

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

*FOR THE YEARS ENDED  
DECEMBER 31, 2016 and 2015*

**RAE ANN WILSON INSKO, FISCAL OFFICER**





# Dave Yost • Auditor of State

Members of Village Council and Mayor  
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 Julian & Grube, Inc., for the audit period January 1, 2015 through December 1, 2016. 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

September 28, 2017

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**VILLAGE OF MANCHESTER  
ADAMS COUNTY, OHIO**

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**VILLAGE OF MANCHESTER  
ADAMS COUNTY, OHIO**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Auditor's Report

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

To the Members of Village Council and Mayor:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Manchester, Adams County, Ohio, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village of Manchester's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Opinion***

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 the Village of Manchester, Adams County, Ohio, as of December 31, 2016 and 2015, and the respective changes in cash financial position and the respective budgetary comparisons for the General fund, EMS Fund, Fire Levy Fund, Police Levy Fund, State Highway Fund, and Street Construction Maintenance and Repair Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matters***

As disclosed in Note 16, for the year ended December 31, 2016 and Note 17 for the year ended December 31, 2015, on September 29, 1997, the Auditor of State declared the Village of Manchester to be in a state of fiscal emergency, in accordance with Section 118.03 of the Ohio Revised Code. Furthermore, as described in Note 18 for the year ended December 31, 2015, the Village of Manchester recorded a prior period restatement to void long outstanding checks. We did not modify our opinion regarding these matters.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the Village of Manchester's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Manchester's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 29, 2017



**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Net Position - Cash Basis*  
*December 31, 2016*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$127,925	\$232,520	\$360,445
<b>Net Position</b>			
Restricted for:			
Debt Service	\$4,050	\$0	\$4,050
Transportation	43,213	0	43,213
Security of Persons and Property	37,862	0	37,862
Leisure Time Services	13,628	0	13,628
Unrestricted	29,172	232,520	261,692
<i>Total Net Position</i>	\$127,925	\$232,520	\$360,445

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2016*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Current:				
Security of Persons and Property	\$508,126	\$268,702	\$22,726	\$0
Public Health Services	4,170	0	0	0
Leisure Time Activities	3,587	0	1,178	0
Transportation	76,360	0	83,606	0
General Government	160,665	54,221	0	0
Capital Outlay	10,758	0	0	0
Debt Service:				
Principal Retirement	11,965	0	0	0
Interest and Fiscal Charges	5,008	0	0	0
<i>Total Governmental Activities</i>	<u>780,639</u>	<u>322,923</u>	<u>107,510</u>	<u>0</u>
<b>Business-Type Activities</b>				
Water Operating	387,362	382,046	0	6,217
Sewer Operating	384,931	353,619	0	0
Storm Water Infrastructure	16,218	0	0	14,401
<i>Total Business-Type Activities</i>	<u>788,511</u>	<u>735,665</u>	<u>0</u>	<u>20,618</u>
<i>Total Primary Government</i>	<u>\$1,569,150</u>	<u>\$1,058,588</u>	<u>\$107,510</u>	<u>\$20,618</u>

General Receipts:  
Property Taxes Levied for:  
    General Purposes  
    Security of Persons and Property  
Other Local Taxes  
Income Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Contributions and Donations  
Earnings on Investments  
Miscellaneous  
Proceeds of OWDA Loans

*Total General Receipts*

Change in Net Position

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$216,698)	\$0	(\$216,698)
(4,170)	0	(4,170)
(2,409)	0	(2,409)
7,246	0	7,246
(106,444)	0	(106,444)
(10,758)	0	(10,758)
(11,965)	0	(11,965)
(5,008)	0	(5,008)
(350,206)	0	(350,206)
0	901	901
0	(31,312)	(31,312)
0	(1,817)	(1,817)
0	(32,228)	(32,228)
(350,206)	(32,228)	(382,434)
25,140	0	25,140
87,061	0	87,061
41	0	41
188,638	0	188,638
30,977	0	30,977
1,310	0	1,310
229	0	229
26,861	28,458	55,319
0	23,750	23,750
360,257	52,208	412,465
10,051	19,980	30,031
117,874	212,540	330,414
\$127,925	\$232,520	\$360,445

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2016*

	General Fund	Street Construction Maintenance and Repair Fund	State Highway Fund	EMS Fund
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$29,172	\$19,221	\$20,704	\$1,869
<b>Fund Balances</b>				
Restricted	\$0	\$19,221	\$20,704	\$1,869
Assigned	1,769	0	0	0
Unassigned	27,403	0	0	0
<i>Total Fund Balances</i>	<u>\$29,172</u>	<u>\$19,221</u>	<u>\$20,704</u>	<u>\$1,869</u>

See accompanying notes to the basic financial statements

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Fire Levy Fund	Police Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$21,463</u>	<u>\$1,581</u>	<u>\$33,915</u>	<u>\$127,925</u>
\$21,463	\$1,581	\$33,915	\$98,753
0	0	0	1,769
<u>0</u>	<u>0</u>	<u>0</u>	<u>27,403</u>
<u>\$21,463</u>	<u>\$1,581</u>	<u>\$33,915</u>	<u>\$127,925</u>

