007, was \$8,547. This is a decrease from the prior year of \$9,486.

The Fire Levy Fund's balance at December 31, 2007, was \$4,556.

The Police Levy Fund's balance at December 31, 2007, was \$2,260. Disbursements continue to exceed receipts however, with transfers from the General Fund, fund balance decreased only \$363.

The Water Fund's net assets decreased \$40,590 primarily due to reimbursing the Sewer Operating Fund for debt service payments made from the Sewer Operating Fund in error.

The Sewer Fund's net assets increased \$17,786 due to the reimbursement received from the Water Operating Fund.

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 2008:

For the General Fund, the original budget basis receipts and disbursements and final budget basis receipts and disbursements were the same.

Actual receipts were \$58,432 higher than the final budget basis receipts and the actual disbursements were \$77,088 higher than the final budget basis appropriations. This resulted in the Village's ending unobligated cash balance to be \$18,656 less than the final budgeted amount.

Highlights for 2007:

For the General Fund, the original budget basis receipts and disbursements and final budget basis receipts and disbursements were the same.

Actual revenues were \$59,132 higher than the final budget basis revenues and the actual expenditures were \$86,369 higher than the final budget basis appropriations. This resulted in the Village's ending unobligated cash balance to be \$27,237 less than 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, 2008, the Village of Manchester had \$2,752,101 in debt outstanding.

Table 4
Outstanding Debt at Year End

	Governmental Activities			Business-Type Activities		
	2008	2007	2006	2008	2007	2006
Mortgage Revenue Bonds	\$ -	\$ -	\$ -	\$ 1,522,874	\$ 1,557,655	\$ 1,562,880
General Obligation Bonds	-	-	6,109	145,900	158,700	169,800
OWDA Loans Payable	-	-	-	885,327	911,748	937,777
Fire Truck Loan	198,000	225,000	-	-	-	-
Total	\$198,000	\$225,000	\$ 6,109	\$ 2,554,101	\$ 2,628,103	\$ 2,670,457

Outstanding debt increased by \$175,537 from 2006, due to the Village incurring the obligation for the Fire Truck Loan.

The Village's overall 10.5 percent legal debt margin was \$1,358,517 as of December 31, 2008. The more restrictive unvoted legal debt margin within 5.5 percent was \$632,581 as of the same date. For more information on the Village's debt activity, refer to note 13 of the Notes to the Basic Financial Statements.

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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 Heidi Huron, Fiscal Officer, Village of Manchester, 400 Pike St., Manchester, OH 45144.

Village of Manchester, Adams County

Statement of Net Assets - Cash Basis

December 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	<u>\$71,739</u>	<u>\$221,959</u>	<u>\$293,698</u>
<u>Net Assets:</u>			
Restricted for:			
Debt Service	52,977	0	52,977
Other Purposes	24,260	0	24,260
Unrestricted (Deficit)	<u>(5,498)</u>	<u>221,959</u>	<u>216,461</u>
<i>Total Net Assets</i>	<u><u>\$71,739</u></u>	<u><u>\$221,959</u></u>	<u><u>\$293,698</u></u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts			
Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities:</u>				
Security of Persons and Property	\$259,358	\$10,000	\$0	\$0
Leisure Time Activities	9,769	30	0	0
Community Environment	5,944	300	0	0
Basic Utility Services	0	140	0	0
Transportation	90,128	0	90,483	0
General Government	167,664	46,736	0	0
Debt Service:				
Principal Retirement	27,000	0	0	0
Interest and Fiscal Charges	13,593	0	0	0
<i>Total Governmental Activities</i>	<u>573,456</u>	<u>57,206</u>	<u>90,483</u>	<u>0</u>
<u>Business Type Activities:</u>				
Water Operating	295,413	296,323	0	9,550
Sewer Operating	312,158	293,870	0	0
<i>Total Business-Type Activities</i>	<u>607,571</u>	<u>590,193</u>	<u>0</u>	<u>9,550</u>
<i>Total Activities</i>	<u>\$1,181,027</u>	<u>\$647,399</u>	<u>\$90,483</u>	<u>\$9,550</u>

General Receipts:

Property Taxes Levied for General Purposes
Municipal Income Taxes
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net Receipts (Disbursements) and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$249,358)	\$0	(\$249,358)
(9,739)	0	(9,739)
(5,644)	0	(5,644)
140	0	140
355	0	355
(120,928)	0	(120,928)
(27,000)	0	(27,000)
(13,593)	0	(13,593)
<u>(425,767)</u>	<u>0</u>	<u>(425,767)</u>
0	10,460	10,460
0	(18,288)	(18,288)
<u>0</u>	<u>(7,828)</u>	<u>(7,828)</u>
<u>(425,767)</u>	<u>(7,828)</u>	<u>(433,595)</u>
159,512	0	159,512
141,987	0	141,987
9,581	0	9,581
76,942	0	76,942
110	0	110
36,282	0	36,282
<u>424,414</u>	<u>0</u>	<u>424,414</u>
(1,353)	(7,828)	(9,181)
<u>73,092</u>	<u>229,787</u>	<u>302,879</u>
<u>\$71,739</u>	<u>\$221,959</u>	<u>\$293,698</u>

Village of Manchester, Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General	Street Construction, Maintenance and Repair	Police Levy
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	(\$5,498)	\$7,331	\$518
<u>Fund Balances:</u>			
Reserved:			
Reserved for Encumbrances	\$7,656	\$8,376	\$14,740
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	(13,154)	0	0
Special Revenue Funds	0	(1,045)	(14,222)
Debt Service Fund	0	0	0
<i>Total Fund Balances (Deficit)</i>	(\$5,498)	\$7,331	\$518

See Accompanying Notes to the Basic Financial Statements

Fire Debt Service	Other Governmental Funds	Total
<u>\$52,977</u>	<u>\$16,411</u>	<u>\$71,739</u>
\$0	\$135	\$30,907
0	0	(13,154)
0	16,276	1,009
<u>52,977</u>	<u>0</u>	<u>52,977</u>
<u>\$52,977</u>	<u>\$16,411</u>	<u>\$71,739</u>

Village of Manchester, Adams County
Statement of Cash Receipts, Disbursements and Changes in
Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Street Construction, Maintenance and Repair	Police Levy
<u>Receipts:</u>			
Property and Other Local Taxes	\$41,950	\$38,892	\$29,717
Municipal Income Taxes	141,987	0	0
Charges for Services	3,186	0	0
Fines, Licenses and Permits	47,474	0	0
Intergovernmental	76,965	45,086	7,089
Interest	110	0	0
Miscellaneous	1,914	0	5,240
<i>Total Receipts</i>	<u>313,586</u>	<u>83,978</u>	<u>42,046</u>
<u>Disbursements:</u>			
Current:			
Security of Persons and Property	18,626	0	175,788
Leisure Time Activities	9,769	0	0
Community Environment	5,944	0	0
Transportation	0	86,194	0
General Government	165,493	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Disbursements</i>	<u>199,832</u>	<u>86,194</u>	<u>175,788</u>
Excess of Receipts Over (Under) Disbursements	<u>113,754</u>	<u>(2,216)</u>	<u>(133,742)</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	1,650	0	132,000
Transfers Out	(132,000)	0	0
Advances In	0	1,000	0
Advances Out	(1,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(131,350)</u>	<u>1,000</u>	<u>132,000</u>
Net Change in Fund Balances	(17,596)	(1,216)	(1,742)
Fund Balances at Beginning of Year	<u>12,098</u>	<u>8,547</u>	<u>2,260</u>
Fund Balances (Deficit) at End of Year	<u><u>(\$5,498)</u></u>	<u><u>\$7,331</u></u>	<u><u>\$518</u></u>

