



Balestra, Harr & Scherer, CPAs, Inc.

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

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VILLAGE OF MANCHESTER
ADAMS COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2010
Fiscal Years Audited Under GAGAS: 2010



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, 2010 through December 31, 2010. 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

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Village of Manchester, Adams County
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Balestra, Harr & Scherer, CPAs, Inc.

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

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Independent Auditor's Report

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

To the Village Council:

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, 2010, 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.

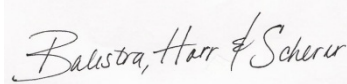
As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

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, 2010, and the respective changes in cash financial position and the respective budgetary comparison for the General 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 described in Note 1 to the financial statements, the Village has been declared in a state of fiscal emergency under Ohio law.

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

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



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

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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, 2010, 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 2010 are as follows:

The Village's total Net Assets increased \$85,286. Net Assets of Governmental Activities increased \$101,735, mainly from higher income tax receipts due to the Village changing their income tax collections to the Regional Income Tax Agency (RITA) and greater property tax receipts. Net Assets of Business-Type Activities decreased \$16,449, 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 \$498,093 or 51.56 percent of all governmental receipts. Program specific receipts in the form of Charges for Services and Operating Grants and Contributions accounted for \$467,877, or 48.44 percent of total governmental receipts of \$965,970.

Enterprise Funds reflected total operating income of \$142,687. The Water Operating Fund reflected operating income of \$54,960 while the Sewer Operating Fund reflected operating income of \$87,727. The operating income decreased from the prior year due to fewer water tap fees collected, as well as the Village paying prior years' fringe benefits payments.

The Village had \$864,235 in total disbursements related to Governmental Activities. \$467,877 of these disbursements were offset by program specific Charges for Services and Operating Grants and Contributions. General receipts of \$498,093 were not adequate to provide for these programs. The Village had \$740,816 in total disbursements related to Business-Type Activities. \$724,367 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, 2010
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 2010, 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, 2010
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 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 2010 compared to 2009 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$ 169,418	\$ 67,683	\$ 206,765	\$ 223,214	\$ 376,183	\$ 290,897
<u>Net Assets:</u>						
Restricted for:						
Capital Projects	898	-	-	-	898	-
Debt Service	53,437	51,601	-	-	53,437	51,601
Other Purposes	119,583	35,226	-	-	119,583	35,226
Unrestricted (Deficit)	(4,500)	(19,144)	206,765	223,214	202,265	204,070
Total Net Assets	\$ 169,418	\$ 67,683	\$ 206,765	\$ 223,214	\$ 376,183	\$ 290,897

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

As mentioned previously, Net Assets of Governmental Activities increased \$101,735 during 2010, due to increased income tax receipts and larger property tax collections than in the prior year. Net Assets of Business-Type Activities decreased \$16,449. This 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 2010 compared to 2009:

(Table 2)
Changes in Net Asset

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Receipts:</u>						
<i>Program Receipts:</i>						
Charges for Services	\$ 331,685	\$ 156,987	\$ 605,505	\$ 564,636	\$ 937,190	\$ 721,623
Operating Grants and Contributions	136,192	135,260	-	-	136,192	135,260
Capital Grants and Contributions	-	-	118,862	8,538	118,862	8,538
<i>Total Program Receipts</i>	<u>467,877</u>	<u>292,247</u>	<u>724,367</u>	<u>573,174</u>	<u>1,192,244</u>	<u>865,421</u>
<i>General Receipts:</i>						
Property Taxes	153,542	118,039	-	-	153,542	118,039
Municipal Income Taxes	128,743	114,875	-	-	128,743	114,875
Other Local Taxes	23,176	9,436	-	-	23,176	9,436
Grants and Entitlement Not Restricted to Specific Programs	57,540	32,168	-	-	57,540	32,168
Notes Issured	77,589	-	-	-	77,589	-
Interest	7,952	5,122	-	-	7,952	5,122
Miscellaneous	49,551	2,413	-	681	49,551	3,094
<i>Total General Receipts</i>	<u>498,093</u>	<u>282,053</u>	<u>-</u>	<u>681</u>	<u>498,093</u>	<u>282,734</u>
<i>Total Receipts</i>	<u>\$ 965,970</u>	<u>\$ 574,300</u>	<u>\$ 724,367</u>	<u>\$ 573,855</u>	<u>\$ 1,690,337</u>	<u>\$ 1,148,155</u>
<u>Disbursements:</u>						
Security of Persons and Property	206,835	331,900	-	-	206,835	331,900
Public Health Services	366,814	4,819	-	-	366,814	4,819
Leisure Time Activities	-	5,082	-	-	-	5,082
Community Environment	-	-	-	-	-	-
Transportation	75,460	78,097	-	-	75,460	78,097
General Government	89,518	125,997	-	-	89,518	125,997
Capital Outlay	59,922	-	-	-	59,922	-
Debt Services:						
Principal Retirement	30,000	28,000	-	-	30,000	28,000
Interest and Fiscal Charges	10,200	11,880	-	-	10,200	11,880
Other	25,486	-	-	-	25,486	-
Water Operating	-	-	451,030	307,292	451,030	307,292
Sewer Operating	-	-	289,786	270,002	289,786	270,002
<i>Total Disbursements</i>	<u>864,235</u>	<u>585,775</u>	<u>740,816</u>	<u>577,294</u>	<u>1,605,051</u>	<u>1,163,069</u>
Change in Net Assets	101,735	(11,475)	(16,449)	(3,439)	85,286	(14,914)
<i>Net Assets at Beginning of Year</i>	<u>67,683</u>	<u>79,158</u>	<u>223,214</u>	<u>226,653</u>	<u>290,897</u>	<u>305,811</u>
<i>Net Assets at End of Year</i>	<u>\$ 169,418</u>	<u>\$ 67,683</u>	<u>\$ 206,765</u>	<u>\$ 223,214</u>	<u>\$ 376,183</u>	<u>\$ 290,897</u>

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Governmental Activities program receipts represent 48.44 percent of total receipts of which 70.89 percent is Charges for Services, while the remaining 29.11 percent is for Operating Grants and Contributions. General receipts for Governmental Activities represent 51.56 percent of the Village's total receipts, of which, 61.33 percent are Property Taxes, Municipal Income Taxes and Other Local Taxes. Other receipts are insignificant and are somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for other Village activities. These activities include costs of the Auditor of State of Ohio fees, the Clerk and Council members' salaries, as well as internal services such as payroll and purchasing. General Government represents 6.93 percent of total disbursements while Security of Persons and Property disbursements represents 23.93 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 30.86 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 2010	Net Cost Of Services 2010	Total Cost Of Services 2009	Net Cost Of Services 2009
Security of Persons and Property	\$ 206,835	\$ 555,972	\$ 331,900	\$ 327,400
Public Health Services	366,814	(285,399)	4,189	(181,358)
Leisure Time Activities	-	(525)	5,082	3,839
Community Environment	-	(59,922)	-	-
Basic Utility Services	-	(899)	-	-
Transportation	75,460	(11,485)	78,147	10,256
General Government	89,518	60,366	125,997	93,511
Capital Outlay	59,922	59,922	-	-
Debt Services:				
Principal Retirement	30,000	30,000	28,000	28,000
Interest and Fiscal Charges	10,200	10,200	11,880	11,880
Other	25,486	25,486	-	-
Total Disbursements	\$ 864,235	\$ 383,716	\$ 585,195	\$ 293,528

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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 \$16,449, 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 \$868,381 and disbursements of \$383,749. The greatest change within governmental funds occurred within the General Fund. This fund increased \$40,995, due to higher income and property taxes received during 2010.

The EMS Levy Fund's balance at December 31, 2010 was \$62,919. This is a small decrease of \$14,028.

The Police Levy Fund's balance at December 31, 2010, was \$8,907. This increased \$26,908 due to the passing of the police levy.

The Fire Debt Service Fund's balance at December 31, 2010 was \$53,437, which was a small increase of \$1,836 from the prior year.

The Water Operating Fund's net assets decreased \$28,197 due to increased operating costs, as well as the unpaid fringe benefits payments made during 2010.