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

	General Fund	Street Construction Maintenance and Repair Fund	State Highway Fund	EMS Fund
<b>Receipts</b>				
Municipal Income Taxes	\$188,638	\$0	\$0	\$0
Property Taxes	25,140	0	0	0
Other Local Taxes	41	0	0	0
Intergovernmental	30,977	77,477	6,129	7,368
Charges for Services	44,640	0	0	230,154
Fines, Licenses and Permits	23,292	0	0	0
Contributions and Donations	1,310	0	0	0
Earnings on Investments	173	24	0	32
Miscellaneous	4,338	2,977	0	15,553
<i>Total Receipts</i>	<u>318,549</u>	<u>80,478</u>	<u>6,129</u>	<u>253,107</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	55,606	0	0	265,243
Public Health Services	4,170	0	0	0
Leisure Time Activities	0	0	0	0
Transportation	0	76,360	0	0
General Government	160,665	0	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	11,965
Interest and Fiscal Charges	0	0	0	5,008
<i>Total Disbursements</i>	<u>220,441</u>	<u>76,360</u>	<u>0</u>	<u>282,216</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>98,108</u>	<u>4,118</u>	<u>6,129</u>	<u>(29,109)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	0
Transfers Out	(106,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(106,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(7,892)	4,118	6,129	(29,109)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>37,064</u>	<u>15,103</u>	<u>14,575</u>	<u>30,978</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$29,172</u>	<u>\$19,221</u>	<u>\$20,704</u>	<u>\$1,869</u>

See accompanying notes to the basic financial statements

Fire Levy Fund	Police Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$0	\$0	\$188,638
43,527	43,534	0	112,201
0	0	0	41
7,599	7,278	480	137,308
23,000	0	0	297,794
0	0	1,837	25,129
0	1	1,178	2,489
0	0	0	229
1,920	2,073	0	26,861
<u>76,046</u>	<u>52,886</u>	<u>3,495</u>	<u>790,690</u>
87,951	95,727	3,599	508,126
0	0	0	4,170
0	0	3,587	3,587
0	0	0	76,360
0	0	0	160,665
0	10,758	0	10,758
0	0	0	11,965
0	0	0	5,008
<u>87,951</u>	<u>106,485</u>	<u>7,186</u>	<u>780,639</u>
<u>(11,905)</u>	<u>(53,599)</u>	<u>(3,691)</u>	<u>10,051</u>
0	96,000	10,000	106,000
0	0	0	(106,000)
<u>0</u>	<u>96,000</u>	<u>10,000</u>	<u>0</u>
(11,905)	42,401	6,309	10,051
<u>33,368</u>	<u>(40,820)</u>	<u>27,606</u>	<u>117,874</u>
<u>\$21,463</u>	<u>\$1,581</u>	<u>\$33,915</u>	<u>\$127,925</u>

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$192,548	\$174,437	\$188,638	\$14,201
Property Taxes	23,800	23,800	25,140	1,340
Other Local Taxes	198	49	41	(8)
Intergovernmental	29,475	35,926	30,977	(4,949)
Charges for Services	6,263	50,647	44,640	(6,007)
Fines, Licenses and Permits	36,311	36,031	23,292	(12,739)
Contributions and Donations	0	150	1,310	1,160
Earnings on Investments	232	250	173	(77)
Miscellaneous	3,407	12,591	4,338	(8,253)
<i>Total Receipts</i>	<u>292,234</u>	<u>333,881</u>	<u>318,549</u>	<u>(15,332)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	15,000	60,434	56,167	4,267
Public Health Services	4,258	4,258	4,170	88
General Government	152,228	154,802	161,873	(7,071)
Capital Outlay	<u>5,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Disbursements</i>	<u>176,486</u>	<u>219,494</u>	<u>222,210</u>	<u>(2,716)</u>
<i>Excess of Receipts Over Disbursements</i>	115,748	114,387	96,339	(18,048)
<b>Other Financing Uses</b>				
Transfers Out	<u>(101,000)</u>	<u>(101,000)</u>	<u>(106,000)</u>	<u>(5,000)</u>
<i>Net Change in Fund Balance</i>	14,748	13,387	(9,661)	(23,048)
<i>Fund Balance Beginning of Year</i>	25,902	25,902	25,902	0
Prior Year Encumbrances Appropriated	<u>11,162</u>	<u>11,162</u>	<u>11,162</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$51,812</u>	<u>\$50,451</u>	<u>\$27,403</u>	<u>(\$23,048)</u>

See accompanying notes to the basic financial statements



**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*Street Construction Maintenance and Repair Fund*  
*For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$43,756	\$70,000	\$77,477	\$7,477
Charges for Services	22,837	0	0	0
Earnings on Investments	9	0	24	24
Miscellaneous	9,898	6,500	2,977	(3,523)
<i>Total Receipts</i>	76,500	76,500	80,478	3,978
<b>Disbursements</b>				
Current:				
Transportation	68,773	70,920	76,936	(6,016)
<i>Net Change in Fund Balance</i>	7,727	5,580	3,542	(2,038)
<i>Fund Balance Beginning of Year</i>	4,098	4,098	4,098	0
Prior Year Encumbrances Appropriated	11,005	11,005	11,005	0
<i>Fund Balance End of Year</i>	<u>\$22,830</u>	<u>\$20,683</u>	<u>\$18,645</u>	<u>(\$2,038)</u>