See Accompanying Notes to the Basic Financial Statements

Fire Debt Service	Other Governmental Funds	Total
\$54,337	\$36,665	\$201,561
0	0	141,987
0	10,000	13,186
0	6,032	53,506
9,354	11,636	150,130
0	0	110
0	4,469	11,623
<u>63,691</u>	<u>68,802</u>	<u>572,103</u>
0	64,943	259,357
0	0	9,769
0	0	5,944
0	3,934	90,128
2,172	0	167,665
27,000	0	27,000
13,593	0	13,593
<u>42,765</u>	<u>68,877</u>	<u>573,456</u>
<u>20,926</u>	<u>(75)</u>	<u>(1,353)</u>
0	0	133,650
0	(1,650)	(133,650)
0	0	1,000
0	0	(1,000)
<u>0</u>	<u>(1,650)</u>	<u>0</u>
20,926	(1,725)	(1,353)
<u>32,051</u>	<u>18,136</u>	<u>73,092</u>
<u>\$52,977</u>	<u>\$16,411</u>	<u>\$71,739</u>

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, 2008

	<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	\$43,700	\$43,700	\$41,950	(\$1,750)
Municipal Income Taxes	106,000	106,000	141,987	35,987
Charges for Services	4,900	4,900	3,186	(1,714)
Fines, Licenses and Permits	49,003	49,003	47,474	(1,529)
Intergovernmental	45,459	45,459	76,965	31,506
Interest	6,000	6,000	110	(5,890)
Miscellaneous	1,742	1,742	1,914	172
<i>Total Receipts</i>	<u>256,804</u>	<u>256,804</u>	<u>313,586</u>	<u>56,782</u>
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	0	0	18,626	(18,626)
Leisure Time Activities	1,800	1,800	9,769	(7,969)
Community Environment	7,000	7,000	5,944	1,056
General Government	144,600	144,600	173,149	(28,549)
<i>Total Disbursements</i>	<u>153,400</u>	<u>153,400</u>	<u>207,488</u>	<u>(54,088)</u>
Excess of Receipts Over Disbursements	<u>103,404</u>	<u>103,404</u>	<u>106,098</u>	<u>2,694</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	1,650	1,650
Transfers Out	(110,000)	(110,000)	(132,000)	(22,000)
Advances Out	0	0	(1,000)	(1,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(110,000)</u>	<u>(110,000)</u>	<u>(131,350)</u>	<u>(21,350)</u>
Net Change in Fund Balance	(6,596)	(6,596)	(25,252)	(18,656)
<i>Fund Balance (Deficit) at Beginning of Year</i>	(8,052)	(8,052)	(8,052)	0
Prior Year Encumbrances Appropriated	<u>20,150</u>	<u>20,150</u>	<u>20,150</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$5,502</u>	<u>\$5,502</u>	<u>(\$13,154)</u>	<u>(\$18,656)</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 Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$31,000	\$31,000	\$38,892	\$7,892
Intergovernmental	47,000	47,000	45,086	(1,914)
<i>Total Receipts</i>	78,000	78,000	83,978	5,978
<u>Disbursements:</u>				
Current:				
Transportation	86,851	86,851	94,570	(7,719)
Excess of Receipts Over (Under) Disbursements	(8,851)	(8,851)	(10,592)	(1,741)
<u>Other Financing Sources:</u>				
Advances In	0	0	1,000	1,000
Net Change in Fund Balance	(8,851)	(8,851)	(9,592)	(741)
<i>Fund Balance at Beginning of Year</i>	271	271	271	0
Prior Year Encumbrances Appropriated	8,276	8,276	8,276	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$304)</u>	<u>(\$304)</u>	<u>(\$1,045)</u>	<u>(\$741)</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 Fund
For the Year Ended December 31, 2008

	<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	\$34,039	\$34,039	\$29,717	(\$4,322)
Intergovernmental	631	631	7,089	6,458
Miscellaneous	14,700	14,700	5,240	(9,460)
<i>Total Receipts</i>	49,370	49,370	42,046	(7,324)
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	162,413	162,413	190,528	(28,115)
Excess of Receipts Over (Under) Disbursements	(113,043)	(113,043)	(148,482)	(35,439)
<u>Other Financing Sources:</u>				
Transfers In	110,000	110,000	132,000	22,000
Net Change in Fund Balance	(3,043)	(3,043)	(16,482)	(13,439)
<i>Fund Balance (Deficit) at Beginning of Year</i>	(8,210)	(8,210)	(8,210)	0
Prior Year Encumbrances Appropriated	10,470	10,470	10,470	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$783)</u>	<u>(\$783)</u>	<u>(\$14,222)</u>	<u>(\$13,439)</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Fund Net Assets - Cash Basis
Enterprise Funds
December 31, 2008

	Business-Type Activities		
	Water Operating	Sewer Operating	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$177,851	\$44,108	\$221,959
<u>Net Assets:</u>			
Unrestricted	\$177,851	\$44,108	\$221,959

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Cash Receipts, Disbursements and
Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2008

	Business-Type Activities		
	Water Operating	Sewer Operating	Total
<u>Operating Receipts:</u>			
Charges for Services	\$292,041	\$293,496	\$585,537
Other Operating Receipts	851	374	1,225
<i>Total Operating Receipts</i>	<u>292,892</u>	<u>293,870</u>	<u>586,762</u>
<u>Operating Disbursements:</u>			
Personal Services	54,201	90,587	144,788
Fringe Benefits	23,848	38,891	62,739
Contractual Services	27,102	19,467	46,569
Materials and Supplies	98,456	87,165	185,621
<i>Total Operating Disbursements</i>	<u>203,607</u>	<u>236,110</u>	<u>439,717</u>
Operating Income	<u>89,285</u>	<u>57,760</u>	<u>147,045</u>
<u>Non-Operating Receipts (Disbursements):</u>			
Special Assessments	12,981	0	12,981
Principal Payments	(45,002)	(29,000)	(74,002)
Interest	(43,379)	(47,048)	(90,427)
Other Financing Uses	(3,425)	0	(3,425)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(78,825)</u>	<u>(76,048)</u>	<u>(154,873)</u>
Change in Net Assets	10,460	(18,288)	(7,828)
<i>Net Assets at Beginning of Year</i>	<u>167,391</u>	<u>62,396</u>	<u>229,787</u>
<i>Net Assets at End of Year</i>	<u><u>\$177,851</u></u>	<u><u>\$44,108</u></u>	<u><u>\$221,959</u></u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2008

	<u>Mayor's Court</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$923</u>
<u>Liabilities:</u>	
Undistributed Monies	<u>\$923</u>

See accompanying notes to the basic financial statements

Village of Manchester, Adams County

Statement of Net Assets - Cash Basis

December 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	<u>\$73,092</u>	<u>\$229,787</u>	<u>\$302,879</u>
<u>Net Assets:</u>			
Restricted for:			
Debt Service	32,051	0	32,051
Other Purposes	28,943	0	28,943
Unrestricted	<u>12,098</u>	<u>229,787</u>	<u>241,885</u>
<i>Total Net Assets</i>	<u><u>\$73,092</u></u>	<u><u>\$229,787</u></u>	<u><u>\$302,879</u></u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2007

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities:</u>				
Security of Persons and Property	\$255,953	\$10,600	\$0	\$0
Leisure Time Activities	6,688	750	17,586	0
Community Environment	8,407	150	0	0
Basic Utility Services	0	4,045	0	0
Transportation	88,283	6,165	50,010	0
General Government	121,434	43,326	0	0
Capital Outlay	349,972	0	0	0
Debt Service:				
Principal Retirement	31,109	0	0	0
Interest and Fiscal Charges	11,250	0	0	0
<i>Total Governmental Activities</i>	<u>873,096</u>	<u>65,036</u>	<u>67,596</u>	<u>0</u>
<u>Business-Type Activities:</u>				
Water Operating	304,125	255,569	0	9,621
Sewer Operating	288,892	259,527	0	0
<i>Total Business-Type Activities</i>	<u>593,017</u>	<u>515,096</u>	<u>0</u>	<u>9,621</u>
<i>Total Activities</i>	<u>\$1,466,113</u>	<u>\$580,132</u>	<u>\$67,596</u>	<u>\$9,621</u>