Although the Sewer Operating Fund incurred disbursements for unpaid fringe benefits as experienced in the other funds, a reduction of overtime pay in 2010 resulted in an increase of net assets of \$11,748 at December 31, 2010.

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.

Village of Manchester, Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

For the General Fund, there was an increase of \$9,000 between the original budget basis receipts of \$270,230 and the final budget basis receipts of \$279,230. Original and final budget basis disbursements were \$138,248.

Actual receipts were \$26,951 lower than the final budget basis receipts, while the actual disbursements were \$22,951 lower than the final budget basis appropriations. This resulted in the Village's ending unobligated cash balance to be \$28,730 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, 2010, the Village of Manchester had \$2,657,192 in debt outstanding.

Outstanding Debt at Year-End						
	Governmental		Business-Type		Totals	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Mortgage Revenue Bonds	\$0	\$0	\$1,448,643	\$1,486,541	\$1,448,643	\$1,486,541
General Obligation Bonds	0	0	118,400	132,500	118,400	132,500
OWDA Loans Payable	0	0	950,149	858,509	950,149	858,509
Fire Truck Loan	140,000	170,000	0	0	140,000	170,000
Revenue Anticipation Notes	20,000	0	0	0	0	0
Ambulance Acquisition Bonds	77,589	0	0	0	0	0
<i>Total</i>	<u>\$237,589</u>	<u>\$170,000</u>	<u>\$2,517,192</u>	<u>\$2,477,550</u>	<u>\$2,657,192</u>	<u>\$2,647,550</u>

The City's overall 10.5 percent legal debt margin was \$1,368,521 as of December 31, 2010. The more restrictive unvoted legal debt margin within 5.5 percent was \$675,624 as of the same date. For more information on the Village's debt activity, refer to Note 12 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.

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Village of Manchester, Adams County

Statement of Net Assets - Cash Basis

December 31, 2010

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$169,418	\$206,765	\$376,183
<u>Net Assets:</u>			
Restricted for:			
Capital Projects	898	0	898
Debt Service	57,885	0	57,885
Other Purposes	114,428	0	114,428
Unrestricted (Deficit)	(3,793)	206,765	202,972
 <i>Total Net Assets</i>	 \$169,418	 \$206,765	 \$376,183

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2010

	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	\$206,835	\$14,039	\$59,479	\$0
Public Health Services	366,814	278,068	12,500	0
Transportation	75,460	9,332	64,213	0
General Government	89,518	30,246		0
Capital Outlay	59,922	0		0
Debt Service:				
Principal Retirement	30,000	0		0
Interest and Fiscal Charges	10,200	0	0	0
Other	25,486	0	0	0
<i>Total Governmental Activities</i>	864,235	331,685	136,192	0
<u>Business Type Activities:</u>				
Water Operating	451,030	303,971	0	0
Sewer Operating	289,786	301,534	0	0
<i>Total Business-Type Activities</i>	740,816	605,505	0	0
<i>Total Activities</i>	\$1,605,051	\$937,190	\$136,192	\$0

General Receipts:

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

Total General Receipts

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net Receipts (Disbursements) and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$133,317)	\$0	(\$133,317)
(76,246)	0	(76,246)
(1,915)	0	(1,915)
(59,272)	0	(59,272)
(59,922)	0	(59,922)
(30,000)	0	(30,000)
(10,200)	0	(10,200)
(25,486)	0	(25,486)
<u>(396,358)</u>	<u>0</u>	<u>(396,358)</u>
0	(147,059)	(147,059)
0	11,748	11,748
<u>0</u>	<u>(135,311)</u>	<u>(135,311)</u>
<u>(396,358)</u>	<u>(135,311)</u>	<u>(531,669)</u>
153,542	0	153,542
128,743	0	128,743
23,176	0	23,176
57,540	0	57,540
77,589	0	77,589
0	118,862	118,862
7,952	0	7,952
49,551	0	49,551
498,093	118,862	616,955
101,735	(16,449)	85,286
67,683	223,214	290,897
<u>\$169,418</u>	<u>\$206,765</u>	<u>\$376,183</u>