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*State Highway Fund*  
*For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$4,669	\$6,195	\$6,129	(\$66)
Miscellaneous	1,526	0	0	0
<i>Total Receipts</i>	6,195	6,195	6,129	(66)
<b>Disbursements</b>				
Current:				
Transportation	6,600	6,600	0	6,600
<i>Net Change in Fund Balance</i>	(405)	(405)	6,129	6,534
<i>Fund Balance Beginning of Year</i>	14,575	14,575	14,575	0
<i>Fund Balance End of Year</i>	<u>\$14,170</u>	<u>\$14,170</u>	<u>\$20,704</u>	<u>\$6,534</u>

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*EMS Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$221,059	\$89,816	\$7,368	(\$82,448)
Charges for Services	62,466	206,184	230,154	23,970
Earnings on Investments	43	0	32	32
Miscellaneous	12,432	0	15,553	15,553
<i>Total Receipts</i>	<u>296,000</u>	<u>296,000</u>	<u>253,107</u>	<u>(42,893)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	277,963	282,009	266,228	15,781
Debt Service:				
Principal Retirement	14,183	14,183	11,965	2,218
Interest and Fiscal Charges	0	0	5,008	(5,008)
<i>Total Disbursements</i>	<u>292,146</u>	<u>296,192</u>	<u>283,201</u>	<u>12,991</u>
<i>Net Change in Fund Balance</i>	3,854	(192)	(30,094)	(29,902)
<i>Fund Balance Beginning of Year</i>	11,401	11,401	11,401	0
Prior Year Encumbrances Appropriated	<u>19,577</u>	<u>19,577</u>	<u>19,577</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$34,832</u>	<u>\$30,786</u>	<u>\$884</u>	<u>(\$29,902)</u>

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*Fire Levy Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$41,500	\$41,500	\$43,527	\$2,027
Intergovernmental	18,378	7,885	7,599	(286)
Charges for Services	12,538	24,000	23,000	(1,000)
Miscellaneous	1,034	65	1,920	1,855
<i>Total Receipts</i>	73,450	73,450	76,046	2,596
<b>Disbursements</b>				
Current:				
Security of Persons and Property	64,928	66,250	87,977	(21,727)
<i>Net Change in Fund Balance</i>	8,522	7,200	(11,931)	(19,131)
<i>Fund Balance Beginning of Year</i>	30,244	30,244	30,244	0
Prior Year Encumbrances Appropriated	3,124	3,124	3,124	0
<i>Fund Balance End of Year</i>	<u>\$41,890</u>	<u>\$40,568</u>	<u>\$21,437</u>	<u>(\$19,131)</u>

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*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, 2016*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$41,500	\$41,500	\$43,534	\$2,034
Intergovernmental	4,238	4,000	7,278	3,278
Contributions and Donations	270	1,000	1	(999)
Miscellaneous	3,737	3,245	2,073	(1,172)
<i>Total Receipts</i>	49,745	49,745	52,886	3,141
<b>Disbursements</b>				
Current:				
Security of Persons and Property	90,310	96,149	96,283	(134)
Capital Outlay	10,800	10,800	10,758	42
<i>Total Disbursements</i>	101,110	106,949	107,041	(92)
<i>Excess of Receipts Under Disbursements</i>	(51,365)	(57,204)	(54,155)	3,049
<b>Other Financing Sources</b>				
Transfers In	96,000	96,000	96,000	0
<i>Net Change in Fund Balance</i>	44,635	38,796	41,845	3,049
<i>Fund Balance (Deficit) Beginning of Year</i>	(61,671)	(61,671)	(61,671)	0
Prior Year Encumbrances Appropriated	20,851	20,851	20,851	0
<i>Fund Balance (Deficit) End of Year</i>	\$3,815	(\$2,024)	\$1,025	\$3,049

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2016*

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	Business-Type Activities			
	Water Operating Fund	Sewer Operating Fund	Storm Water Infrastructure Fund	Total
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$156,711	\$54,113	\$21,696	\$232,520
<b>Net Position</b>				
Unrestricted	\$156,711	\$54,113	\$21,696	\$232,520

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2016*

	Business-Type Activities			Total
	Water Operating Fund	Sewer Operating Fund	Storm Water Infrastructure Fund	
<b>Operating Receipts</b>				
Charges for Services	\$382,046	\$353,619	\$0	\$735,665
<b>Operating Disbursements</b>				
Personal Services	81,135	92,928	0	174,063
Employee Fringe Benefits	37,888	29,670	0	67,558
Contractual Services	86,877	100,001	0	186,878
Supplies and Materials	76,087	37,312	0	113,399
Other	102	0	0	102
<i>Total Operating Disbursements</i>	282,089	259,911	0	542,000
<i>Operating Income</i>	99,957	93,708	0	193,665
<b>Non-Operating Receipts (Disbursements)</b>				
Other Non-Operating Revenues	0	28,458	0	28,458
Special Assessments	6,217	0	14,401	20,618
Proceeds of OWDA Loans	0	23,750	0	23,750
Principal Retirement	(73,818)	(90,208)	(11,027)	(175,053)
Interest and Other Fiscal Charges	(31,455)	(34,812)	(5,191)	(71,458)
<i>Total Non-Operating Receipts (Disbursements)</i>	(99,056)	(72,812)	(1,817)	(173,685)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	901	20,896	(1,817)	19,980
Transfers In	138,293	121,500	0	259,793
Transfers Out	(138,293)	(121,500)	0	(259,793)
<i>Change in Net Position</i>	901	20,896	(1,817)	19,980
<i>Net Position Beginning of Year</i>	155,810	33,217	23,513	212,540
<i>Net Position End of Year</i>	\$156,711	\$54,113	\$21,696	\$232,520

