



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

VILLAGE OF MANCHESTER
ADAMS COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2009
Fiscal Years Audited Under GAGAS: 2009



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, 2009 through December 31, 2009. 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

January 5, 2012

This page intentionally left blank.

Village of Manchester
TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	10
Statement of Activities – Cash Basis.....	11
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances	13
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances.....	15
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund.....	17
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – Street Construction, Maintenance and Repair Fund.....	18
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – EMS Levy Fund.....	19
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – Police Levy Fund.....	20
Statement of Cash Basis Assets and Net Assets – Enterprise Funds.....	21
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets – Enterprise Funds.....	22
Statement of Fiduciary Net Assets – Fiduciary Fund – Cash Basis.....	23
Notes to the Basic Financial Statements.....	24
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43
Schedule of Findings	45
Schedule of Prior Audit Findings	49

This page intentionally left blank.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Auditor's Report

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Manchester, Adams County, Ohio (the Village), as of and for the year ended December 31, 2009, 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 management. Our responsibility is to express opinions on these financial statements based on our audit.

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.

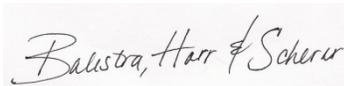
As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Manchester, Adams County, Ohio, as of December 31, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Street Construction, Maintenance and Repair Fund, EMS Levy Fund and Police Levy Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 1 to the financial statements, the Village has suffered recurring losses from operations and has a fund balance deficiency. Note 1 describes Management's plans regarding these matters. In addition, on September 29, 1997 the Auditor of State determined a fiscal emergency existed, and a financial planning and supervision commission assumed certain management responsibilities for the duration of the emergency pursuant to Chapter 118 of the Ohio Rev. Code. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, 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 the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Balestra, Harr & Scherer, CPAs, Inc.
September 30, 2011

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
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 year ended December 31, 2009, 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 2009 are as follows:

The Village's total Net Assets decreased \$14,914. Net Assets of Governmental Activities decreased \$11,475, mainly from less income tax receipts due to the local school district's construction that ended in 2008, and also from large fringe benefits payments owed from prior years. Net Assets of Business-Type Activities decreased \$3,439, due to fewer customer receipts, increased disbursements for operations and large fringe benefits payments owed from prior years.

General receipts of Governmental Activities accounted for \$299,522 or 52.15 percent of all governmental receipts. Program specific receipts in the form of Charges for Services and Operating Grants and Contributions accounted for \$274,778, or 47.85 percent of total governmental receipts of \$547,300.

Enterprise Funds reflected total operating income of \$152,866. The Water Operating Fund reflected operating income of \$61,181 while the Sewer Operating Fund reflected operating income of \$91,685. The operating income increased from the prior year due to refunds not issued in 2009 that occurred during 2008.

The Village had \$585,775 in total disbursements related to Governmental Activities. \$274,778 of these disbursements were offset by program specific Charges for Services and Operating Grants and Contributions. General receipts of \$299,522 were not adequate to provide for these programs. The Village had \$577,294 in total disbursements related to Business-Type Activities. \$573,174 in program specific Charges for Services and Capital Grants and Contributions 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.

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.

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The Notes to the Basic Financial Statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details 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 2009, 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
For the Year Ended December 31, 2009
Unaudited

Reporting the Village's Most Significant Funds

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

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

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2009 compared to 2008 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$ 67,683	\$ 72,644	\$ 223,214	\$ 221,959	\$ 290,897	\$ 294,603
<u>Net Assets:</u>						
Restricted for:						
Debt Service	51,601	52,977	-	-	51,601	52,977
Other Purposes	56,422	25,165	-	-	56,422	25,165
Unrestricted (Deficit)	(40,340)	(5,498)	223,214	221,959	182,874	216,461
Total Net Assets	\$ 67,683	\$ 72,644	\$ 223,214	\$ 221,959	\$ 290,897	\$ 294,603

As mentioned previously, Net Assets of Governmental Activities decreased \$11,475 during 2009, due to reduced income tax receipts and large fringe benefits payments due from prior years. Net Assets of

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Business-Type Activities decreased \$3,439. This small decrease is related to higher operating costs, fewer water and sewer taps and large fringe benefits payments due from prior years.

