

VILLAGE OF MANCHESTER
ADAMS COUNTY, OHIO
FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2017

OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Manchester
400 Pike St
Manchester, OH 45144

We have reviewed the *Independent Auditor's Report* of the Village of Manchester, Adams County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 29, 2019

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**VILLAGE OF MANCHESTER
ADAMS COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Village Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Manchester, Adams County, Ohio, as of and for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village of Manchester's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village of Manchester's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Village of Manchester prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village of Manchester does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Manchester as of December 31, 2017, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Manchester, Adams County, Ohio, as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As disclosed in Note 14, on September 29, 1997, the Auditor of State declared the Village of Manchester to be in a state of fiscal emergency, in accordance with Section 118.03 of the Ohio Revised Code. On October 16, 2018, the Village of Manchester was released from fiscal emergency. As disclosed in Note 15 to the financial statements, during 2017, the Village of Manchester changed its accounting basis from Governmental Accounting Standard No. 34 Basic Financial Statements - Cash Basis to the cash (regulatory) basis of accounting. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2019, on our consideration of the Village of Manchester'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Manchester's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
April 25, 2019

**VILLAGE OF MANCHESTER
ADAMS COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash receipts:				
Property and Other Local Taxes	\$ 24,089	\$ 174,870	\$ -	\$ 198,959
Municipal Income Tax	175,180	-	-	175,180
Intergovernmental	33,740	350,319	-	384,059
Charges for Services	13,171	180,397	-	193,568
Fines, Licenses and Permits	25,723	208	-	25,931
Earnings on Investments	478	-	-	478
Miscellaneous	6,166	15,257	-	21,423
Total cash receipts	<u>278,547</u>	<u>721,051</u>	<u>-</u>	<u>999,598</u>
Cash disbursements:				
Current:				
Security of Persons and Property	26,260	453,012	-	479,272
Public Health Services	2,305	-	-	2,305
Leisure Time Activities	-	2,755	-	2,755
Community Environment	-	23,127	-	23,127
Basic Utility Services	-	10,580	-	10,580
Transportation	-	113,632	-	113,632
General Government	185,927	2,581	-	188,508
Capital Outlay	-	10,800	-	10,800
Debt Service:				
Principal Retirement	-	12,414	-	12,414
Interest and Fiscal Charges	-	4,870	-	4,870
Total cash disbursements	<u>214,492</u>	<u>633,771</u>	<u>-</u>	<u>848,263</u>
Excess of receipts over (under) disbursements	<u>64,055</u>	<u>87,280</u>	<u>-</u>	<u>151,335</u>
Other Financing Receipts (Disbursements):				
Sale of Assets	-	16,510	-	16,510
Transfers In	-	39,000	-	39,000
Transfers Out	(39,000)	-	-	(39,000)
Total Other Financing Receipts (Disbursements)	<u>(39,000)</u>	<u>55,510</u>	<u>-</u>	<u>16,510</u>
Net change in fund cash balances	25,055	142,790	-	167,845
Fund cash balances, January 1, 2017 (restated)	<u>29,172</u>	<u>94,701</u>	<u>4,052</u>	<u>127,925</u>
Fund cash balances:				
Restricted	-	237,491	4,052	241,543
Assigned	1,565	-	-	1,565
Unassigned (Deficit)	52,662	-	-	52,662
Fund cash balances, December 31, 2017	<u>\$ 54,227</u>	<u>\$ 237,491</u>	<u>\$ 4,052</u>	<u>\$ 295,770</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF MANCHESTER
ADAMS COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for Services	\$ 744,200
Miscellaneous	3,523
Total operating cash receipts	747,723
Operating cash disbursements:	
Personal Services	155,952
Employee Fringe Benefits	37,722
Contractual Services	135,419
Supplies and Materials	158,450
Total operating cash disbursements	487,543
Operating income (loss)	260,180
Nonoperating cash receipts/(disbursements):	
Intergovernmental	141,536
Special Assessments	19,818
Loans Issued	554,026
Other Debt Proceeds	3,531
Capital Outlay	(661,037)
Principal Retirement	(117,520)
Interest and Other Fiscal Charges	(67,446)
Total nonoperating cash receipts/(disbursements)	(127,092)
Income (Loss) before Transfers	133,088
Transfers In	160,170
Transfers Out	(160,170)
Net change in fund cash balances	133,088
Fund cash balances, January 1, 2017 (restated)	232,520
Fund cash balances, December 31, 2017	\$ 365,608

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Village of Manchester, Ohio Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie. 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, sewer and storm water utilities, maintenance of Village streets and bridges, park operations, EMS and fire services.