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2016*

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	<u>Agency Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,095</u>
<b>Net Position</b>	
Held on Behalf of Others	<u>\$1,095</u>

See accompanying notes to the basic financial statements



*Village of Manchester, Ohio Adams County*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**Note 1 – Reporting Entity**

The Village of Manchester, Adams County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The 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.

**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, sewer and storm water utilities, maintenance of Village streets and bridges, park operations, and police and fire services.

**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. 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 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. 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 12 of the basic financial statements.

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 the Basis of Accounting section of this note, 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 (GAAP). 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. Following are the more significant of the Village's accounting policies.

**Basis of Presentation**

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

*Village of Manchester, Ohio Adams County*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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Government-Wide Financial Statements

The Statement of Net Position 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 Position 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.

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.

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:

*Village of Manchester, Ohio Adams County*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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

Street Construction Maintenance and Repair Fund – The Street Construction Maintenance and Repair Fund accounts for and reports restricted gasoline tax and motor vehicle license fees remitted to the Village for routine maintenance and repairs of Village streets.

State Highway Fund – The State Highway Fund accounts for and reports gasoline taxes and motor vehicle license fees restricted for routine maintenance of State highways within the Village.

EMS Fund – The EMS Levy Fund accounts for and reports restricted 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.

Fire Levy Fund – The Fire Levy Fund accounts for and reports restricted property tax monies to provide fire protection for the Village.

Police Levy Fund – The Police Levy Fund accounts for and reports restricted property tax monies to provide police protection for the Village.

#### Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds of the Village are enterprise funds.

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, Sewer Operating, and Stormwater Infrastructure 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.

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

#### Fiduciary Funds

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

*Village of Manchester, Ohio Adams County*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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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.

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 and department level 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.

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.

*Village of Manchester, Ohio Adams County*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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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.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2016 was \$173, which includes \$121 assigned from other Village funds.

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.

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.

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.

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 9 and 10 the employer contributions include portions for pension benefits and for post-employment health care benefits.

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.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position 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 position is available.

*Village of Manchester, Ohio Adams County*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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Fund Balance

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource provides, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Village ordinances).

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Village of Manchester, Ohio Adams County*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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Assigned

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by Village Charter or ordinance. State statute authorizes the Fiscal Officer to assign fund balance purchases on order provided such amounts have been lawfully approved.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**Note 3 – 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, Street Construction, Maintenance and Repair, State Highway, EMS, Fire Levy, and Police Levy Special Revenue Funds on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than as reservations of fund balance (cash basis).

The encumbrances outstanding at year-end (budgetary basis) are detailed in the table below:

Fund	12/31/16 Outstanding Encumbrance
General	\$1,769
Street Construction Maintenance and Repair	576
EMS	985
Fire Levy	26
Police Levy	556

*Village of Manchester, Ohio Adams County*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**Note 4 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds or other obligations of the State of Ohio, and with certain limitation bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers; acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the



*Village of Manchester, Ohio Adams County*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Note 5 – 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 6 – Property Taxes**

Property taxes include amounts levied against all real property and public utility property located in the Village. Real property tax receipts received in 2016 for real and public utility property taxes represent the collection of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values are established by State statute at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

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. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

**Village of Manchester, Ohio Adams County**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

The full tax rate for all Village operations for the year ended December 31, 2016, was \$9.00 per \$1,000 of assessed value. The assessed values of real property and tangible personal property upon which 2016 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Agricultural/Residential	\$10,773,330
Commercial/Industrial	1,916,000
Tangible Personal Property:	
Public Utility Real	1,414,780
Total Property Taxes	<u>\$14,104,110</u>

**Note 7 – Interfund Activity**

Transfers made during the year ended December 31, 2016 were as follows:

	Transfer To		
	Police Levy Fund	Nonmajor Governmental Funds	Total
Transfer From General Fund	<u>\$96,000</u>	<u>\$10,000</u>	<u>\$106,000</u>

Transfers were made from the General Fund to the Police Levy and Parks and Recreation Special Revenue Funds to support the operations.

**Note 8 – Risk Management**

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

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

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

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**Village of Manchester, Ohio Adams County**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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

**Financial Position**

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available):

	<b><u>2014</u></b>	<b><u>2015</u></b>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$12,756.