Table 2 reflects the changes in net assets for 2009 compared to 2008:

(Table 2)
Changes in Net Asset

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<u>Receipts:</u>						
<i>Program Receipts:</i>						
Charges for Services	\$ 233,686	\$ 57,206	\$ 564,636	\$ 590,193	\$ 798,322	\$ 647,399
Operating Grants and Contributions	41,092	90,483	-	-	41,092	90,483
Capital Grants and Contributions	-	-	8,538	9,550	8,538	9,550
Total Program Receipts	274,778	147,689	573,174	599,743	847,952	747,432
<i>General Receipts:</i>						
Property Taxes	118,316	159,512	-	-	118,316	159,512
Municipal Income Taxes	114,875	141,987	-	-	114,875	141,987
Other Local Taxes	25,150	9,581	-	-	25,150	9,581
Grants and Entitlement Not Restricted to Specific Programs	33,647	76,942	-	-	33,647	76,942
Interest	5,122	110	-	-	5,122	110
Miscellaneous	2,412	36,282	681	-	3,093	36,282
Total General Receipts	299,522	424,414	681	-	300,203	424,414
Total Receipts	\$ 574,300	\$ 572,103	\$ 573,855	\$ 599,743	\$ 1,148,155	\$ 1,171,846
<u>Disbursements:</u>						
Security of Persons and Property	194,614	253,429	-	-	194,614	253,429
Public Health Services	142,105	-	-	-	142,105	-
Leisure Time Activities	5,082	9,769	-	-	5,082	9,769
Community Environment	-	5,932	-	-	-	5,932
Transportation	78,097	89,223	-	-	78,097	89,223
General Government	125,997	167,091	-	-	125,997	167,091
Debt Services:						
Principal Retirement	28,000	27,000	-	-	28,000	27,000
Interest and Fiscal Charges	11,880	13,593	-	-	11,880	13,593
Water Operating	-	-	307,292	295,401	307,292	295,401
Sewer Operating	-	-	270,002	307,476	270,002	307,476
Total Disbursements	585,775	566,037	577,294	602,877	1,163,069	1,168,914
Change in Net Assets	(11,475)	6,066	(3,439)	(3,134)	(14,914)	2,932
Net Assets at Beginning of Year	79,158	73,092	226,653	229,787	305,811	302,879
Net Assets at End of Year	\$ 67,683	\$ 79,158	\$ 223,214	\$ 226,653	\$ 290,897	\$ 305,811

Governmental Activities program receipts represent 47.85 percent of total receipts of which 85.05 percent is Charges for Services, while the remaining 14.95 percent is for Operating Grants and Contributions.

General receipts for Governmental Activities represent 52.15 percent of the Village's total receipts, of which, 86.25 percent are Property Taxes, Municipal Income Taxes and Other Local Taxes. Other receipts are insignificant and are somewhat unpredictable revenue sources.

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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, the Clerk and Council members' salaries, as well as internal services such as payroll and purchasing. General Government represents 21.51 percent of total disbursements while Security of Persons and Property disbursements represents 33.22 percent of the total. Disbursements included within Security of Persons and Property primarily include emergency medical services and police and fire protection.

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 54.73 percent of all Governmental Activities disbursements. 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 Receipts (Disbursements) columns compare 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 2009	Net Cost Of Services 2009	Total Cost Of Services 2008	Net Cost Of Services 2008
Security of Persons and Property	\$ 194,614	\$ 327,400	\$ 253,429	\$ 243,429
Public Health Services	142,105	(181,358)	-	-
Leisure Time Activities	5,082	3,839	9,769	9,739
Community Environment	-	-	5,932	5,632
Basic Utility Services	-	-	-	(140)
Transportation	78,097	10,256	89,223	(1,260)
General Government	125,997	93,511	167,091	120,355
Debt Services:				
Principal Retirement	28,000	28,000	27,000	27,000
Interest and Fiscal Charges	11,880	11,880	13,593	13,593
Total Disbursements	\$ 585,775	\$ 293,528	\$ 566,037	\$ 418,348

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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 \$3,439, due to increased operating costs, fewer sewer and water tap fees and large payments for fringe benefits owed from prior years.

The Village's Funds

Total governmental funds had receipts of \$574,300 and disbursements of \$585,775. The greatest change within governmental funds occurred within the General Fund. This fund decreased \$35,427, due to large payments made for unpaid fringe benefits obligations due from prior years, along with corresponding penalties and interest on these payments. Income tax receipts were also much lower in 2009 because the Village received extra income tax monies in 2008 because of construction on the local school district's new facilities.

The Street Construction, Maintenance and Repair Fund's balance at December 31, 2009, was (\$2,085). This decrease from the prior year of \$9,416 was due to unpaid fringe benefits from prior years being paid in 2009.

The EMS Levy Fund's balance at December 31, 2009 was \$48,891. This is also the amount that receipts exceeded disbursements in this fund, as 2009 was this fund's first year of operations.

The Police Levy Fund's balance at December 31, 2009, was (\$18,001). This deficit is also attributed to the unpaid fringe benefits payments owed from prior years, as mentioned above.

The Fire Debt Service Fund's balance at December 31, 2009 was \$51,601, which was a small decrease of \$1,376 from the prior year.

The Water Operating Fund's net assets decreased \$19,082 due to increased operating costs, as well as the unpaid fringe benefits payments made during 2009.