General Receipts:

Property Taxes Levied for General Purposes
Municipal Income Taxes
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Debt Proceeds
Interest
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets at Beginning of Year - Restated (See Note 3)

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net Receipts (Disbursements) and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$245,353)	\$0	(\$245,353)
11,648	0	11,648
(8,257)	0	(8,257)
4,045	0	4,045
(32,108)	0	(32,108)
(78,108)	0	(78,108)
(349,972)	0	(349,972)
(31,109)	0	(31,109)
(11,250)	0	(11,250)
(740,464)	0	(740,464)
0	(38,935)	(38,935)
0	(29,365)	(29,365)
0	(68,300)	(68,300)
(740,464)	(68,300)	(808,764)
173,751	0	173,751
90,215	0	90,215
40,811	0	40,811
91,256	0	91,256
250,000	28,014	278,014
5,937	1,002	6,939
28,385	16,480	44,865
680,355	45,496	725,851
(60,109)	(22,804)	(82,913)
133,201	252,591	385,792
\$73,092	\$229,787	\$302,879

Village of Manchester, Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Street Construction, Maintenance and Repair	Fire Levy
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$12,098	\$8,547	\$4,556
<u>Fund Balances:</u>			
Reserved:			
Reserved for Encumbrances	\$20,149	\$8,277	\$135
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	(8,051)	0	0
Special Revenue Funds	0	270	4,421
Debt Service Fund	0	0	0
<i>Total Fund Balances</i>	\$12,098	\$8,547	\$4,556

See Accompanying Notes to the Basic Financial Statements

Police Levy	Fire Debt Service	Other Governmental Funds	Total
<u>\$2,260</u>	<u>\$32,051</u>	<u>\$13,580</u>	<u>\$73,092</u>
\$10,470	\$0	\$0	\$39,031
0	0	0	(8,051)
(8,210)	0	13,580	10,061
<u>0</u>	<u>32,051</u>	<u>0</u>	<u>32,051</u>
<u>\$2,260</u>	<u>\$32,051</u>	<u>\$13,580</u>	<u>\$73,092</u>

Village of Manchester, Adams County
Statement of Cash Receipts, Disbursements and Changes in
Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Street Construction, Maintenance and Repair	Fire Levy
<u>Receipts:</u>			
Property and Other Local Taxes	\$47,058	\$34,138	\$37,424
Municipal Income Taxes	90,215	0	0
Charges for Services	4,795	0	10,600
Fines, Licenses and Permits	46,469	0	0
Intergovernmental	104,370	46,943	842
Interest	5,937	0	0
Miscellaneous	17,092	0	1,942
	Total Receipts	81,081	50,808
<u>Disbursements:</u>			
Current:			
Security of Persons and Property	23,437	0	66,028
Leisure Time Activities	6,688	0	0
Community Environment	8,407	0	0
Transportation	0	84,458	0
General Government	119,954	0	0
Capital Outlay	0	0	349,972
Debt Service:			
Principal Retirement	0	6,109	0
Interest and Fiscal Charges	0	0	0
	Total Disbursements	90,567	416,000
Excess of Receipts Over (Under) Disbursements	157,450	(9,486)	(365,192)
<u>Other Financing Sources (Uses):</u>			
Proceeds of Loan	0	0	250,000
Transfers In	0	0	99,972
Transfers Out	(110,049)	0	0
Advances In	0	0	11,000
Advances Out	(13,000)	0	0
	Total Other Financing Sources (Uses)	0	360,972
Net Change in Fund Balances	34,401	(9,486)	(4,220)
<i>Fund Balances (Deficit) at Beginning of Year - Restated (See Note 3)</i>	(22,303)	18,033	8,776
<i>Fund Balances at End of Year</i>	\$12,098	\$8,547	\$4,556

See Accompanying Notes to the Basic Financial Statements

Police Levy	Fire Debt Service	Other Governmental Funds	Total
\$33,040	\$56,229	\$3,484	\$211,373
0	0	0	90,215
0	0	0	15,395
0	0	6,361	52,830
631	0	3,066	155,852
0	0	0	5,937
12,351	0	0	31,385
46,022	56,229	12,911	562,987
158,434	0	8,054	255,953
0	0	0	6,688
0	0	0	8,407
0	0	3,825	88,283
0	1,480	0	121,434
0	0	0	349,972
0	25,000	0	31,109
0	11,250	0	11,250
158,434	37,730	11,879	873,096
(112,412)	18,499	1,032	(310,109)
0	0	0	250,000
110,049	0	0	210,021
0	(99,972)	0	(210,021)
2,000	0	0	13,000
0	0	0	(13,000)
112,049	(99,972)	0	250,000
(363)	(81,473)	1,032	(60,109)
2,623	113,524	12,548	133,201
\$2,260	\$32,051	\$13,580	\$73,092

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, 2007

	<u>Budgeted Amounts</u>		Actual	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$37,800	\$37,800	\$47,058	\$9,258
Municipal Income Taxes	106,000	106,000	90,215	(15,785)
Charges for Services	4,500	4,500	4,795	295
Fines, Licenses and Permits	54,700	54,700	46,469	(8,231)
Intergovernmental	23,000	23,000	104,370	81,370
Interest	8,500	8,500	5,937	(2,563)
Miscellaneous	13,000	13,000	17,092	4,092
<i>Total Receipts</i>	<u>247,500</u>	<u>247,500</u>	<u>315,936</u>	<u>68,436</u>
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	18,500	18,500	23,437	(4,937)
Leisure Time Activities	4,000	4,000	6,688	(2,688)
Community Environment	5,000	5,000	8,407	(3,407)
General Government	111,815	111,815	140,103	(28,288)
<i>Total Disbursements</i>	<u>139,315</u>	<u>139,315</u>	<u>178,635</u>	<u>(39,320)</u>
Excess of Receipts Over Disbursements	<u>108,185</u>	<u>108,185</u>	<u>137,301</u>	<u>29,116</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	(66,000)	(66,000)	(110,049)	(44,049)
Advances In	9,300	9,300	0	(9,300)
Advances Out	0	0	(13,000)	(13,000)
Other Financing Sources	4	4	0	(4)
Other Financing Uses	(10,000)	(10,000)	0	10,000
<i>Total Other Financing Sources (Uses)</i>	<u>(66,696)</u>	<u>(66,696)</u>	<u>(123,049)</u>	<u>(56,353)</u>
Net Change in Fund Balance	41,489	41,489	14,252	(27,237)
<i>Fund Balance (Deficit) at Beginning of Year</i>	(27,098)	(27,098)	(27,098)	0
Prior Year Encumbrances Appropriated	4,795	4,795	4,795	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$19,186</u>	<u>\$19,186</u>	<u>(\$8,051)</u>	<u>(\$27,237)</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 Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
<i>Receipts:</i>				
Property and Other Local Taxes	\$35,500	\$35,500	\$34,138	(\$1,362)
Intergovernmental	43,000	43,000	46,943	3,943
<i>Total Receipts</i>	78,500	78,500	81,081	2,581
<i>Disbursements:</i>				
Current:				
Transportation	86,493	86,493	98,844	(12,351)
Excess of Receipts Over (Under) Disbursements	(7,993)	(7,993)	(17,763)	(9,770)
Net Change in Fund Balance	(7,993)	(7,993)	(17,763)	(9,770)
<i>Fund Balance at Beginning of Year</i>	13,420	13,420	13,420	0
Prior Year Encumbrances Appropriated	4,613	4,613	4,613	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$10,040</u>	<u>\$10,040</u>	<u>\$270</u>	<u>(\$9,770)</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)
Fire Levy Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance</i>
	<u>Original</u>	<u>Final</u>		<i>Positive</i> <i>(Negative)</i>
<u>Receipts:</u>				
Property and Other Local Taxes	\$30,780	\$30,780	\$37,424	\$6,644
Charges for Services	9,000	9,000	10,600	1,600
Intergovernmental	900	900	842	(58)
Miscellaneous	2,700	2,700	1,942	(758)
<i>Total Receipts</i>	43,380	43,380	50,808	7,428
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	45,035	45,035	416,135	(371,100)
Excess of Receipts Under Disbursements	(1,655)	(1,655)	(365,327)	(363,672)
<u>Other Financing Sources (Uses):</u>				
Proceeds of Loans	0	0	250,000	250,000
Transfers In	0	0	99,972	99,972
Advances In	0	0	11,000	11,000
<i>Total Other Financing Sources (Uses)</i>	0	0	360,972	360,972
Net Change in Fund Balance	(1,655)	(1,655)	(4,355)	(2,700)
<i>Fund Balance at Beginning of Year</i>	8,641	8,641	8,641	0
Prior Year Encumbrances Appropriated	135	135	135	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$7,121</u>	<u>\$7,121</u>	<u>\$4,421</u>	<u>(\$2,700)</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 Fund
For the Year Ended December 31, 2007