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

<b><u>Contributions to PEP</u></b>	
<b><u>2014</u></b>	<b><u>2015</u></b>
\$33,266	\$20,248

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

**Note 9 – Defined Benefit Pension Plans**

**Ohio Public Employees Retirement System**

Plan Description - Village employees, other than full-time police, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees)

**Village of Manchester, Ohio Adams County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

**Village of Manchester, Ohio Adams County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$42,510 for year 2016.

**Ohio Police & Fire Pension Fund (OPF)**

Plan Description - Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

**Village of Manchester, Ohio Adams County**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	19.50 %
Employee	12.25 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50</u>
Total Employer	<u>19.50 %</u>
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$10,195 for 2016. The Village has no firefighters who are members of OPF.

**Note 10 – Postemployment Benefits**

**Ohio Public Employees Retirement System**

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment

**Village of Manchester, Ohio Adams County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$7,085, \$7,622, and \$15,054, respectively. The full amount has been contributed for all three years.

**Ohio Police and Fire Pension Fund**

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 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 OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.



**Village of Manchester, Ohio Adams County**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

OPF 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 premium reimbursements administered 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 OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution 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 OPF Board of Trustees is also 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 OPF; therefore, OPF covers police personnel only.

The Village's contribution to OPF which was allocated to fund postemployment health care benefits for police was \$268 for the year ended December 31, 2016, \$1,552 for the year ended December 31, 2015, and \$1,553 for the year ended December 31, 2014. The full amount has been contributed for all three years.

**Note 11 – Debt**

The Village's long-term debt activity for the year ended December 31, 2016, was as follows:

Types / Issues	Balance 12/31/2015	Issued	Retired	Balance 12/31/2016	Due Within One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
2002 Water System					
Improvement Bonds 5.25%	\$35,900	\$0	\$35,900	\$0	\$0
<u>Mortgage Revenue Bonds</u>					
Water Fund					
2004 USDA Rural					
Development Mortgage					
Revenue Bonds 4.375%	458,173	0	8,143	450,030	8,499
Sewer Fund					
1998 Sanitary Sewer					
System Mortgage Revenue					
Bonds Series A 4.50%	727,700	0	21,100	706,600	22,100
1998 Sanitary Sewer					
System Mortgage Revenue					
Bonds Series B 4.50%	45,900	0	20,100	25,800	21,000
Total Sewer Fund	773,600	0	41,200	732,400	43,100
Total Mortgage Revenue Bonds	\$1,267,673	\$0	\$85,243	\$1,182,430	\$51,599

*(continued)*

**Village of Manchester, Ohio Adams County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

Types / Issues	Balance 12/31/2015	Issued	Retired	Balance 12/31/2016	Due Within One Year
<u>Other Long-Term Obligations</u>					
2004 OWDA Water Treatment and Wellfield Improvement Loan 1.50%	\$688,904	\$0	\$29,775	\$659,129	\$30,224
2010 OWDA Storm Sewer Replacement Loan 1.50%	107,226	0	3,553	103,673	3,606
2011 OWDA Storm Sewer Construction Loan 1.50%	170,650	0	5,388	165,262	5,469
2013 OWDA Phase 2 Storm Sewer Improvement Loan 1.50%	72,198	0	2,086	70,112	2,118
2014 Sewer Collection System Rehabilitation 0%	193,250	23,750	49,008	167,992	0
Total Loans	<u>1,232,228</u>	<u>23,750</u>	<u>89,810</u>	<u>1,166,168</u>	<u>41,417</u>
Total Business-Type Activities	<u>\$2,499,901</u>	<u>\$23,750</u>	<u>\$175,053</u>	<u>\$2,348,598</u>	<u>\$93,016</u>
<u>Governmental Activities</u>					
<u>Other Long-Term Obligation</u>					
2015 Ambulance Acquisition Bonds 3.75%	\$142,000	\$0	\$11,965	\$130,035	\$12,414

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, 2016, were an overall debt margin of \$1,372,403 and an unvoted debt margin of \$667,197.

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

**Village of Manchester, Ohio Adams County**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

<u>Year</u>	<u>Business-Type Activities</u>			
	<u>Water Operating Fund</u>			
	<u>Mortgage Revenue Bonds</u>		<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$8,499	\$19,689	\$30,224	\$9,660
2018	8,870	19,317	30,679	9,204
2019	9,259	18,929	31,141	8,740
2020	9,664	18,524	31,610	8,269
2021	10,086	18,101	32,086	7,791
2022-2026	57,451	83,487	167,822	31,536
2027-3031	71,168	69,771	180,842	18,467
2032-2036	88,158	52,780	154,725	4,686
2037-2041	109,205	31,732	0	0
2042-2045	77,670	6,992	0	0
Totals	<u>\$450,030</u>	<u>\$339,322</u>	<u>\$659,129</u>	<u>\$98,353</u>