Although the Sewer Operating Fund incurred disbursements for unpaid fringe benefits as experienced in the other funds, refunds that were made to customers in 2008, but not in 2009, resulted in an increase of net assets of \$15,643 at December 31, 2009.

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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.

For the General Fund, there was no difference between the original budget basis receipts and the final budget basis receipts of \$283,506. Original budget basis disbursements were \$2,600 lower than final budget basis disbursements of \$170,838. The increase in appropriations was related to an increase for Public Health Services.

Actual receipts were \$46,913 lower than the final budget basis receipts, while the actual disbursements were \$11,125 lower than the final budget basis appropriations. This resulted in the Village's ending unobligated cash balance to be \$20,619 below 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 Administration

At December 31, 2009, the Village of Manchester had \$2,647,550 in debt outstanding.

Table 4
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Mortgage Revenue Bonds	\$0	\$0	\$1,486,541	\$1,522,874	\$1,486,541	\$1,522,874
General Obligation Bonds	0	0	132,500	145,900	132,500	145,900
OWDA Loans Payable	0	0	858,509	885,327	858,509	885,327
Fire Truck Loan	170,000	198,000	0	0	170,000	198,000
<i>Total</i>	<u>\$170,000</u>	<u>\$198,000</u>	<u>\$2,477,550</u>	<u>\$2,554,101</u>	<u>\$2,647,550</u>	<u>\$2,752,101</u>

The Village's overall 10.5 percent legal debt margin was \$1,411,441 as of December 31, 2009. The more restrictive unvoted legal debt margin within 5.5 percent was \$682,946 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.

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.

This page intentionally left blank.

Village of Manchester, Adams County

Statement of Net Assets - Cash Basis

December 31, 2009

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$67,683	\$223,214	\$290,897
<u>Net Assets:</u>			
Restricted for:			
Debt Service	51,601	0	51,601
Other Purposes	56,422	0	56,422
Unrestricted (Deficit)	(40,340)	223,214	182,874
 <i>Total Net Assets</i>	 \$67,683	 \$223,214	 \$290,897

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2009

	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	\$194,614	\$11,740	\$1,147	\$0
Public Health Services	142,105	187,464	0	0
Leisure Time Activities	5,082	1,358	0	0
Transportation	78,097		39,945	0
General Government	125,997	33,124	0	0
Debt Service:				
Principal Retirement	28,000	0	0	0
Interest and Fiscal Charges	11,880	0	0	0
<i>Total Governmental Activities</i>	585,775	233,686	41,092	0
<u>Business-Type Activities:</u>				
Water Operating	307,292	279,672	0	8,538
Sewer Operating	270,002	284,964	0	0
<i>Total Business-Type Activities</i>	577,294	564,636	0	8,538
<i>Total Activities</i>	\$1,163,069	\$798,322	\$41,092	\$8,538

General Receipts and Transfers:

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

Total General Receipts and Transfers

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
(\$181,727)	\$0	(\$181,727)
45,359	0	45,359
(3,724)	0	(3,724)
(38,152)	0	(38,152)
(92,873)	0	(92,873)
(28,000)	0	(28,000)
(11,880)	0	(11,880)
(310,997)	0	(310,997)
0	(19,082)	(19,082)
0	14,962	14,962
0	(4,120)	(4,120)
(310,997)	(4,120)	(315,117)
118,316	0	118,316
114,875	0	114,875
25,150	0	25,150
33,647	0	33,647
5,122	0	5,122
2,412	681	3,093
299,522	681	300,203
299,522	681	300,203
(11,475)	(3,439)	(14,914)
79,158	226,653	305,811
\$67,683	\$223,214	\$290,897

Village of Manchester, Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2009

	General	Street Construction, Maintenance and Repair	EMS Levy	Police Levy
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	(\$40,340)	(\$2,085)	\$48,891	(\$18,001)
<u>Fund Balances:</u>				
Reserved:				
Reserved for Encumbrances	\$6,843	\$7,900	\$0	\$13,162
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	(47,183)	0	0	0
Special Revenue Funds	0	(9,985)	48,891	(31,163)
Debt Service Fund	0	0	0	0
<i>Total Fund Balances (Deficit)</i>	(\$40,340)	(\$2,085)	\$48,891	(\$18,001)

See Accompanying Notes to the Basic Financial Statements

Fire Debt Service	Other Governmental Funds	Total
<u>\$51,601</u>	<u>\$27,617</u>	<u>\$67,683</u>
\$0	\$134	\$28,039
0	0	(47,183)
0	27,483	35,226
<u>51,601</u>	<u>0</u>	<u>51,601</u>
<u>\$51,601</u>	<u>\$27,617</u>	<u>\$67,683</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, 2009