The Auditor of State of Ohio declared the Village of Manchester to be in a state of fiscal emergency on September 29, 1997, in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Village Mayor, the Village Council President, the Adams County Auditor, a local resident and three State of Ohio representatives.

In accordance with Ohio Revised Code Section 118.06, the Village of Manchester is required to submit to the Commission a financial recovery plan which outlines the measures to be taken to eliminate the fiscal emergency condition. The Commission approved the initial recovery plan on July 14, 2016.

The Village participates in one shared risk pool, the Public Entities Pool of Ohio (PEP). This organization is presented in Notes 6 and 10 of the financial statements.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund – The General Fund is the operating fund of the Village and is used to account for all financial resources not accounted for and reported 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.

Special Revenue Funds - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

EMS Fund – The EMS Fund accounts for and reports restricted intergovernmental monies received from Adams County, along with charges for services for providing emergency medical treatment to the citizens of the Village and surrounding areas.

Village of Manchester, Ohio Adams County

Notes to the Financial Statements

For the Year Ended December 31, 2017

Debt Service Fund - This fund is to account for and report financial resources restricted for the payment of debt obligations.

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

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

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

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

Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds 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 does not have fiduciary funds.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and department level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

Village of Manchester, Ohio Adams County

Notes to the Financial Statements

For the Year Ended December 31, 2017

Encumbrances - The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable - The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted - Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed - Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

Village of Manchester, Ohio Adams County

Notes to the Financial Statements

For the Year Ended December 31, 2017

The Village applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 as follows:

2017 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 298,240	\$ 278,547	\$ (19,693)
Special Revenue	750,246	776,561	26,315
Enterprise	1,759,513	1,626,804	(132,709)
Total	<u>\$ 2,807,999</u>	<u>\$ 2,681,912</u>	<u>\$ (126,087)</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 316,170	\$ 255,056	\$ 61,114
Special Revenue	718,730	635,570	83,160
Enterprise	1,679,755	1,497,999	181,756
Total	<u>\$ 2,714,655</u>	<u>\$ 2,388,625</u>	<u>\$ 326,030</u>

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2017
Demand Deposits	\$ 576,894
Certificates of deposit	84,484
Total Deposits	<u>\$ 661,378</u>

Village of Manchester, Ohio Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution on behalf of the Village.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a 1.0 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 Village or 100 percent of the 1.0 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. The Regional Income Tax Agency (RITA) is the Village's agent for administering income tax collecting and accounting.

Note 6 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to 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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Village of Manchester, Ohio Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	<u>\$31,448,315</u>

At December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village’s share of these unpaid claims collectible in future years is approximately \$21,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>
<u>2017</u>
\$33,692

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also, upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Village of Manchester, Ohio Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postemployment healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2017.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2017</i>	<i>10%</i>	<i>14%</i>
<i>OPERS – Law Enforcement</i>	<i>2014-2017</i>	<i>13.00%</i>	<i>18.10%</i>

Ohio Police & Fire Pension Fund (OP&F)

The Village’s full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postemployment healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2017. The Village has no firefighters.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F- full time police</i>	<i>July 1, 2015- December 31, 2017</i>	<i>12.25%</i>	<i>19.5%</i>

Social Security

One Village council member contributes to Social Security. This plan provides retirement benefits, including survivor and disability benefits to the participant.