	<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	\$27,500	\$27,500	\$33,040	\$5,540
Intergovernmental	0	0	631	631
Other	14,400	14,400	12,351	(2,049)
<i>Total Receipts</i>	41,900	41,900	46,022	4,122
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	138,882	138,882	168,903	(30,021)
Excess of Receipts Over (Under) Disbursements	(96,982)	(96,982)	(122,881)	(25,899)
<u>Other Financing Sources:</u>				
Transfers In	88,000	88,000	110,049	22,049
Advances In	940	940	2,000	1,060
<i>Total Other Financing Sources</i>	88,940	88,940	112,049	23,109
Net Change in Fund Balance	(8,042)	(8,042)	(10,832)	(2,790)
<i>Fund Balance at Beginning of Year</i>	(6,260)	(6,260)	(6,260)	0
Prior Year Encumbrances Appropriated	8,882	8,882	8,882	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$5,420)</u>	<u>(\$5,420)</u>	<u>(\$8,210)</u>	<u>(\$2,790)</u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Fund Net Assets - Cash Basis
Enterprise Funds
December 31, 2007

	Business-Type Activities		
	Water Operating	Sewer Operating	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$167,391	\$62,396	\$229,787
<u>Net Assets:</u>			
Unrestricted	\$167,391	\$62,396	\$229,787

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Cash Receipts, Disbursements and
Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2007

	Business-Type Activities		
	Water Operating	Sewer Operating	Total
<u>Operating Receipts:</u>			
Charges for Services	\$260,758	\$266,657	\$527,415
Other Operating Receipts	2,498	1,662	4,160
<i>Total Operating Receipts</i>	<u>263,256</u>	<u>268,319</u>	<u>531,575</u>
<u>Operating Disbursements:</u>			
Personal Services	55,829	87,315	143,144
Fringe Benefits	31,303	47,485	78,788
Contractual Services	593	4,265	4,858
Materials and Supplies	110,303	73,832	184,135
<i>Total Operating Disbursements</i>	<u>198,028</u>	<u>212,897</u>	<u>410,925</u>
<i>Operating Income</i>	<u>65,228</u>	<u>55,422</u>	<u>120,650</u>
<u>Non-Operating Receipts (Disbursements):</u>			
Bond Proceeds	20,884	7,130	28,014
Investment Earnings	0	1,002	1,002
Special Assessments	9,621	0	9,621
Principal Payments	(43,368)	(27,700)	(71,068)
Interest and Fiscal Charges	(62,429)	(48,294)	(110,723)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(75,292)</u>	<u>(67,862)</u>	<u>(143,154)</u>
Loss Before Transfers	(10,064)	(12,440)	(22,504)
Transfers In	0	30,226	30,226
Transfers Out	(30,226)	0	(30,226)
Change in Net Assets	(40,290)	17,786	(22,504)
<i>Net Assets at Beginning of Year - Restated (See Note 3)</i>	<u>207,981</u>	<u>44,610</u>	<u>252,591</u>
<i>Net Assets at End of Year</i>	<u><u>\$167,691</u></u>	<u><u>\$62,396</u></u>	<u><u>\$230,087</u></u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2007

	Mayor's Court
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,267
<u>Liabilities:</u>	
Undistributed Monies	\$5,267

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 cash basis of accounting. This 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 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 non-exchange 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 cash basis of accounting. 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.

As a result of the use of this 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 2008 and 2007, 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 \$110 and \$5,937 which includes \$102 and \$5,456 assigned from other Village funds for 2008 and 2007, 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 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 \$77,237 and \$60,994 of restricted net assets, none of which is restricted by enabling legislation for 2008 and 2007, 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, 2008 and 2007

Note 3 – Restatement of Fund Balances

During the year, outstanding warrants were voided and double posted receipts were corrected. These voided warrants and corrections created a discrepancy between the 2006 ending net assets/fund balances and the 2007 beginning of the year net assets/fund balances as follows:

	Governmental Activities	Business-Type Activities	Total
Net Assets, December 31, 2006	\$133,481	\$252,346	\$385,827
Return of Outstanding Warrants/Corrections	(280)	245	(35)
Net Assets, December 31, 2006, As Restated	\$133,201	\$252,591	\$385,792
	General	Water Operating	Sewer Operating
Fund Balance/Net Assets, December 31, 2006	(\$22,023)	\$207,859	\$44,487
Return of Outstanding Warrants/Corrections	(280)	122	123
Fund Balance/Net Assets, December 31, 2006, As Restated	(\$22,303)	\$207,981	\$44,610

Note 4 – Accountability and Compliance

A. Accountability

At December 31, 2008, the General fund has a deficit fund balance of \$5,498. The Village is currently in fiscal emergency and has been working to decrease the deficit fund balance.

B. Compliance

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 2008 and 2007.
- The Village did not certify the necessary tax levies to the county auditor by the required date of October 1st for 2008 or 2007.
- The Village had significant negative fund balances during 2008.
- The Village did not file its annual cash basis report for 2007 within 60 days of year end as required by the Ohio Revised Code.
- 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 and federal withholding taxes were not remitted during the audit period and W-4 forms.
- Workers' Compensation Insurance remittances were not made during the audit period.
- Ohio Department of Job and Family Services reports were filed during the audit period.
- State of Ohio taxes were not remitted during the audit period and IT-4 forms weren't maintained.
- Supporting documentation for income tax receipts was not able to be audited for 2008 or 2007.
- 1099 Forms were not filed for 2008 and 2007.
- Clerk/Treasurer did not attend the required continuing education training.
- Destruction, removal, transfer or disposal of public records should be done except as provided by law.
- Transfers need to be approved by Council.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008 and 2007

Note 4 – Accountability and Compliance (Continued)

The Street Construction, Maintenance and Repair, Police Levy Special Revenue, and Water Enterprise Funds had appropriations in excess of estimated receipts and available fund balances. The General Fund, Street Construction, Maintenance and Repair, Police Levy Special Revenue, Water Enterprise and Fire Debt Service Funds had actual disbursements in excess of appropriations for 2008. The Police Levy Special Revenue Fund and Water and Sewer Enterprise Funds had appropriations in excess of estimated receipts and available fund balances. The General Fund, Police Levy, Fire Levy, Street Construction, Maintenance and Repair Special Revenue Funds, and Water and Sewer Enterprise Funds had actual disbursements in excess of appropriations, for 2007.

The following table lists the related compliance issues for 2008.

<u>Fund Type/Fund</u>	<u>Receipts and Fund Balances</u>	<u>Disbursements</u>	<u>Excess</u>
<u>Original/Final Budget:</u>			
Special Revenue:			
Street Construction, Maintenance and Repair	\$78,271	\$78,575	(\$304)
Police Levy	151,160	151,943	(783)
Enterprise:			
Water	369,712	391,318	(21,606)
 <u>Actual</u>			
General Fund	263,400	340,488	(77,088)
Special Revenue:			
Street Construction, Maintenance and Repair	86,851	94,570	(7,719)
Police Levy	162,413	190,528	(28,115)
Debt Service:			
Fire Debt Service	42,000	42,765	(765)
Enterprise:			
Sewer	287,620	312,158	(24,538)

The following table lists the related compliance issues for 2007.