Village of Manchester, Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010

	General	EMS Levy	Police Levy
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$655	\$62,919	\$8,907
<u>Fund Balances:</u>			
Reserved:			
Reserved for Encumbrances	\$7,463	\$3,517	\$14,062
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	(6,808)	0	0
Special Revenue Funds	0	59,402	(5,155)
Debt Service Fund	0	0	0
Capital Projects Funds	0	0	0
<i>Total Fund Balances (Deficit)</i>	\$655	\$62,919	\$8,907

See Accompanying Notes to the Basic Financial Statements

Fire Debt Service	Other Governmental Funds	Total
<u>\$53,437</u>	<u>\$43,500</u>	<u>\$169,418</u>
\$0	\$8,964	\$34,006
0	0	(6,808)
0	33,638	87,885
53,437	0	53,437
<u>0</u>	<u>898</u>	<u>898</u>
<u>\$53,437</u>	<u>\$43,500</u>	<u>\$169,418</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, 2010

	General	EMS Levy	Police Levy	Fire Debt Service
<u>Receipts:</u>				
Property and Other Local Taxes	\$42,727	\$0	\$44,091	\$36,891
Municipal Income Taxes	128,743	0	0	0
Charges for Services	3,127	277,144	0	0
Fines, Licenses and Permits	34,096	0	0	0
Intergovernmental	36,623	0	8,584	7,041
Contributions and Donations	0	12,500	0	0
Interest	5,972	0	0	0
Miscellaneous	991	10,932	1,507	0
<i>Total Receipts</i>	<u>252,279</u>	<u>300,576</u>	<u>54,182</u>	<u>43,932</u>
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	17,535	0	124,724	0
Public Health Services	2,677	364,137	0	0
Transportation	0	0	0	0
General Government	87,622	0	0	1,896
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	30,000
Interest and Fiscal Charges	0	0	0	10,200
<i>Total Disbursements</i>	<u>107,834</u>	<u>364,137</u>	<u>124,724</u>	<u>42,096</u>
Excess of Receipts Over (Under) Disbursements	<u>144,445</u>	<u>(63,561)</u>	<u>(70,542)</u>	<u>1,836</u>
<u>Other Financing Sources (Uses):</u>				
Notes Issued	0	77,589	0	0
Transfers In	0	0	97,450	0
Transfers Out	(97,450)	0	0	0
Other Financing Uses	(6,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(103,450)</u>	<u>77,589</u>	<u>97,450</u>	<u>0</u>
Net Change in Fund Balances	40,995	14,028	26,908	1,836
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>(40,340)</u>	<u>48,891</u>	<u>(18,001)</u>	<u>51,601</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$655</u></u>	<u><u>\$62,919</u></u>	<u><u>\$8,907</u></u>	<u><u>\$53,437</u></u>

See Accompanying Notes to the Basic Financial Statements

Other Governmental Funds	Total
\$53,009	\$176,718
0	128,743
15,898	296,169
1,420	35,516
128,984	181,232
0	12,500
1,980	7,952
16,121	29,551
<u>217,412</u>	<u>868,381</u>
64,576	206,835
0	366,814
75,460	75,460
0	89,518
59,922	59,922
0	30,000
0	10,200
<u>199,958</u>	<u>838,749</u>
<u>17,454</u>	<u>29,632</u>
20,000	97,589
0	97,450
0	(97,450)
<u>(19,486)</u>	<u>(25,486)</u>
<u>514</u>	<u>72,103</u>
17,968	101,735
<u>25,532</u>	<u>67,683</u>
<u><u>\$43,500</u></u>	<u><u>\$169,418</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, 2010