The employee contributed 6.2 percent of their gross salary. The Village contributed an amount equal to 6.2 percent of participants’ gross salary. The Village has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Village of Manchester, Ohio Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

<u>Description</u>	<u>Principal</u>	<u>Interest Rate</u>
2004 Water USDA Mortgage Revenue Bonds	\$ 441,530	4.38%
1998 Sanitary Sewer Mortgage Revenue Bonds, Series A	689,300	4.50%
2004 OWDA Water Treatment and Wellfield Improvement Loan	628,905	1.50%
2010 OWDA Storm Sewer Replacement Loan	100,067	1.50%
2011 OWDA Storm Sewer Construction Loan	159,793	1.50%
2013 OWDA Phase 2 Storm Sewer Improvement Loan	67,994	1.50%
2017 OWDA Sewer Collection System Rehabilitation Loan	701,046	0.00%
2015 Ambulance Acquisition Loan	117,621	3.75%
Total	<u>\$ 2,906,256</u>	

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 1998 Sanitary Sewer System Mortgage Revenue Bonds Series A were issued for \$975,000. The bonds were obtained for the purpose of paying the costs of constructing improvements to the Village’s sewer system. The bonds will be repaid over 40 years with service fees collected in the Sewer Operating Fund.

The 1998 Sanitary Sewer System Mortgage Revenue Bonds Series B was issued for \$300,000. The bonds were obtained for the purpose of paying the costs of constructing improvements to the Village’s sewer system. The bonds were completely paid off in 2017.

The 2004 OWDA Water Treatment and Wellfield Improvement Loan was issued for \$963,420. The loan was obtained for the purpose of paying the costs of constructing improvements to the Village’s water treatment plant and well field. A portion of this loan 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 30 years from the Storm Water Fund.

The 2010 OWDA Storm Sewer Replacement Loan was issued for \$123,879. The loan was obtained for the purpose of paying costs of the replacement of storm sewers in the Village. The loan will be repaid over 30 years from the Storm Water Fund.

The 2011 OWDA Storm Sewer Construction Loan was issued for \$190,685. The loan was obtained for the purpose of paying costs of construction of storm sewers in the Village. The loan will be repaid over 30 years from service fees in the Water Operating Fund.

In 2013, the Village issued a \$75,996 OWDA Phase 2 Storm Sewer Improvement Loan for improvements on the storm sewers in the Village. The loan will be repaid over 30 years from the Storm Water Fund.

Village of Manchester, Ohio Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The 2014 OWDA Sewer Collection System Rehabilitation Loan was issued for \$241,504. The loan was obtained for improvements to the sewer system. During the year, the Village received \$3,531 in additional proceeds. During 2017, \$147,020 of this balance was transferred to the 2017 OWDA Sewer Collection System Rehabilitation Loan.

In 2017, the Village continued the OWDA Sewer Collection System Rehabilitation Loan. The loan will be repaid in semi-annual installments over 20 years from the Sewer Operating Fund. The future debt service requirement for this loan is not presented in 2017 because the final schedule had not been provided to the Village as of end of year. The Village received \$554,026 in proceeds during 2017.

The 2015 Ambulance Acquisition Loan was issued for \$142,000. The loan was obtained to purchase an ambulance. The loan will be repaid over 10 years from charges for services in the EMS special revenue fund.

Amortization

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

	<i>Proprietary-Type</i>		<i>Governmental-Type</i>
Year Ending December 31:	Mortgage Revenue Bonds	OWDA Loans	Ambulance Acquisition Loan
2018	\$81,205	\$56,216	\$17,290
2019	81,217	56,216	17,290
2020	81,181	56,216	17,290
2021	81,201	56,216	17,290
2022	81,172	56,216	17,290
2023-2027	405,875	281,082	51,871
2028-2032	405,893	281,082	0
2033-2037	405,749	201,086	0
2038-2042	140,938	62,889	0
2043-2044	56,374	3,159	0
Total	\$1,820,805	\$1,110,378	\$138,321

Note 10 – 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 officials’ 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.

Village of Manchester, Ohio Adams County

Notes to the Financial Statements

For the Year Ended December 31, 2017

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 11 – Contingent Liabilities

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 12 – Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$ 1,565
Special Revenue	1,796
Enterprise	4,284
Total	<u>\$ 7,645</u>

Note 13 – Compliance

Contrary to Ohio Revised Code Section 5705.41(D), the Village had 54.55% of disbursements with an invoice dated before the purchase order.