<u>Fund Type/Fund</u>	<u>Receipts and Fund Balances</u>	<u>Disbursements</u>	<u>Excess</u>
<u>Original/Final Budget:</u>			
Special Revenue:			
Police Levy	124,580	130,000	(5,420)
 <u>Actual</u>			
General Fund	215,315	301,684	(86,369)
Special Revenue:			
Police Levy	138,882	168,903	(30,021)
Fire Levy	45,035	416,135	(371,100)
Street Construction, Maintenance and Repair	86,493	98,844	(12,351)
Enterprise:			
Water	241,803	334,051	(92,248)
Sewer	253,640	288,891	(35,251)

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 \$7,656, \$8,376 and \$14,740 for the General Fund, Street Construction, Maintenance and Repair and Police Levy Special Revenue Funds, respectively, for 2008. The encumbrances outstanding at year-end (budgetary basis) amounted to \$20,149, \$8,277, \$135 and \$10,470 for the General Fund, Street Construction, Maintenance and Repair, Fire Levy and Police Levy Special Revenue Funds, respectively, for 2007.

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 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes. 2008 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009. 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. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. 2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. 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 2008 is 18.75 percent. This will be reduced to 12.5 percent for 2009, 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.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008 and 2007

Note 8 – Property Taxes (Continued)

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 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	\$11,543,210
Commercial/Industrial/Mineral	1,967,110
Tangible Personal Property:	
General	164,450
Public Utility Real	843,950
Total Assessed Value	\$14,518,720

Note 9 – Inter-fund Activity

Inter-fund advances during the fiscal year ended December 31, 2008, consisted of the following individual fund receivables and payables:

		Advance From
Advance To	Street Construction, Maintenance and Repair Fund	General
		1,000

The advance from the General Fund to the Street Construction, Maintenance and Repair Special Revenue Fund was to temporarily provide monies for that fund until additional receipts were received. The Village intends on repaying the advance in 2009.

Transfers made during the year ended December 31, 2008 were as follows:

		Transfers To		
Transfers From		General Fund	Police Levy Fund	Total
	General Fund	\$0	\$132,000	\$132,000
	Other Governmental Funds	1,650	0	1,650
	Total	\$1,650	\$132,000	\$133,650

Transfers were made from the General Fund to the Police Levy Special Revenue Fund to support the operations of the Village's Police Department. The transfer from Other Governmental Funds to the General Fund was the result of a court order allowing the transfer of the remaining fund balance in the Kinfolks Rehabilitation Special Revenue Fund, due to the discontinuation of the rehabilitation program.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008 and 2007

Note 9 – Inter-fund Activity(Continued)

Inter-fund advances at fiscal year ended December 31, 2007, consisted of the following individual fund receivables and payables:

		Advance From	
	Advance To	General	
		Fund	
		Fund	
	Police Levy Fund	\$2,000	
	Fire Levy Fund	11,000	
		Fund	
	Total	\$13,000	

Advances from the General Fund to the Police Levy and Fire Levy Funds were carried over from the prior year due to timing differences in receiving tax monies. When the monies are finally received, these funds will use these restricted monies to reimburse the General Fund's advance.

Transfers made during the year ended December 31, 2007 were as follows:

	Transfers To				
	Fire Levy	Police Levy	Sewer	Total	
	Fund	Fund	Operating	Fund	
	Fund	Fund	Operating	Fund	
Transfers From	General	\$0	\$110,049	\$0	\$110,049
	Fire Debt Service	99,972	0	0	99,972
	Water Operating	0	0	30,226	30,226
		Fund	Fund	Operating	Fund
	Total	\$99,972	\$110,049	\$30,226	\$240,247

Transfers were made from the General Fund to the Police Levy Fund to support the operations of the Village's Police Department. The transfer from the Fire Debt Service Fund to the Fire Levy Fund was to assist with the purchase of the Village's new fire truck. The transfer from the Water Operating Fund to the Sewer Operating Fund was to reimburse the Sewer Operating Fund for debt payments that should have been made from the Water Operating Fund but were made from the Sewer Operating Fund in error.

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.

Note 10 – Risk Management (Continued)

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.

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 – Buildings and Contents – (\$0 deductible)	5,383,300
Boiler & Machinery Coverage – Equipment Breakdown – (\$1,000 deductible)	5,383,300
Additional Fire Department Coverage	500,000

Note 11 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

Plan Description - 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.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2008 member contribution rates were 10 percent for members in state and local classifications, while public safety and law enforcement members contributed 10.1 percent.

The 2008 contribution rate for state and local employers was 14 percent of covered payroll. The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007 and 2006 were \$18,625, \$22,369 and \$21,375, respectively. The full amount has been contributed for 2008, 2007 and 2006. No contributions to the member-directed plan were made during 2008.

Note 11 – Defined Benefit Pension Plan (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers and 24 percent for firefighters. The Village has no firefighters who are members of OP&F. The Village's contributions to OP&F for police were \$3,425 for the year ended December 31, 2008, \$2,658 for the year ended December 31, 2007 and \$2,933 for the year ended December 31, 2006. The full amount has been contributed for 2008, 2007 and 2006.

Note 12 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

Note 12 - Postemployment Benefits (Continued)

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The rates stated above are the contractually required contribution rates for OPERS. The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007 and 2006 were \$18,625, \$10,941 and \$10,455, respectively. The full amount has been contributed for 2008, 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium long-term care to retirees, qualifying benefit recipients and their eligible dependents.

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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Village has no fire fighters who are member of OP&F; therefore, OP&F covers police personnel only.

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police were \$1,813 for the year ended December 31, 2008, \$1,753 for the year ended December 31, 2007, and \$1,934 for the year ended December 31, 2006. The full amount has been contributed for 2008, 2007 and 2006.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008 and 2007

Note 13 – Debt

The Village’s long-term debt activity for the year ended December 31, 2008, was as follows:

<u>Types / Issues</u>	<u>Balance 12/31/2007</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/2008</u>	<u>Due Within One Year</u>
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
2002 Water System Improvement Bonds 5.25%	\$158,700	\$0	\$12,800	\$145,900	\$13,400
<u>Mortgage Revenue Bonds</u>					
Water Fund					
2004 USDA Rural Development Mortgage Revenue Bonds 4.375%	512,155	0	5,781	506,374	6,033
Sewer Fund					
1998 Sanitary Sewer System Mortgage Revenue Bonds Series A 4.50%	863,000	0	14,100	848,900	14,800
1998 Sanitary Sewer System Mortgage Revenue Bonds Series B 4.50%	182,500	0	14,900	167,600	15,500
Total Sewer Fund	1,045,500	0	29,000	1,016,500	30,300
Total Mortgage Revenue Bonds	1,557,655	0	34,781	1,522,874	36,333
<u>Other Long-Term Obligations</u>					
2004 OWDA Water Treatment And Wellfield Improvement Loan 1.50%	911,748	0	26,421	885,327	26,818
Total Water Fund	911,748	0	26,421	885,327	26,818
Total Business-Type Activities	\$2,628,103	\$0	\$74,002	\$2,554,101	\$76,551
<u>Governmental Activities</u>					
<u>Other Long-Term Obligation</u>					
2007 Fire Truck Loan 6.0%	\$225,000	\$0	\$27,000	\$198,000	\$28,000

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008 and 2007

Note 13 – Debt (continued)