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$44,000	\$44,000	\$42,727	(\$1,273)
Municipal Income Taxes	135,000	135,000	128,743	(6,257)
Charges for Services	4,930	4,930	3,127	(1,803)
Fines, Licenses and Permits	48,850	48,850	34,096	(14,754)
Intergovernmental	36,250	45,250	36,623	(8,627)
Interest	200	200	5,972	5,772
Miscellaneous	1,000	1,000	991	(9)
<i>Total Receipts</i>	270,230	279,230	252,279	(26,951)
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	20,000	20,000	17,535	2,465
Public Health Services	3,000	3,000	2,677	323
General Government	115,248	115,248	95,085	20,163
<i>Total Disbursements</i>	138,248	138,248	115,297	22,951
Excess of Receipts Over Disbursements	131,982	140,982	136,982	(4,000)
<u>Other Financing Uses:</u>				
Transfers Out	(138,000)	(119,000)	(97,450)	21,550
Other Financing Uses	(6,000)	(17,180)	(6,000)	11,180
<i>Total Other Financing Sources (Uses)</i>	(144,000)	(136,180)	(103,450)	32,730
Net Change in Fund Balance	(12,018)	4,802	33,532	28,730
<i>Fund Balance (Deficit) at Beginning of Year</i>	(47,183)	(47,183)	(47,183)	0
Prior Year Encumbrances Appropriated	6,844	6,844	6,844	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$52,357)	(\$35,537)	(\$6,807)	\$28,730

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Charges for Services	\$58,000	\$58,000	\$277,144	\$219,144
Intergovernmental	214,000	214,000	0	(214,000)
Contributions and Donations	12,500	\$12,500	12,500	0
Miscellaneous	0	0	10,932	10,932
<i>Total Receipts</i>	284,500	284,500	300,576	16,076
<u>Disbursements:</u>				
Current:				
Public Health Services	152,137	418,606	367,654	50,952
Excess of Receipts Over (Under) Disbursements	132,363	(134,106)	(67,078)	67,028
<u>Other Financing Sources:</u>				
Notes Issued	115,089	115,089	77,589	(37,500)
Net Change in Fund Balance	247,452	(19,017)	10,511	29,528
<i>Fund Balance at Beginning of Year</i>	48,891	48,891	48,891	0
<i>Fund Balance at End of Year</i>	<u>\$296,343</u>	<u>\$29,874</u>	<u>\$59,402</u>	<u>\$29,528</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, 2010

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$50,000	\$50,000	\$44,091	(\$5,909)
Intergovernmental	7,500	7,500	8,584	1,084
Miscellaneous	0	0	1,507	1,507
<i>Total Receipts</i>	57,500	57,500	54,182	(3,318)
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	158,052	157,052	138,786	18,266
Excess of Receipts Under Disbursements	(100,552)	(99,552)	(84,604)	14,948
<u>Other Financing Sources:</u>				
Transfers In	90,000	105,000	97,450	(7,550)
Net Change in Fund Balance	(10,552)	5,448	12,846	7,398
<i>Fund Balance (Deficit) at Beginning of Year</i>	(31,163)	(31,163)	(31,163)	0
Prior Year Encumbrances Appropriated	13,162	13,162	13,162	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$28,553)</u>	<u>(\$12,553)</u>	<u>(\$5,155)</u>	<u>\$7,398</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, 2010

	Business-Type Activities		
	Water Operating	Sewer Operating	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$130,584	\$76,181	\$206,765
<u>Net Assets:</u>			
Unrestricted	\$130,584	\$76,181	\$206,765

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, 2010

	Business-Type Activities		
	Water Operating	Sewer Operating	Total
<u>Operating Receipts:</u>			
Charges for Services	\$298,265	\$301,534	\$599,799
<u>Operating Disbursements:</u>			
Personal Services	52,508	86,044	138,552
Fringe Benefits	22,027	18,393	40,420
Contractual Services	9,256	18,159	27,415
Materials and Supplies	159,514	91,211	250,725
<i>Total Operating Disbursements</i>	243,305	213,807	457,112
Operating Income	54,960	87,727	142,687
<u>Non-Operating Receipts (Disbursements):</u>			
Special Assessments	5,706	0	5,706
Principal Payments	(47,620)	(31,600)	(79,220)
Interest	(41,243)	(44,379)	(85,622)
<i>Total Non-Operating Receipts (Disbursements)</i>	(83,157)	(75,979)	(159,136)
<i>Income (Loss) Before Transfers</i>	(28,197)	11,748	(16,449)
Proceeds from OWDA	118,862	0	118,862
Capital Outlay	(118,862)	0	(118,862)
Change in Net Assets	(28,197)	11,748	(16,449)
<i>Net Assets at Beginning of Year - Restated (See Note 3)</i>	158,781	64,433	223,214
<i>Net Assets at End of Year</i>	\$130,584	\$76,181	\$206,765

See Accompanying Notes to the Basic Financial Statements

Village of Manchester, Adams County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2010

	<u>Mayor's Court</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,853</u></u>
<u>Liabilities:</u>	
Undistributed Monies	<u><u>\$3,853</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 13 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 balance of the governmental and business-type activities of the Village at year-end. The Statement of Activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a 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.