	General	Street Construction, Maintenance and Repair	EMS Levy	Police Levy
<u>Receipts:</u>				
Property and Other Local Taxes	\$45,687	\$24,221	\$0	\$68
Municipal Income Taxes	114,875	0	0	0
Charges for Services	4,568	0	186,177	0
Fines, Licenses and Permits	36,271	0	0	0
Intergovernmental	29,993	39,945	0	869
Interest	4,017	1,105	0	0
Miscellaneous	1,182	0	0	1,000
<i>Total Receipts</i>	<u>236,593</u>	<u>65,271</u>	<u>186,177</u>	<u>1,937</u>
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	18,979	0	0	139,605
Public Health Services	4,819	0	137,286	0
Leisure Time Activities	5,082	0	0	0
Transportation	0	74,550	0	0
General Government	123,991	137	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<i>Total Disbursements</i>	<u>152,871</u>	<u>74,687</u>	<u>137,286</u>	<u>139,605</u>
Excess of Receipts Over (Under) Disbursements	<u>83,722</u>	<u>(9,416)</u>	<u>48,891</u>	<u>(137,668)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	0	119,149
Transfers Out	(119,149)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(119,149)</u>	<u>0</u>	<u>0</u>	<u>119,149</u>
Net Change in Fund Balances	(35,427)	(9,416)	48,891	(18,519)
Fund Balances at Beginning of Year - Restated (See Note 3)	<u>(4,913)</u>	<u>7,331</u>	<u>0</u>	<u>518</u>
Fund Balances (Deficit) at End of Year	<u><u>(\$40,340)</u></u>	<u><u>(\$2,085)</u></u>	<u><u>\$48,891</u></u>	<u><u>(\$18,001)</u></u>

See Accompanying Notes to the Basic Financial Statements

Fire Debt Service	Other Governmental Funds	Total
\$40,181	\$33,309	\$143,466
0	0	114,875
0	4,500	195,245
0	2,170	38,441
154	3,778	74,739
0	0	5,122
0	230	2,412
<u>40,335</u>	<u>43,987</u>	<u>574,300</u>
0	36,030	194,614
0	0	142,105
0	0	5,082
0	3,547	78,097
1,831	38	125,997
28,000	0	28,000
11,880	0	11,880
<u>41,711</u>	<u>39,615</u>	<u>585,775</u>
<u>(1,376)</u>	<u>4,372</u>	<u>(11,475)</u>
0	0	119,149
0	0	(119,149)
<u>0</u>	<u>0</u>	<u>0</u>
(1,376)	4,372	(11,475)
<u>52,977</u>	<u>23,245</u>	<u>79,158</u>
<u><u>\$51,601</u></u>	<u><u>\$27,617</u></u>	<u><u>\$67,683</u></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, 2009

	<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	\$43,500	\$43,500	\$45,687	\$2,187
Municipal Income Taxes	140,000	140,000	114,875	(25,125)
Charges for Services	3,850	3,850	4,568	718
Fines, Licenses and Permits	49,003	49,003	36,271	(12,732)
Intergovernmental	45,613	45,613	29,993	(15,620)
Interest	540	540	4,017	3,477
Miscellaneous	1,000	1,000	1,182	182
<i>Total Receipts</i>	<u>283,506</u>	<u>283,506</u>	<u>236,593</u>	<u>(46,913)</u>
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	20,000	19,899	18,979	920
Public Health Services	0	4,910	4,819	91
Leisure Time Activities	5,082	5,082	5,082	0
General Government	143,156	140,947	130,833	10,114
<i>Total Disbursements</i>	<u>168,238</u>	<u>170,838</u>	<u>159,713</u>	<u>11,125</u>
Excess of Receipts Over Disbursements	115,268	112,668	76,880	(35,788)
<u>Other Financing Uses:</u>				
Transfers Out	(134,918)	(134,318)	(119,149)	15,169
Net Change in Fund Balance	(19,650)	(21,650)	(42,269)	(20,619)
<i>Fund Balance (Deficit) at Beginning of Year</i>	(12,570)	(12,570)	(12,570)	0
Prior Year Encumbrances Appropriated	<u>7,656</u>	<u>7,656</u>	<u>7,656</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$24,564)</u>	<u>(\$26,564)</u>	<u>(\$47,183)</u>	<u>(\$20,619)</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, 2009