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

Types / Issues	Balance 12/31/2006*	Issued	Retired	Balance 12/31/2007	Due Within One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
2002 Water System Improvement Bonds 5.25%	\$170,800	\$0	\$12,100	\$158,700	\$12,800
<u>Mortgage Revenue Bonds</u>					
Water Fund					
2004 USDA Rural Development Mortgage Revenue Bonds 4.375%	489,680	28,014	5,539	512,155	5,781
Sewer Fund					
1998 Sanitary Sewer System Mortgage Revenue Bonds Series A 4.50%	876,500	0	13,500	863,000	14,100
1998 Sanitary Sewer System Mortgage Revenue Bonds Series B 4.50%	196,700	0	14,200	182,500	14,900
Total Sewer Fund	1,073,200	0	27,700	1,045,500	29,000
Total Mortgage Revenue Bonds	1,562,880	28,014	33,239	1,557,655	34,781
<u>Other Long-Term Obligations</u>					
2004 OWDA Water Treatment And Wellfield Improvement Loan 1.50%	937,777	0	26,029	911,748	26,421
Total Water Fund	937,777	0	26,029	911,748	26,421
Total Business-Type Activities	<u>\$2,671,457</u>	<u>\$28,014</u>	<u>\$71,368</u>	<u>\$2,628,103</u>	<u>\$74,002</u>
<u>Governmental Activities</u>					
<u>Other Long-Term Obligation</u>					
2006 Dump Truck Bond 5%	\$6,109	\$0	\$6,109	\$0	\$0
2007 Fire Truck Loan 6.0%	0	250,000	25,000	225,000	27,000
Total Governmental Activities	<u>\$6,109</u>	<u>\$250,000</u>	<u>\$31,109</u>	<u>\$225,000</u>	<u>\$27,000</u>

* 2002 Water Systems Improvement Bonds 2006 ending balance was adjusted to for an immaterial differencer in the prior audit report.

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, 2008, were an overall debt margin of \$1,358,517 and an unvoted debt margin of \$632,581.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008 and 2007

Note 13 – Debt (continued)

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

<i>Year</i>	<i>Business-Type Activities</i>					
	<i>Water Fund</i>					
	<i>General Obligation Bonds</i>		<i>Mortgage 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>
2009	\$13,400	\$7,277	\$6,033	\$22,154	\$26,818	\$13,079
2010	14,100	6,586	6,298	21,890	27,222	12,673
2011	14,900	5,825	6,573	21,614	27,632	12,262
2012	15,600	5,024	6,861	21,327	28,048	11,844
2013	16,500	4,182	7,161	21,027	28,470	11,421
2014-2018	71,400	7,476	40,787	100,151	148,912	50,718
2019-2023	0	0	50,526	90,413	160,465	38,921
2024-2028	0	0	62,587	78,350	172,914	26,425
2029-2033	0	0	77,531	63,407	186,328	12,960
2034-2038	0	0	96,041	44,897	78,518	1,182
2039-2043	0	0	118,970	21,968	0	0
2,044	0	0	27,006	1,182	0	0
Totals	\$145,900	\$36,370	\$506,374	\$508,380	\$885,327	\$191,485

<i>Year</i>	<i>Business-Type Activities</i>	
	<i>Sewer Revenue Bonds</i>	
	<i>Mortgage Revenue Bonds</i>	
	<i>Principal</i>	<i>Interest</i>
2009	\$30,300	\$45,743
2010	31,600	44,379
2011	33,100	42,957
2012	34,600	41,468
2013	36,100	39,910
2014-2018	183,500	173,664
2019-2023	125,700	139,325
2024+2028	156,500	108,396
2029-2033	195,100	69,853
2034-2037	190,000	21,847
Totals	\$1,016,500	\$727,542

<i>Year</i>	<i>Governmental-Type Activities</i>	
	<i>Fire Truck Loan</i>	
	<i>Principal</i>	<i>Interest</i>
2009	\$28,000	\$11,880
2010	30,000	10,200
2011	32,000	8,400
2012	34,000	6,498
2013	36,000	4,440
2014	38,000	2,280
Totals	\$198,000	\$43,698

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008 and 2007

Note 13 – Debt (continued)

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 were issued for \$523,000 for the purpose of paying the costs of constructing improvements to the Village's water system. The bonds will be repaid over 39 years with service fees collected in the Water Operating 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 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 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.

On March 1, 2007, the Village received a \$250,000 Fire Truck Loan, bearing interest at the rate of 6.0 percent per annum, payable semi-annually on June 1 and December 1 of each year, commencing on December 1, 2007. The loan was issued for the purpose of purchasing a new fire truck. The loan will be repaid over eight years with property tax receipts from the Fire Debt Service Fund.

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 currently not party to any legal proceedings.

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

In February 2009, it was discovered that the Village was delinquent in payroll related payments to several governmental agencies. The Village owed \$26,000 to the Internal Revenue Service, \$25,668 to the State of Ohio Department of Taxation, and \$10,000 to the Bureau of Workers' Compensation. As of the date of this report, payment plans have been approved by the Internal Revenue Service and the Bureau of Workers' Compensation. The Village is currently corresponding with the State of Ohio Department of Taxation to try to have penalties and interest charges waived, thus reducing that obligation.

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Report On Internal Control over Financial Reporting and On Compliance and Other Matters Required by *Government Auditing Standards*

To Members of Council and the Mayor
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, 2008 and 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 22, 2009, wherein we noted the Village uses 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 qualified our report on the Village's income tax receipts due to inadequacies in the Village's accounting records. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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 Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-003, 2008-006, 2008-010, 2008-016, 2008-017, 2008-021, 2008-022, 2008-025, 2008-026, 2008-027, 2008-028, 2008-029, 2008-031 and 2008-32 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Government'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 material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-003, 2008-006, 2008-010, 2008-016, 2008-017, 2008-021, 2008-022, 2008-025, 2008-026, 2008-027, 2008-028, 2008-029, 2008-031 and 2008-32 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2008-001, 2008-002, 2008-004, 2008-005, 2008-007, 2008-008, 2008-009, 2008-011, 2008-012, 2008-013, 2008-014, 2008-015, 2008-016, 2008-018, 2008-019, 2008-20, 2008-023, 2008-024, 2008-030 and 2008-033.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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.

December 22, 2009

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-001

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:

Employment of Clerk/Treasurer terminated. New purchase order policy implemented and oversight by Financial Committee of Council.

Finding Number 2008-002

Material Noncompliance – 1099’s

26 CFR Section 1.6041-1 states that any independent contractor paid \$600 or more during a year must be issued a 1099 form.

During 2007 and 2008, the Village paid contractors in excess of \$600 for contract services. No 1099 forms were issued by the Village.

We recommend the Village appropriately issue 1099 Forms for all independent contractors who are paid \$600 or greater during a visit.

Client Response:

Situation has been corrected.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-003

Material Weakness – Assets

The Village did not maintain a listing of all assets and their corresponding locations.

We recommend the Village maintain a listing of all assets and their corresponding locations so that assets can be easily located. Also, the Village should adopt a policy addressing the safeguarding of Village owned assets.

Client Response:

Our insurance company requires the above information. The Police Department completed, working on other Departments.

Finding Number 2008-004

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:

2008:

General Fund - (\$5,498)

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

Client Response:

We now monitor fund balances with the Financial Supervisor and Council Finance Committee.

Finding Number 2008-005

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 12/31/07:

- Police Levy - \$5,420

Appropriations were in excess of estimated resources plus unencumbered beginning balances (available resources) in the following funds at 12/31/08:

- Police Levy - \$783
- Street Construction, Maintenance and Repair - \$304
- Water - \$21,606

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

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-005 (Continued)

Material Noncompliance – Appropriations in Excess of Estimated Resources

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

Client Response:

Employment of Clerk/Treasurer terminated. An oversight committee is being formed.

Finding Number 2008-006

Material Weakness – Financial Recovery Plan

The Village Financial Recovery Plan requirements which was in effect during the audit period listed actions to be taken by the Village and it's management for Financial Recovery.