Note 14 – Fiscal Emergency

The Auditor of State of Ohio declared the Village of Manchester to be in a state of fiscal emergency on September 29, 1997, in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Village Mayor, the Village Council President, the Adams County Auditor, a local resident and three State of Ohio representatives.

In accordance with Ohio Revised Code Section 118.06, the Village of Manchester is required to submit to the Commission a financial recovery plan which outlines the measures to be taken to eliminate the fiscal emergency condition. The Commission approved the initial recovery plan on July 14, 2016.

Village of Manchester, Ohio Adams County

Notes to the Financial Statements

For the Year Ended December 31, 2017

On October 16, 2018 the Auditor of State certified, as required by Section 118.27 of the Revised Code, that the Village of Manchester no longer met the fiscal emergency conditions set forth in Section 118.04 of the Revised Code, that the objectives of the financial recovery was met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code was implemented, and that Management prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion was rendered by the Auditor of State that the financial forecast is considered to be nonadverse.

Note 15 – Prior Period Restatement

The Village changed its accounting basis from Governmental Accounting Standard No. 34 Basic Financial Statements – Cash Basis to the cash (regulatory) basis of accounting. The change had the following effect on financial statement fund balances at January 1, 2017:

	General Fund	Street Construction Maintenance and Repair Fund	State Highway Fund	EMS Fund	Fire Levy Fund	Police Levy Fund	Nonmajor Governmental Funds
December 31, 2016	\$ 29,172	\$ 19,221	\$ 20,704	\$ 1,869	\$ 21,463	\$ 1,581	\$ 33,915
Reclass	-	(19,221)	(20,704)	(1,869)	(21,463)	(1,581)	(33,915)
January 1, 2017, restated	<u>\$ 29,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Water Operating Fund	Sewer Operating Fund	Storm Water Infrastructure Fund	Special Revenue	Debt Service	Enterprise
December 31, 2016	\$ 156,711	\$ 54,113	\$ 21,696	\$ -	\$ -	\$ -
Reclass	(156,711)	(54,113)	(21,696)	94,701	4,052	232,520
January 1, 2017, restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,701</u>	<u>\$ 4,052</u>	<u>\$ 232,520</u>



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Village Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Manchester, Adams County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2019, wherein we noted the Village of Manchester followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We noted in Note 14, on September 29, 1997, the Village of Manchester was declared by the Auditor of State to be in a state of fiscal emergency and on October 16, 2018, the Village of Manchester was released from fiscal emergency. We also noted in Note 15, the Village of Manchester changed its accounting basis from Governmental Accounting Standards No. 34, "*Basic Financial Statements - Cash Basis*" to the cash (regulatory) basis of accounting.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of Manchester's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village of Manchester's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village of Manchester's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village of Manchester'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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is disclosed in the accompanying schedule of findings and responses as item 2017-002.

Village of Manchester's Responses to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village of Manchester's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village of Manchester's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
April 25, 2019

**VILLAGE OF MANCHESTER
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2017-001

Material Weakness - Financial Statement Presentation:

Management is responsible for preparing complete and accurate financial statements in accordance with the applicable financial reporting framework. Control and monitoring activities typically associated with the period-end financial reporting process include reviewing and approving manual journal entries, consolidating entries, and any entries that are recorded directly to the financial statement. For the Village, this could also include reviewing the fiscal year-end UAN detailed reports to ensure activity is reported in the correct line items.

Certain adjustments were made to the financial statements to properly account for the classification of receipts and disbursements.

- The Village received EMS charges from Medical Claims Assistance and recorded the revenues as intergovernmental cash receipts in the Special Revenue funds. An audit adjustment was recorded to increase the “charges for service” line item under cash receipts in the Special Revenue funds by \$105,063 and decrease the “intergovernmental” line item under cash receipts in the Special Revenue funds by \$105,063.
- The Ohio Water Development Authority forgave various principal loan balances for the Village’s Sewer Collection System Rehabilitation project that the Village did not record. An adjustment was recorded to increase the “intergovernmental” line item under nonoperating cash receipts/(disbursements) in the Enterprise funds by \$31,494 and increase the “capital outlay” line item under nonoperating cash receipts/(disbursements) in the Enterprise funds by \$31,494.