	<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	\$82,800	\$38,800	\$24,221	(\$14,579)
Intergovernmental	0	44,000	39,945	(4,055)
Interest	0	0	1,105	1,105
<i>Total Receipts</i>	<u>82,800</u>	<u>82,800</u>	<u>65,271</u>	<u>(17,529)</u>
<u>Disbursements:</u>				
Current:				
Transportation	88,197	88,017	82,450	5,567
General Government	0	180	137	43
<i>Total Disbursements</i>	<u>88,197</u>	<u>88,197</u>	<u>82,587</u>	<u>5,610</u>
Net Change in Fund Balance	(5,397)	(5,397)	(17,316)	(11,919)
<i>Fund Balance (Deficit) at Beginning of Year</i>	(1,045)	(1,045)	(1,045)	0
Prior Year Encumbrances Appropriated	<u>8,376</u>	<u>8,376</u>	<u>8,376</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>\$1,934</u></u>	<u><u>\$1,934</u></u>	<u><u>(\$9,985)</u></u>	<u><u>(\$11,919)</u></u>

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual (Budget Basis)
EMS Levy Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
<u>Receipts:</u>				
Charges for Services	\$58,000	\$58,000	\$186,177	\$128,177
Intergovernmental	216,500	216,500	0	(216,500)
<i>Total Receipts</i>	274,500	274,500	186,177	(88,323)
<u>Disbursements:</u>				
Current:				
Public Health Services	223,237	223,237	137,286	85,951
Net Change in Fund Balance	51,263	51,263	48,891	(2,372)
<i>Fund Balance at Beginning of Year</i>	0	0	0	0
<i>Fund Balance at End of Year</i>	<u>\$51,263</u>	<u>\$51,263</u>	<u>\$48,891</u>	<u>(\$2,372)</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, 2009

	<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	\$500	\$200	\$68	(\$132)
Intergovernmental	0	300	869	569
Miscellaneous	60,000	60,000	1,000	(59,000)
<i>Total Receipts</i>	<u>60,500</u>	<u>60,500</u>	<u>1,937</u>	<u>(58,563)</u>
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	160,986	160,326	152,767	7,559
General Government	0	660	0	660
<i>Total Disbursements</i>	<u>160,986</u>	<u>160,986</u>	<u>152,767</u>	<u>8,219</u>
Excess of Receipts Under Disbursements	(100,486)	(100,486)	(150,830)	(50,344)
<u>Other Financing Sources:</u>				
Transfers In	114,918	114,918	119,149	4,231
Net Change in Fund Balance	14,432	14,432	(31,681)	(46,113)
<i>Fund Balance (Deficit) at Beginning of Year</i>	(14,222)	(14,222)	(14,222)	0
Prior Year Encumbrances Appropriated	14,740	14,740	14,740	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$14,950</u>	<u>\$14,950</u>	<u>(\$31,163)</u>	<u>(\$46,113)</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, 2009

	Business-Type Activities		
	Water Operating	Sewer Operating	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$158,781	\$64,433	\$223,214
<u>Net Assets:</u>			
Unrestricted	\$158,781	\$64,433	\$223,214

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, 2009

	Business-Type Activities		
	Water Operating	Sewer Operating	Total
<u>Operating Receipts:</u>			
Charges for Services	\$279,581	\$284,964	\$564,545
Other Operating Receipts	0	681	681
<i>Total Operating Receipts</i>	<u>279,581</u>	<u>285,645</u>	<u>565,226</u>
<u>Operating Disbursements:</u>			
Personal Services	72,204	103,728	175,932
Fringe Benefits	19,220	25,231	44,451
Contractual Services	33,879	15,769	49,648
Materials and Supplies	92,947	48,999	141,946
Other	150	233	383
<i>Total Operating Disbursements</i>	<u>218,400</u>	<u>193,960</u>	<u>412,360</u>
Operating Income	<u>61,181</u>	<u>91,685</u>	<u>152,866</u>
<u>Non-Operating Receipts (Disbursements):</u>			
Special Assessments	8,629	0	8,629
Principal Payments	(46,251)	(30,300)	(76,551)
Interest	(42,641)	(45,742)	(88,383)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(80,263)</u>	<u>(76,042)</u>	<u>(156,305)</u>
Change in Net Assets	(19,082)	15,643	(3,439)
<i>Net Assets at Beginning of Year</i>	<u>177,863</u>	<u>48,790</u>	<u>226,653</u>
<i>Net Assets at End of Year</i>	<u><u>\$158,781</u></u>	<u><u>\$64,433</u></u>	<u><u>\$223,214</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, 2009

	<u>Mayor's Court</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$2,077</u></u>
<u>Liabilities:</u>	
Undistributed Monies	<u><u>\$2,077</u></u>

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

The Village of Manchester, Adams County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

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

B. Component Units

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a 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 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.

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 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 balances 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 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. 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.

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary fund statements distinguish operating transactions from non-operating 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 non-operating.

B. Fund Accounting

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

Governmental Funds

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

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

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.

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

Police Levy Fund – The Police Levy Fund accounts for property tax monies 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 Operating and Sewer Operating Funds.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 – Summary of Significant Accounting Policies (continued)

Water Operating Fund - The Water Operating Fund accounts for the provision of water 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.