As of December 31, 2008, the requirements outlined by the Village in the Financial Recovery Plan had not been followed. Also, the fiscal activity of the Village was not being properly monitored by Mayor, Council, Financial Supervisory Committee and the Auditor of State's financial supervisor. This allowed for errors and irregularities to go undetected for an extended period of time.

We recommend the Village establish and follow necessary policies and procedures in the Village Financial Plan. Also, the Mayor, Council, Financial Supervisory Committee and the Auditor of State's financial supervisor should monitor and approve all financial activity of the Village.

Client Response:

Not sure what Financial Plan – "Fiscal Recovery Plan" actively being implemented. Above monitoring is hind sight, was lax but former Clerk/Treasurer would say things were done and no one actually looked at her work or records. Audit Committee is being formed.

Finding Number 2008-007

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 2007 annual reports within the 60 day deadline.

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

Client Response:

Employment of Clerk/Treasurer terminated and an Oversight Committee is being formed.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-008

Material Noncompliance – Continuing Education

Ohio Revised Code Section 733.27 requires all Village Clerk/Treasurers to attend annual training program for new Village Clerk/Treasurers and annual continuing education programs provided by the Auditor of State.

There was no continuing education training provided.

We recommend that the village Clerk/Treasurer attend annual update sessions

Client Response:

Employment of Clerk/Treasurer terminated.

Finding Number 2008-009

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:

Clerk/Treasurer resigned February 2009. Daily deposits are now being made.

Finding Number 2008-010

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.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-010 (Continued)

Material Weakness – Monthly Bank Reconciliations

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:

Employment of Clerk/Treasurer terminated. The bank reconciliation has been correct by our State Financial Supervisor and the new Fiscal Officer.

Finding Number 2008-011

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. 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.

Client Response:

Employment of Clerk/Treasurer terminated. All back payment and penalties have been paid. Oversight is by Financial Committee and State Financial Advisor.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-012

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, 2008 and 2007, 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:

Employment of Clerk/Treasurer terminated. All back payment and penalties have been paid. Oversight is by Financial Committee and State Financial Advisor.

Finding Number 2008-013

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:

Employment of Clerk/Treasurer terminated. State appointed Financial Supervisor now overseeing this function as well as Financial Committee of Council

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-014

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:

Payment plan is now in effect and Oversight Committee to supervise the Fiscal Officer.

Finding Number 2008-015

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:

Employment of Clerk/Treasurer terminated. Oversight Committee is being formed from Council Finance Committee.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-016

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:

Employment of Clerk/Treasurer terminated. The Village Record Committee will oversee storage of documents.

Finding Number 2008-017

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 will establish an Audit Committee to take over the above functions from the Council Financial Committee (New Council chair of Financial Committee has an MBA in accounting).

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-018

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:

Employment of Clerk/Treasurer terminated. The Council Financial Committee and State Financial Advisor are now overseeing this.

Finding Number 2008-019

Material Noncompliance – Disbursements exceeded appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village had disbursements plus outstanding encumbrances exceeded appropriations by in 2007 by \$86,369 in the General fund, \$12,351 in the Street Construction fund, \$371,100 in the Debt Services fund, \$30,021 in the Police Levy fund, and \$92,248 in the Water Operating fund and \$35,251 in the Sewer Fund. In 2008 disbursements exceeded appropriations by \$77,088 in the general fund, \$7,719 in the Street Construction and Maintenance fund, \$765 in the Debt Service fund, and \$28,115 in the Police Levy Fund. In 2007 disbursements exceeded appropriations by \$24,538 in the Sewer Enterprise Fund.

The Village should ensure appropriations and actual disbursements are monitored, and that revisions are made as necessary.

Client Response:

Employment of Clerk/Treasurer terminated. Appropriations now supervised by State Financial Supervisor and passed by Council.

Finding Number 2008-020

Material Noncompliance – Transfers

Ohio Revised Code Section 5705.14(E) states in part that money may be transferred from the general fund to any other fund of the subdivision. Also, OAG Opinion 89-075 requires a governing board resolution passed by a simple majority of the board members to transfer funds.

The Village approved the change in the appropriations but did not approve transfers.

The Village's board should approve all transfers.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-020 (Continued)

Material Noncompliance – Transfers

Client Response:

Employment of Clerk/Treasurer terminated. Transfers supervised by our State Financial Planning and Supervisory Committee. Oversight Committee being formed, currently Financial Committee of Council supervisor actions.

Finding Number 2008-021

Material Weakness – Income Taxes

The annual review of income tax collection efforts were not being documented by the clerk/treasurer. Also, most wage documentation and other records were not on file for all businesses submitting income tax withholding. Individual files containing completed municipal tax returns were not maintained for all citizens of the Village. Clerk/Treasurer does not issue form 1099-Gs when issuing refunds and no one approves the refund other than the clerk/treasurer.

The Clerk should periodically review tax collections to ensure that all individuals and businesses in the Village are complying with the income tax ordinance. Tax returns and wage determinations should be on file in order to ensure that taxes are being paid in accordance with the income tax ordinance. When a refund is issued, the clerk should issue Form 1099-G and all refunds should be approved by council.

We recommend that the Clerk document the annual review of income tax collection. We further recommend that the Village require wage documentation to be filed along with the payments to verify that taxes are being paid in accordance with the income tax ordinance. The Village should maintain individual tax files on all citizens which contain a completed municipal tax return. Recommend that the Clerk issue form 1099-Gs for all refunds of Village income tax overpayments and council approve all refunds issued.

Client Response:

Employment of Clerk/Treasurer terminated. July 1, 2009 RITA (Regional Income Tax Authority) was employed by the Village to handle Earnings Tax Collections and documentations.

Finding Number 2008-022

Material Weakness – Employee Files

The Village should maintain employee files with proper documentation to support federal withholding amounts, and current pay rates. Also the village should require documentation from all departments for leave time taken.

Inadequate documentation could lead to employees being improperly paid amounts and for days they did not earn hours.

We recommend the Village properly maintain employee files with up to date information such as pay rate W3 and the village maintain leave time sheets for all employees.

Client Response:

Employment of Clerk/Treasurer terminated. Files are now being maintained with oversight by our State Financial Advisor and Council Finance Committee.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-023

Material Noncompliance – Personnel Files, W-4 Forms

26 CFR Section 31.3402(f)(2)-1 requires a W-4 form for federal income tax deductions be on file for each employee and elected official, whether full or part-time. If a W-4 form is not on file, deductions are to be made as single with no dependents.

W-4 forms were not on file for all employees and elected officials of the Village although federal income tax was withheld on applicable employees.

We recommend the Fiscal Officer obtain W-4 forms and have all elected officials and employees complete a form. These forms should be kept on file with the Village Fiscal Officer. Deductions should be made according to the number of exemptions claimed on the form. If there is no form on file, deductions should be made as single with no dependents.

Client Response:

Employment of Clerk/Treasurer terminated. Files are being corrected and updated.

Finding Number 2008-024

Material Noncompliance – Personnel Files, IT-4 Forms

Ohio Rev. Code Section 5747.06(A) provides that a political subdivision of the State making payment of any compensation of an employee who is a taxpayer shall deduct and withhold an income tax, as provided in Chapter 5747. The method of determining the amount to be withheld shall be prescribed by the rule of the Tax Commissioner. Ohio Admin. Code Section 5703-7-06 states that, before taxes are withheld, an IT-4 form shall also be on file for all employees.

There were no IT-4 forms on file for the Village elected officials and employees, however, state income taxes were withheld from applicable employees.

Client Response:

Employment of Clerk/Treasurer terminated. This elected position was changed to an appointed position. Oversight Committee is being formed. Files are being updated by new Fiscal Officer.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-025

Material Weakness – Adjustment Journal Entries

During the course of the audit, misstatements were identified related to the following:

- Improperly classified intergovernmental receipts as taxes.
- Improperly posted a intergovernmental receipt to the General Fund that should have be posted to the Street Construction, Maintenance and Repair fund and State Highway Fund.
- Improperly deposited a intergovernmental receipt to the bank account of Manchester Township.