<u>Year</u>	<u>Business-Type Activities</u>		<u>Business-Type Activities</u>	
	<u>Sewer Operating Fund</u>		<u>Storm Sewer Operating Fund</u>	
	<u>Mortgage Revenue Bonds</u>		<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$43,100	\$32,959	\$11,193	\$5,025
2018	22,000	31,018	11,362	4,856
2019	23,000	30,029	11,533	4,685
2020	24,000	28,994	11,707	4,513
2021	25,100	27,914	11,883	4,335
2022-2026	143,300	121,585	62,171	18,881
2027-2031	178,700	86,296	66,966	14,115
2032-2036	222,500	42,322	72,171	8,922
2037-2041	50,700	2,281	73,657	3,340
2042-2043	0	0	6,404	117
Totals	<u>\$732,400</u>	<u>\$403,398</u>	<u>\$339,047</u>	<u>\$68,789</u>

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

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Ambulance Acquisition Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$12,414	\$4,876
2018	12,879	4,411
2019	13,362	3,928
2020	13,863	3,427
2021	14,383	2,907
2022-2026	63,134	6,027
Totals	<u>\$130,035</u>	<u>\$25,576</u>

*Village of Manchester, Ohio Adams County*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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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 were repaid from service fees collected in the Water Operating Fund and were paid off during 2016.

The 2004 USDA Rural Development Mortgage Revenue Bonds were issued for \$523,000 for the purpose of paying the costs of constructing improvements to the Village's water system. The bonds will be repaid over 39 years with service fees collected in the Water Operating Fund.

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

The 1998 Sanitary Sewer System Mortgage Revenue Bonds Series B was issued for \$300,000. The bonds were obtained for the purpose of paying the costs of constructing improvements to the Village's sewer system. The bonds will be repaid over 40 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 the Storm Water Infrastructure Fund.

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

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

In 2013, the Village issued a \$39,374 OWDA Phase 2 Storm Sewer Improvement Loan for improvements on the storms sewers in the Village. The loan will be repaid over 30 years from the Storm Water Infrastructure Fund.

The 2014 OWDA Sewer Collection System Rehabilitation Loan was issued for \$241,504. The loan was obtained for improvements to the sewer system. The loan will be repaid over 5 years from the Sewer Operating Fund; however, a final amortization schedule was not yet available. During the year, the Village received \$23,750 in additional proceeds.

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

*Village of Manchester, Ohio Adams County*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**Note 12 – 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 13 – Contingent Liabilities**

Litigation

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

Federal and State Grants

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

**Note 14 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

**Village of Manchester, Ohio Adams County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

Fund Balances	General Fund	Street Construction Maintenance And Repair Fund	State Highway Fund	EMS Fund	Fire Levy Fund	Police Levy Fund	Nonmajor Governmental Funds	Total
<u>Restricted for:</u>								
Emergency Medical Services	\$0	\$0	\$0	\$1,869	\$0	\$0	\$0	\$1,869
Fire Services	0	0	0	0	21,463	0	0	21,463
Police Services	0	0	0	0	0	1,581	0	1,581
Law Enforcement	0	0	0	0	0	0	1,738	1,738
Enforcement and Education	0	0	0	0	0	0	3,935	3,935
Drug Law Enforcement	0	0	0	0	0	0	7,276	7,276
Parks and Recreation	0	0	0	0	0	0	13,628	13,628
Transportation	0	19,221	20,704	0	0	0	0	39,925
Computer Equipment	0	0	0	0	0	0	3,288	3,288
Debt Service	0	0	0	0	0	0	4,050	4,050
<i>Total Restricted</i>	0	19,221	20,704	1,869	21,463	1,581	33,915	98,753
<u>Assigned to:</u>								
Purchases On Order	1,769	0	0	0	0	0	0	1,769
<u>Unassigned</u>	27,403	0	0	0	0	0	0	27,403
<b>Total Fund Balances</b>	<u>\$29,172</u>	<u>\$19,221</u>	<u>\$20,704</u>	<u>\$1,869</u>	<u>\$21,463</u>	<u>\$1,581</u>	<u>\$33,915</u>	<u>\$127,925</u>

**Note 15 – Significant Commitments**

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

General	\$1,769
Street Construction Maintenance and Repair	576
EMS	985
Fire Levy	26
Police Levy	556
Water Operating	1,509
Sewer Operating	1,476
Total	<u>\$6,897</u>

**Note 16 – Fiscal Emergency Determination**

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

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

*Village of Manchester, Ohio Adams County*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**Note 17 - Compliance**

Contrary to Ohio Revised Code Section 5705.41(D), the village had 44% of disbursements with an invoice dated after purchase order during the year ended December 31, 2016.

Contrary to Ohio Revised Code Section 5705.41(B) and 5705.40, budgetary expenditures exceeded appropriations authority for certain funds for the year ended December 31, 2016.

Contrary to Ohio Revised Code Section 5705.39 and 5705.36, certain funds had appropriations in excess of estimated resources for the year ended December 31, 2016.