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

As a result of the use of this 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 ordinance, 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 amount the Village Council may appropriate.

The appropriations ordinance 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, personal services and other levels for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. 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 in effect at the time final appropriations were passed by the Village Council.

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations ordinance 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 ordinance 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.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. 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 2009, the Village invested in 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 during 2009 was \$4,017, which includes \$608 assigned from other Village funds.

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, or 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.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

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 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 post-retirement 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 an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserve

The Village reserves any portion of fund balances which is not available for disbursement or 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. Interfund Transactions

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 non-operating 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, 2009

Note 3 – Restatement of Net Assets/Fund Balances

During the year, outstanding warrants were voided which created a discrepancy between the 2008 ending net assets/fund balances and the 2009 beginning of the year net assets/fund balances as follows:

	Governmental Activities	Business-Type Activities	General Fund
Net Assets, December 31, 2008	\$ 71,739	\$ 221,959	\$ (5,498)
Return of Outstanding Warrants	7,419	4,694	585
Net Assets, December 31, 2008, as Restated	\$ 79,158	\$ 226,653	\$ (4,913)
	Other Governmental Funds	Water Operating Fund	Sewer Operating Fund
Net Assets, December 31, 2008	\$ 16,411	\$ 177,851	\$ 44,108
Return of Outstanding Warrants	6,834	12	4,682
Net Assets, December 31, 2008, as Restated	\$ 23,245	\$ 177,863	\$ 48,790

Note 4 – Compliance

Contrary to Ohio law the Village did not certify all the expenditures prior to commitment.

Contrary to Ohio law the Village had appropriation in excess of available and estimated resources.

Contrary to Ohio law the Village had negative cash balances.

Contrary to Ohio law the Village did not deposit receipts in a timely manner.

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) is presented for the General Fund and the Street Construction, Maintenance and Repair, EMS Levy and Police Levy Special Revenue Funds on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$6,843, \$7,900, \$0 and \$13,162 for the General Fund and the Street Construction, Maintenance and Repair, EMS Levy and Police Levy Special Revenue Funds, respectively.

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 obligations or securities 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;
4. Commercial paper and bankers acceptances, if trading requirements have been met;

Note 6 – Deposits and Investments (continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above; and
7. The State Treasurer's investment pool (STAROhio).

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. 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 105 percent of the deposits being secured.

Note 7 – 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.

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 receipts received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 8 – Property Taxes (continued)

2009 tangible personal property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. 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 2009 is 6.25 percent. This will be reduced to zero for 2010.

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

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

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

The full tax rate for all Village operations for the year ended December 31, 2009, was \$1.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Category	Assessed Value
Real Property:	
Agricultural/Residential	\$11,553,300
Commercial/Industrial	1,981,650
Tangible Personal Property:	
General	30,730
Public Utility Real	1,004,220
Total Property Taxes	\$14,569,900

Note 9 – Interfund Activity

Interfund balances at December 31, 2009, consisted of the following individual fund receivable and payable:

		Receivable
		General
Payable	Street Construction, Maintenance and Repair Fund	\$1,000

In 2008, 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 2011.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 9 – Interfund Activity (continued)

Transfers made during the year ended December 31, 2009 were as follows:

	Transfer From	Transfer To
		Police Levy
		<u>Fund</u>
General Fund		<u><u>\$119,149</u></u>

Transfers were made from the General Fund to the Police Levy Special Revenue Fund to support the operations of the Village’s Police Department.

Note 10 – Risk Management

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

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

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

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

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

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 10 – Risk Management (continued)

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

Legal Liability – Third Party Claims Coverage (\$0 deductible) – per occurrence	\$2,000,000
Automobile Liability Coverage (\$0 deductible) – per occurrence	2,000,000
Wrongful Acts Coverage (\$5,000 deductible) – per occurrence	2,000,000
Law Enforcement Operations Coverage (\$2,500 deductible) – per occurrence	2,000,000
Property Coverage – 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 Plans

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 Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension 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. 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 statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll. The Village’s 2009 contribution rate was 14.0 percent. For the period January 1 through March 31, a portion of the Village’s contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan. For the period April 1 through December 31, 2009, this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Village of 14.0 percent. The Village’s required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$23,832, \$18,625 and \$22,369, respectively. The full amount has been contributed for 2009, 2008 and 2007. There were no contributions made to the Member-Directed Plan during 2009.

Note 11 – Defined Benefit Pension Plans (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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The Village has no firefighters who are members of OP&F. The Village’s contributions to OP&F for police were \$3,790 for the year ended December 31, 2009, \$3,425 for the year ended December 31, 2008, and \$2,658 for the year ended December 31, 2007. The full amount has been contributed for 2009, 2008 and 2007.