The present control and monitoring system does not include a second review of the financial statements to ensure the information accurately portrays the activity of the Village.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Village’s activity.

We recommend the Village design and implement additional procedures to facilitate more accurate and detailed financial reporting. The Village should consider having an outside third-party, or Council member with financial experience, perform a second review of the financial report prior to filing in the Hinkle System. Further, the Village should reach out to its auditor throughout the year if questions arise on how to properly account for receipts or disbursements.

Client Response: The Village will closely monitor all transactions to ensure accurate financial reporting in the future.

**VILLAGE OF MANCHESTER
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2017-002

Noncompliance:

Ohio Revised Code Section 5705.41(D) requires 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 encumbrances.

The Village had 54.55% of expenditures that were not timely certified for the year ended December 31, 2017.

The present system does not consistently follow the Village's purchasing process, which requires a purchase order to be in place prior to receiving an invoice and making payment. Village Departments commonly enter into commitments prior to requesting a purchase order be created. Also, the present system does not consistently utilize "Then and Now" certificates.

Without timely certification, the Village may expend more funds than available in the Treasury, in the process of collection or in the funds appropriated. It may also result in unnecessary purchases and even negative fund balances.

We recommend all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using "Then and Now" certificates where applicable.

Client Response: The Village is continually trying to improve its ordering and purchasing process to decrease its noncompliance percentage.

**VILLAGE OF MANCHESTER
ADAMS COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2016-001	2007	<u>Material Weakness – Financial Statement Presentation</u> – Accurate financial reporting is required in order to provide management and citizens with objective and timely information to enable well-informed decisions. Numerous adjustments were made to the financial statements and notes to the financial statements for the years ended December 31, 2016 and 2015.	Not Corrected	Finding repeated as 2017-001 as adjustments were posted to the current year report.
2016-002	1997	<u>Material Noncompliance</u> – Ohio Revised Code Section 5705.41(D) requires 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 encumbrances. The Village had 44% and 15% of expenditures that were not timely certified for the years ended December 31, 2016 and 2015, respectively.	Not Corrected	Finding repeated as 2017-002 as expenditures were not timely certified during 2017.
2016-003	2009	<u>Material Noncompliance</u> – Ohio Revised Code Section 5705.36, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. During the years ended December 31, 2016 and 2015 the Village’s appropriations exceeded estimated resources.	Corrective Action Taken and Finding is Fully Corrected.	N/A
2016-004	1997	<u>Material Noncompliance</u> – Ohio Revised Code Section 5705.39 requires that total appropriations from each fund should not exceed total estimated resources. The Village had appropriations in excess of estimated resources at December 31, 2016 and 2015.	Corrective Action Taken and Finding is Fully Corrected.	N/A
2016-005	2011	<u>Material Noncompliance</u> – Ohio Revised Code Section 5705.40 requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations. Disbursements exceeded appropriations for the years ending December 31, 2016 and 2015.	Corrective Action Taken and Finding is Fully Corrected.	N/A

**VILLAGE OF MANCHESTER
ADAMS COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2016-006	2011	<u>Material Noncompliance</u> – Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. The Village had disbursements exceeding appropriations at December 31, 2016 and 2015.	Corrective Action Taken and Finding is Fully Corrected.	N/A
2016-007	2011	<u>Material Noncompliance</u> – Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the year or at year end. At December 31, 2015 the Village had a negative fund balance in the Police Levy Fund.	Corrective Action Taken and Finding is Fully Corrected.	N/A
2016-008	2011	<u>Material Noncompliance</u> – Ohio Revised Code Section 118.12 outlines the requirements if an entity fails to submit a financial plan, specifically that if a plan is not submitted, then disbursements from the general fund may not exceed 85% of disbursements from the general fund for the preceding year, until the Commission has authorized a higher percent. A financial plan was not submitted for the year ended December 31, 2015.	Corrective Action Taken and Finding is Fully Corrected.	N/A

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OHIO AUDITOR OF STATE
KEITH FABER



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
SEPTEMBER 12, 2019