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**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Net Position - Cash Basis*  
*December 31, 2015*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$117,874	\$212,540	\$330,414
<b>Net Position</b>			
Restricted for:			
Debt Service	\$4,050	\$0	\$4,050
Other Purposes	117,580	0	117,580
Unrestricted	(3,756)	212,540	208,784
<i>Total Net Position</i>	\$117,874	\$212,540	\$330,414

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2015*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Current:				
Security of Persons and Property	\$601,087	\$308,162	\$38,105	\$0
Public Health Services	4,361	0	0	0
Leisure Time Activities	33,324	0	34,358	0
Transportation	87,588	0	81,920	0
General Government	158,533	16,101	0	0
Capital Outlay	152,747	0	0	0
Debt Service:				
Principal Retirement	16,913	0	0	0
Interest and Fiscal Charges	771	0	0	0
<i>Total Governmental Activities</i>	<u>1,055,324</u>	<u>324,263</u>	<u>154,383</u>	<u>0</u>
<b>Business-Type Activities</b>				
Water Operating	355,359	371,166	0	32,203
Sewer Operating	360,037	308,432	0	0
Storm Water Infrastructure	15,853	0	0	15,988
<i>Total Business-Type Activities</i>	<u>731,249</u>	<u>679,598</u>	<u>0</u>	<u>48,191</u>
<i>Total Primary Government</i>	<u>\$1,786,573</u>	<u>\$1,003,861</u>	<u>\$154,383</u>	<u>\$48,191</u>

General Receipts:  
Property Taxes Levied for:  
    General Purposes  
    Security of Persons and Property  
Other Local Taxes  
Income Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Earnings on Investments  
Miscellaneous  
Proceeds of OWDA Loans  
Proceeds of Loans

*Total General Receipts*

Change in Net Position

*Net Position Beginning of Year, restated*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$254,820)	\$0	(\$254,820)
(4,361)	0	(4,361)
1,034	0	1,034
(5,668)	0	(5,668)
(142,432)	0	(142,432)
(152,747)	0	(152,747)
(16,913)	0	(16,913)
(771)	0	(771)
(576,678)	0	(576,678)
0	48,010	48,010
0	(51,605)	(51,605)
0	135	135
0	(3,460)	(3,460)
(576,678)	(3,460)	(580,138)
24,132	0	24,132
84,262	0	84,262
194	0	194
188,438	0	188,438
33,171	0	33,171
296	0	296
12,402	0	12,402
0	23,800	23,800
142,000	0	142,000
484,895	23,800	508,695
(91,783)	20,340	(71,443)
209,657	192,200	401,857
\$117,874	\$212,540	\$330,414

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2015*

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	General Fund	EMS Fund	Fire Levy Fund	Police Levy Fund
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$37,064	\$30,978	\$33,368	(\$40,820)
<b>Fund Balances</b>				
Restricted	\$0	\$30,978	\$33,368	\$0
Assigned	11,161	0	0	0
Unassigned (Deficit)	25,903	0	0	(40,820)
<i>Total Fund Balances</i>	<i>\$37,064</i>	<i>\$30,978</i>	<i>\$33,368</i>	<i>(\$40,820)</i>

See accompanying notes to the basic financial statements

Nonmajor Governmental Funds	Total Governmental Funds
<u>\$57,284</u>	<u>\$117,874</u>
\$57,284	\$121,630
0	11,161
<u>0</u>	<u>(14,917)</u>
<u>\$57,284</u>	<u>\$117,874</u>

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2015*

	General Fund	EMS Fund	Fire Levy Fund	Police Levy Fund
<b>Receipts</b>				
Municipal Income Taxes	\$188,438	\$0	\$0	\$0
Property Taxes	24,132	0	42,131	42,131
Other Local Taxes	194	0	0	0
Intergovernmental	33,171	0	24,918	7,543
Charges for Services	6,129	263,820	17,000	0
Fines, Licenses and Permits	35,536	0	0	0
Contributions and Donations	0	0	0	480
Earnings on Investments	227	40	0	0
Miscellaneous	1,362	5,121	60	4,127
<i>Total Receipts</i>	<u>289,189</u>	<u>268,981</u>	<u>84,109</u>	<u>54,281</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	26,184	302,509	83,419	187,409
Public Health Services	4,361	0	0	0
Leisure Time Activities	0	0	0	0
Transportation	0	0	0	0
General Government	158,533	0	0	0
Capital Outlay	0	142,000	0	10,747
Debt Service:				
Principal Retirement	0	16,913	0	0
Interest and Fiscal Charges	0	771	0	0
<i>Total Disbursements</i>	<u>189,078</u>	<u>462,193</u>	<u>83,419</u>	<u>198,156</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>100,111</u>	<u>(193,212)</u>	<u>690</u>	<u>(143,875)</u>
<b>Other Financing Sources (Uses)</b>				
Loan Proceeds	0	142,000	0	0
Transfers In	0	0	0	76,626
Transfers Out	(81,626)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(81,626)</u>	<u>142,000</u>	<u>0</u>	<u>76,626</u>
<i>Net Change in Fund Balances</i>	18,485	(51,212)	690	(67,249)
<i>Fund Balances Beginning of Year, restated</i>	<u>18,579</u>	<u>82,190</u>	<u>32,678</u>	<u>26,429</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$37,064</u></u>	<u><u>\$30,978</u></u>	<u><u>\$33,368</u></u>	<u><u>(\$40,820)</u></u>