Note 12 – Post-employment Benefits

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

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 Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which 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 post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.0 percent of covered payroll. Each year, the

Note 12 – Post-employment Benefits (continued)

OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$17,258, \$18,625, and \$10,941, respectively; 100 percent has been contributed for 2009, 2008 and 2007.

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 on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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 provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is 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 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 24.0 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 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

Note 12 – Post-employment Benefits (continued)

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, 2009, 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 firefighters who are members 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 \$2,007 for the year ended December 31, 2009, \$1,813 for the year ended December 31, 2008, and \$1,753 for the year ended December 31, 2007. The full amount has been contributed for 2009, 2008 and 2007.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 13 – Debt

The Village's long-term debt activity for the year ended December 31, 2009, was as follows:

Types / Issues	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009	Due Within One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
2002 Water System Improvement Bonds 5.25%	\$145,900	\$0	\$13,400	\$132,500	\$14,100
<u>Mortgage Revenue Bonds</u>					
Water Fund					
2004 USDA Rural Development Mortgage Revenue Bonds 4.375%	506,374	0	6,033	500,341	6,298
Sewer Fund					
1998 Sanitary Sewer System Mortgage Revenue Bonds Series B 4.50%	848,900	0	14,800	834,100	15,400
1998 Sanitary Sewer System Mortgage Revenue Bonds Series A 4.50%	167,600	0	15,500	152,100	16,200
Total Sewer Fund	1,016,500	0	30,300	986,200	31,600
Total Mortgage Revenue Bonds	1,522,874	0	36,333	1,486,541	37,898
<u>Other Long-Term Obligations</u>					
2004 OWDA Water Treatment and Wellfield Improvement Loan 1.50%	885,327	0	26,818	858,509	27,222
Total Business-Type Activities	<u>\$2,554,101</u>	<u>\$0</u>	<u>\$76,551</u>	<u>\$2,477,550</u>	<u>\$79,220</u>
<u>Governmental Activities</u>					
<u>Other Long-Term Obligation</u>					
2007 Fire Truck Loan 6.0%	\$198,000	\$0	\$28,000	\$170,000	\$30,000

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 an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2009, were an overall debt margin of \$1,411,441 and an unvoted debt margin of \$682,946.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 13 – Debt (continued)

Following are summaries of the Village’s Business-Type Activities future annual debt service requirements:

<u>Year</u>	<i>Business-Type Activities</i>					
	<i>Water Operating 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>
2010	\$14,100	\$6,586	\$6,298	\$21,890	\$27,222	\$12,674
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	4,181	7,161	21,027	28,470	11,421
2014	17,300	3,294	7,474	20,713	28,898	10,991
2015-2019	54,100	4,180	42,572	98,366	151,154	48,268
2020-2024	0	0	52,736	88,202	162,881	36,495
2025-2029	0	0	65,326	75,612	175,517	23,813
2030-2034	0	0	80,922	60,016	189,135	10,144
2035-2039	0	0	100,243	40,695	39,552	297
2040-2044	0	0	124,175	16,763	0	0
Totals	<u>\$132,500</u>	<u>\$29,090</u>	<u>\$500,341</u>	<u>\$486,225</u>	<u>\$858,509</u>	<u>\$178,209</u>

<u>Year</u>	<i>Business-Type Activities</i>	
	<i>Sewer Operating Fund</i>	
	<i>Mortgage Revenue Bonds</i>	
	<i>Principal</i>	<i>Interest</i>
2010	\$31,600	\$44,379
2011	33,100	42,957
2012	34,600	41,468
2013	36,100	39,910
2014	37,700	38,286
2015-2019	168,800	165,407
2020-2024	131,300	133,668
2025-2029	163,600	101,353
2030-2034	203,800	61,074
2035-2037	145,600	13,298
Totals	<u>\$986,200</u>	<u>\$681,800</u>

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 13 – Debt (continued)

Following is the summary of the Village’s Governmental Activities future annual debt service requirements:

<i>Year</i>	<i>Governmental Activities</i>	
	<i>Fire Truck Loan</i>	
	<i>Principal</i>	<i>Interest</i>
2009	\$30,000	\$10,200
2010	32,000	8,400
2011	34,000	6,498
2012	36,000	4,440
2014	38,000	2,280
Totals	<u>\$170,000</u>	<u>\$31,818</u>

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 15 year period with final maturity on March 1, 2017. The bonds will be repaid from service fees collected in the Water Operating Fund.

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 were issued for \$300,000. The bonds were obtained for the purpose of paying the costs of constructing improvements to the Village’s water system. The bonds will be repaid over 15 years with service fees collected in the Sewer Operating Fund.

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 service fees collected in the Water Operating Fund.

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 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.

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.