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.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

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 2010, 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 and Street Construction, Maintenance and Repair Fund during 2010 was \$5,972 and 1,980, respectively, which includes \$489 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.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

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 10 and 11 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.

Note 3 – 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 resources.

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

Note 4 – 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 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 \$7,463, \$3,517 and \$14,062 for the General Fund and the EMS Levy and Police Levy Special Revenue Funds, respectively.

Note 5 – 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.

Note 5 – Deposits and Investments (continued)

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 training requirements have been met;
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.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 6 – 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 7 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax receipts received during 2010 for real and public utility property taxes represents collections of 2009 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

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.

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, 2010, was \$1.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Agricultural/Residential	\$10,591,890
Commercial/Industrial	2,106,340
Tangible Personal Property:	
Public Utility Real	1,159,710
Total Property Taxes	<u><u>\$13,857,940</u></u>

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 8 – Interfund Activity

Interfund balances at December 31, 2010, consisted of the following individual fund receivable and payable:

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

The advance from the General Fund to the Street Construction, Maintenance and Repair Special Revenue Fund was to temporarily provide monies for that fund until additional receipts were received. The Village intends on repaying the advance in 2011.

Transfers made during the year ended December 31, 2010 were as follows:

		Transfer To
Transfer From		Police Levy Fund
	General Fund	\$97,450

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 9 – 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.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 9 – Risk Management (continued)

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.

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 10 – Defined Benefit Pension Plans

A. Ohio Public Employee 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, but less than, 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent

Note 10 – Defined Benefit Pension Plans (continued)

and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The Village's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$27,726, \$23,832, and \$18,625, respectively; The full amount has been contributed for 2010, 2009 and 2008. There were no contributions made to the Member-Directed Plan during 2010.

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 – The Ohio Revised Code requires plan members 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 OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The Village has no firefighters who are members of OP&F. The Village's contributions to OP&F for police pensions were \$2,955 for the year ended December 31, 2010, \$3,790 for the year ended December 31, 2009, and \$3,425 for the year ended December 31, 2008. The full amount has been contributed for police for 2010, 2009 and 2008.

Note 11 – Post-Employment Benefits

A. Ohio Public Employee Retirement System

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

Note 11 – Post-Employment Benefits (continued)

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 mandate, 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). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement 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 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

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, 2010, 2009, and 2008 were \$15,404, \$17,258, and \$18,625, respectively; 100.0 percent has been contributed for 2010, 2009 and 2008.

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.

Note 11 – Post-Employment Benefits (continued)

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 and 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 by Ohio Revised Code 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. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, 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 \$1,564 for the year ended December 31, 2010, \$2,007 for the year ended December 31, 2009, and \$1,813 for the year ended December 31, 2008. The full amount has been contributed for police for 2010, 2009 and 2008.

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 12 – Debt

The Village’s long-term debt activity for the year ended December 31, 2010, was as follows:

Types / Issues	Balance	Issued	Retired	Balance	Due Within One Year
	12/31/2009			12/31/2010	
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
2002 Water System					
Improvement Bonds 5.25%	\$132,500	\$0	\$14,100	\$118,400	\$14,900
<u>Mortgage Revenue Bonds</u>					
Water Fund					
2004 USDA Rural					
Development Mortgage					
Revenue Bonds 4.375%	500,341	0	6,298	494,043	6,573
Sewer Fund					
1998 Sanitary Sewer					
System Mortgage Revenue					
Bonds Series A 4.50%	834,100	0	15,400	818,700	16,100
1998 Sanitary Sewer					
System Mortgage Revenue					
Bonds Series B 4.50%	152,100	0	16,200	135,900	17,000
Total Sewer Fund	986,200	0	31,600	954,600	33,100
Total Mortgage Revenue Bonds	1,486,541	0	37,898	1,448,643	39,673
<u>Other Long-Term Obligations</u>					
2004 OWDA Water Treatment					
and Wellfield Improvement					
Loan 1.50%	858,509	0	27,222	831,287	27,632
2010 OWDA Water Lines					
Replacement Loan 1.50%	0	118,862	0	118,862 *	0
Total Business-Type Activities	\$2,477,550	\$118,862	\$79,220	\$2,517,192	\$82,205
<u>Governmental Activities</u>					
<u>Other Long-Term Obligation</u>					
2007 Fire Truck Loan 6.0%	\$170,000	\$0	\$30,000	\$140,000	\$32,000
2010 Facility Revenue					
Anticipation Notes 3.5%	0	20,000	0	20,000	20,000
2010 Ambulance Acquisition					
Notes 3.5%	0	77,589	0	77,589	15,518
Total Governmental Activities	\$170,000	\$97,589	\$30,000	\$237,589	\$67,518

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 12 – Debt (continued)

*-Amortization Schedule is not available at this time.

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, 2010, were an overall debt margin of \$1,368,521 and an unvoted debt margin of \$675,624.

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

<i>Year</i>	<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>
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	18,200	2,362	7,801	20,386	29,334	10,554
2016-2020	35,900	1,818	44,435	96,504	153,429	45,983
2021-2025	0	0	55,043	85,895	165,333	34,034
2026-2030	0	0	68,184	72,754	178,160	21,160
2031-2035	0	0	84,463	56,475	191,983	7,286
2036-2040	0	0	104,628	36,310	0	0
2041-2044	0	0	101,420	11,330	0	0
Totals	\$118,400	\$22,504	\$494,043	\$464,335	\$831,287	\$165,535

Village of Manchester, Adams County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 12 – Debt (continued)

<i>Year</i>	<i>Business-Type Activities</i>	
	<i>Sewer Operating Fund</i>	
	<i>Mortgage Revenue Bonds</i>	
	<i>Principal</i>	<i>Interest</i>
2011	\$33,100	\$42,957
2012	34,600	41,468
2013	36,100	39,910
2014	37,700	38,286
2015	39,500	36,589
2016-2020	153,300	157,811
2021-2025	137,200	127,759
2026-2030	171,000	93,992
2031-2035	212,900	51,903
2036-2037	99,200	6,746
Totals	\$954,600	\$637,421

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>Ambulance Acquisition Bond</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2011	\$32,000	\$8,400	15,518	3,224
2012	34,000	6,498	15,518	2,793
2013	36,000	4,440	15,518	2,101
2014	38,000	2,280	15,518	1,397
2015	0	0	15,517	698
Totals	\$140,000	\$21,618	\$77,589	\$10,213

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.

Note 12 – Debt (continued)

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 13 – 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 14 – 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.

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Balestra, Harr & Scherer, CPAs, Inc.

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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, 2010, 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 2010-005 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.

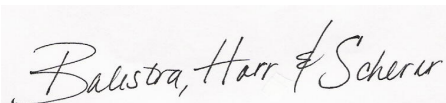
Compliance and Other Matters

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, 2010-001, and 2010-002 through 2010-004.

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, 2010

Finding Number 2010-001

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, 2010

Finding Number 2010-002

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.

2010

- General Fund - \$62,488

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 2010-003

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:

2010

- General Fund – Original and Final - \$56,868 and \$40,048, respectively
- Police Levy Fund – Original and Final - \$28,886 and \$12,886, 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.

**VILLAGE OF MANCHESTER
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2010

Finding Number 2010-004

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.

Finding Number 2010-005

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 the unaudited financial statements prepared by LGS of 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, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	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	2010-001
2009-002	Ohio Revised Code Section 5705.36 states appropriations are not to exceed available resources.	No	2010-002
2009-003	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.	Yes	
2009-004	Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.	No	2010-003
2009-005	Ohio Revised Code Section 9.38 states that all monies should be deposited in a timely manner.	No	2010-004
2009-006	Material Weakness – Adjustment Journal Entries made to the Village’s financial statements	No	2010-005



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