The accompanying financial statements were adjusted to reflect correction of material and certain immaterial, misstatements. Corrections of other immaterial misstatements were waived. The Village should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response:

The employment of the Clerk/Treasurer was terminated. Our State appointed Financial Advisor now reviews financial reporting. An oversight Committee is being formed to assume the duties of the current Financial Committee of the Council.

Finding Number 2008-026

Material Weakness – Internal Controls

When designing the public office's system of internal control and the specific control activities, management should also ensure adequate security of assets and records, verify the existence and valuation of assets and liabilities, and periodically reconcile them to the accounting records.

The Village payroll records lacked supporting documentation. Time sheets were not properly maintained and approved. Employee personnel records were not maintained. The Village withheld the required deductions from the Village employees' and elected officials' pay, but did not remit the withholdings to the proper agencies consistently. Also, the Village did not maintain individual and business income records for the audit period. Supporting documentation for some vouchers was not maintained. This could result in payment for work or services that was never earned or received. Also, errors and irregularities could occur and remain undetected for an extended period of time.

We recommend the Village Fiscal Officer maintain all documentation supporting income tax receipts, payroll and non-payroll related expenditures, that there be a complete income tax file for individuals and business maintained and that there be a complete personnel file for each employee and elected official of the Village where pertinent employee information is maintained. We also recommend the Village make timely remittances of withholdings. This will allow the Village to avoid late charges and interest. Comparisons between timecards and pay stubs should be performed as a monitoring procedure to identify potential errors.

Client Response:

Former Clerk/Treasurer did above. Records are now being corrected.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-027

Material Weakness – Leave Records

During our test of payroll, we noted the Village did not maintain detailed leave records. The Village did not require employees to complete vacation/sick leave forms, nor was there any approval of leave by supervisors. We also noted that time cards rarely indicated the use of leave.

Lack of detailed leave records, documentation of leave usage and approval of completed leave forms by supervisors could result in unauthorized leave being taken. Furthermore, lack of proper documentation of leave balances and usage could result in incorrect severance pays.

We recommend leave forms be utilized and contain all necessary information such as the type of leave taken and total hours or days of leave taken. These forms should be signed by the person taking leave, the Fiscal Officer, and the employee's immediate supervisor indicating their approval. The Village should also maintain formal leave records showing such information as beginning vacation/sick leave balances, leave accumulated, leave taken, and ending leave balances.

Client Response:

Former Clerk/Treasurer failed to keep records. This is now being corrected.

Finding Number 2008-028

Material Weakness – Policy and Procedures Manual

The Village did not have a Policy and Procedures Manual. This could raise questions as to how various functions and procedures should be performed within the Village. The Village also has credit accounts at vendors. There was no policy governing any of these purchases. Further, the Village had no policies governing travel reimbursement expenses.

We recommend the Village establish a policy manual to include policies on purchasing, use of government cell phones and other equipment, travel reimbursements, etc. Policies should include, at a minimum, identity of authorized users/purchasers; guidelines for allowable use/purchases; method for reimbursement (if personal use of equipment is allowed); specific unallowable uses; method of reporting; monitoring of use by appropriate levels of management; and other guidelines deemed appropriate by the legislative body.

Client Response:

THE VILLAGE DOES HAVE POLICY AND PROCEDURES MANUAL FOR EMPLOYEES. Have never known of a Village Policy and Procedure Manual, shall look into it.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-029

Material Weakness - Monitoring of Financial Activity

The size of the Village's staff did not allow for an adequate segregation of duties; the Village Clerk-Treasurer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Village Council monitor financial activity closely.

Village Council did not review financial reports. No ledgers were printed during the audit period. Bank reconciliations were not prepared on a timely basis, and were not reviewed by anyone other than the preparer. There were no processes or procedures in place to ensure transactions were posted in the proper period. No process existed to identify unusual fluctuations between accounts or between fiscal years. There was no process to identify false vendors or the actual receipt of services and/or products. This could allow errors and/or irregularities to occur and remain undetected for an extended period of time.

We recommend Village Council review financial reports and bank reconciliations on a monthly basis. This should be documented in the minute record. Also, we recommend the Village create and enforce policies and procedures such as review of monthly financial reports and reconciliations by an individual other than the preparer. This should be indicated by initialing and dating the reports and reconciliations. This will ensure the transactions are posted timely and unusual fluctuations would be identified. The Village Council should establish policies/procedures to monitor invoices for vendors, service/product acquired, etc., to prevent the Village from paying for products/services that were not received or that were not for a proper public purpose. We also recommend Village Council make appropriate inquiries to help determine the continued integrity of financial information. Appropriate questions would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

Client Response:

The bank reconciliations were reviewed by the State Financial Supervisor. The Financial Committee of Council reviews and approves all purchase orders.

Finding Number 2006-030

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:

The former Clerk/Treasurer never showed it to council. We shall investigate this with the Financial Supervisor.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number 2008-031

Material Weakness – Utility Department

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

- 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 figures are now available and the Fiscal Officer will begin a monthly summary.

Finding Number 2008-032

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 Finance Committee and the newly formed Audit Committee will now oversee this.

Finding Number 2008-033

Material Noncompliance – Ohio Department of Job and Family Services

Ohio Revised Code Section 4141.20(E) states, in part, that effective with the calendar quarter beginning January 1, 2002, every employer liable for payments in lieu of contributions 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 during the audit period.

We recommend the Village Fiscal Officer remit the required reports to the Ohio Department of Job and Family Services on a timely basis.

Client Response:

The new Fiscal Officer has sent in all the past reports and we are now in compliance.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**SCHEDULE OF PRIOR YEAR FINDINGS
YEARS END DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	Ohio Revised Code 5705.41(D), "then and now's"	No	Re-issued as finding number 2008-001.
2006-002	Ohio Revised Code 5705.34, certification of tax levies	No	Re-issued as finding number 2008-030
2006-003	Ohio Revised Code 5705.28, adoption of tax budget	Yes	N/A
2006-004	Ohio Revised Code 5705.10, negative fund balances	No	Re-issued as finding number 2008-004.
2006-005	Ohio Revised Code 5705.39, appropriations in excess of estimated resources	No	Re-issued as finding number 2008-005
2006-006	Ohio Revised Code 5705.36, appropriations in excess of estimated resources	Yes	N/A
2006-007	Ohio Revised Code 117.38	No	Re-issued as finding number 2008-007.
2006-008	Ohio Revised Code 733.27, incomplete minutes record	Yes	N/A
2006-009	Ohio Revised Code 9.38, timely deposits	No	Re-issued as finding number 2008-009
2006-010	Material Weakness, monthly bank reconciliations	No	Re-issued as finding number 2008-010
2006-011	Material Weakness, budgetary	No	Re-issued as finding number 2008-032

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

**SCHEDULE OF PRIOR YEAR FINDINGS
YEARS END DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-012	Material Weakness, utility department	Partially Corrected	Re-issued as finding number 2008-031
2006-013	Material Weakness, segregation of duties	No	Re-issued as finding number 2008-029
2006-014	Material Noncompliance, PERS contributions	No	Re-issued as finding number 2008-011
2006-015	Material Noncompliance, OP&F contributions	No	Re-issued as finding number 2008-012.
2006-016	Material Noncompliance, medicare taxes	No	Re-issued as finding number 2008-013
2006-017	Material Noncompliance, worker's compensation	No	Re-issued as finding number 2008-014
2006-018	Material Noncompliance, ODJ&F	No	Re-issued as finding number 2008-033
2006-019	Material Noncompliance, state taxes	No	Re-issued as finding number 2008-015
2006-020	Material Noncompliance/Material Weakness, maintaining records	No	Re-issued as finding number 2008-016
2006-021	Significant Deficiency, audit committee	No	Re-issued as finding number 2008-017
2006-022	Material Noncompliance, federal income taxes	No	Re-issued as finding number 2008-018



Dave Yost • 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
AUGUST 9, 2011