This page intentionally left blank.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

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:

We have audited the financial statements of the governmental activities, 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 year ended December 31, 2009, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 30, 2011 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 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 internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

**Internal Control over Financial Reporting
(Continued)**

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-006 described in the accompanying schedule of findings to be a material weakness.

We did noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 30, 2011.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2009-001, and 2009-002 through 2009-005.

We did noted certain non-compliance matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 30, 2011.

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

We intend this report solely for the information and use of management, audit committee, Village Council, and others within the Government. We intend it for no other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
September 30, 2011

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2009

Finding Number 2009-001

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:

The Village now has a policy for Purchase Orders which is monitored quarterly by the Finance Committee of the Council.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2009

Finding Number 2009-002

Material Noncompliance – Appropriations Exceed Available Resources

Ohio Rev. Code Section 5705.36, requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

2009

- General Fund - \$73,477
- Street Construction, Maintenance and Repair Fund - \$15,595
- EMS Levy Fund - \$37,060
- Police Levy Fund - \$39,382

The Village should file for amended certificates when they receive less money than anticipated.

Client Response:

We are currently filing for amended certification when appropriate.

Finding Number 2009-003

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:

2009

General Fund -	(\$40,340)
Street Construction, Maintenance and Repair Fund -	(\$2,085)
Police Levy Fund -	(\$18,001)

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

Client Response:

The negative fund balances originated with the prior clerk (resigned March 2009) and by July 2011 we have corrected them all.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2009

Finding Number 2009-004

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:

2009

- General Fund – Original and Final - \$24,564 and \$26,564, respectively

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

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

Client Response:

The negative fund balances originated with the prior clerk (resigned March 2009) and by July 2011 we have corrected them all.

Finding Number 2009-005

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:

At present deposits are made daily. We will have the Finance Committee develop a written policy.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2009

Finding Number 2009-006

Material Weakness – Adjustment Journal Entries

Misstatements were identified related to the following:

- Improperly classified charges for services receipts as intergovernmental.
- Amount of debt proceeds and capital outlay for on-behalf payments from OWDA.
- Interest Earnings from CD's.
- Outstanding Checks.

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

It was also noted that beginning fund balances from the prior year audit report and unaudited basic financial statements prepared by LGS of the Auditor of State did not agree to the Village's system. In the system the General Fund was over stated and the Sewer Fund was under stated by \$28,000.

All of the above noted adjustments have been posted to the Village's UAN accounting system. 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:

We were recommended using "intergovernmental" classification. This matter will be addressed by the Finance Committee.

VILLAGE OF MANCHESTER

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	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	No	Reissued as 2009-001
2008-002	26 CFR Section 1.6041-1 states that any independent contractor paid \$600 or more during a year must be issued a 1099 form.	Yes	
2008-003	Material Weakness the Village did not maintain a listing of all assets and their corresponding locations.	Yes	
2008-004	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.	No	Reissued as 2009-003
2008-005	Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.	No	Reissued as 2009-004
2008-006	The Village Financial Recovery Plan requirements which was in effect during the audit period listed actions to be taken by the Village and its management for Financial Recovery.	Yes	
2008-007	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.	Yes	
2008-008	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.	Yes	
2008-009	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.	No	Reissued as 2009-005
2008-010	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.	Yes	
2008-011	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	Yes	

VILLAGE OF MANCHESTER

**SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-012	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	Yes	
2008-013	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.	Yes	
2008-014	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.	Yes	
2008-015	Ohio Revised Code Section 5747.07(B)(4) states an employer shall make the payment of undeposited taxes for each calendar quarter.	Yes	
2008-016	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.	Yes	
2008-017	Significant Deficiency – Audit Committee	Yes	
2008-018	26 U.S.C. 3402(a)(1) requires employers to withhold and remit federal income taxes from the wages of employees and elected officials.	Yes	
2008-019	Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.	Yes	
2008-020	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.	Yes	
2008-021	Material Weakness - the annual review of income tax collection efforts were not being documented by the clerk/treasurer.	Yes	
2009-022	The Village should maintain employee files with proper documentation to support federal withholding amounts, and current pay rates.	Yes	

VILLAGE OF MANCHESTER
SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-023	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.	Yes	
2008-024	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.	Yes	
2008-025	Material Weakness- Adjustment Journal Entries	No	Reissued as 2009-006
2008-026	Material Weakness - 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.	Yes	
2008-027	Material Weakness - the Village did not maintain detailed leave records.	Yes	
2008-028	Material Weakness – Policy and Procedures Manual	Yes	
2008-029	Material Weakness - Monitoring of Financial Activity	Yes	
2008-030	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.	Yes	
2008-031	Material Weakness – Deficiencies within the Utility Department	Yes	
2008-032	Material Weakness - Monitoring controls over budgetary compliance have not been place in operation.	Yes	
2008-033	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.	Yes	

This page intentionally left blank.



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
JANUARY 17, 2012