See accompanying notes to the basic financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$188,438
0	108,394
0	194
111,178	176,810
0	286,949
1,778	37,314
10,264	10,744
29	296
1,732	12,402
<u>124,981</u>	<u>821,541</u>
1,566	601,087
0	4,361
33,324	33,324
87,588	87,588
0	158,533
0	152,747
0	16,913
0	771
<u>122,478</u>	<u>1,055,324</u>
<u>2,503</u>	<u>(233,783)</u>
0	142,000
5,000	81,626
0	(81,626)
<u>5,000</u>	<u>142,000</u>
7,503	(91,783)
<u>49,781</u>	<u>209,657</u>
<u>\$57,284</u>	<u>\$117,874</u>

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2015*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal Income Taxes	\$171,826	\$174,437	\$188,438	\$14,001
Property Taxes	23,500	19,175	24,132	4,957
Other Local Taxes	177	22	194	172
Intergovernmental	26,303	34,833	33,171	(1,662)
Charges for Services	5,589	3,000	6,129	3,129
Fines, Licenses and Permits	32,403	32,910	35,536	2,626
Earnings on Investments	207	400	227	(173)
Miscellaneous	3,040	0	1,362	1,362
<i>Total Receipts</i>	263,045	264,777	289,189	24,412
<b>Disbursements</b>				
Current:				
Security of Persons and Property	15,000	15,393	26,548	(11,155)
Public Health Services	3,000	1,680	4,361	(2,681)
General Government	104,437	116,351	169,330	(52,979)
<i>Total Disbursements</i>	122,437	133,424	200,239	(66,815)
<i>Excess of Receipts Over Disbursements</i>	140,608	131,353	88,950	(42,403)
<b>Other Financing Uses</b>				
Transfers Out	(89,000)	(89,000)	(81,626)	7,374
<i>Net Change in Fund Balance</i>	51,608	42,353	7,324	(35,029)
<i>Fund Balance Beginning of Year, restated</i>	9,091	9,091	9,091	0
Prior Year Encumbrances Appropriated	9,487	9,487	9,487	0
<i>Fund Balance End of Year</i>	\$70,186	\$60,931	\$25,902	(\$35,029)

See accompanying notes to the basic financial statements



**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balance - Budget and Actual - Budget Basis*  
*EMS Fund*  
*For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$221,059	\$41,305	\$0	(\$41,305)
Charges for Services	62,466	263,695	263,820	125
Earnings on Investments	43	0	40	40
Miscellaneous	12,432	0	5,121	5,121
<i>Total Receipts</i>	296,000	305,000	268,981	(36,019)
<b>Disbursements</b>				
Current:				
Security of Persons and Property	273,949	301,368	322,086	(20,718)
Capital Outlay	0	0	142,000	(142,000)
Debt Service:				
Principal Retirement	17,498	16,913	16,913	0
Interest and Fiscal Charges	0	771	771	0
<i>Total Disbursements</i>	291,447	319,052	481,770	(162,718)
<i>Excess of Receipts Over (Under) Disbursements</i>	4,553	(14,052)	(212,789)	(198,737)
<b>Other Financing Sources</b>				
Loan Proceeds	0	0	142,000	142,000
<i>Net Change in Fund Balance</i>	4,553	(14,052)	(70,789)	(56,737)
<i>Fund Balance Beginning of Year, restated</i>	63,586	63,586	63,586	0
Prior Year Encumbrances Appropriated	18,604	18,604	18,604	0
<i>Fund Balance (Deficit) End of Year</i>	\$86,743	\$68,138	\$11,401	(\$56,737)

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balance - Budget and Actual - Budget Basis*  
*Fire Levy Fund*  
*For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$41,100	\$41,100	\$42,131	\$1,031
Intergovernmental	11,217	18,625	24,918	6,293
Charges for Services	7,652	12,000	17,000	5,000
Miscellaneous	631	0	60	60
<i>Total Receipts</i>	60,600	71,725	84,109	12,384
<b>Disbursements</b>				
Current:				
Security of Persons and Property	54,971	59,602	86,543	(26,941)
<i>Net Change in Fund Balance</i>	5,629	12,123	(2,434)	(14,557)
<i>Fund Balance Beginning of Year, restated</i>	28,047	28,047	28,047	0
Prior Year Encumbrances Appropriated	4,631	4,631	4,631	0
<i>Fund Balance End of Year</i>	<u>\$38,307</u>	<u>\$44,801</u>	<u>\$30,244</u>	<u>(\$14,557)</u>

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*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, 2015*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$41,100	\$41,100	\$42,131	\$1,031
Intergovernmental	3,855	0	7,543	7,543
Contributions and Donations	245	755	480	(275)
Miscellaneous	3,399	6,745	4,127	(2,618)
<i>Total Receipts</i>	48,599	48,600	54,281	5,681
<b>Disbursements</b>				
Current:				
Security of Persons and Property	149,510	166,841	208,260	(41,419)
Capital Outlay	10,800	10,800	10,747	53
<i>Total Disbursements</i>	160,310	177,641	219,007	(41,366)
<i>Excess of Receipts Under Disbursements</i>	(111,711)	(129,041)	(164,726)	(35,685)
<b>Other Financing Sources</b>				
Transfers In	89,000	89,000	76,626	(12,374)
<i>Net Change in Fund Balance</i>	(22,711)	(40,041)	(88,100)	(48,059)
<i>Fund Balance Beginning of Year, restated</i>	9,096	9,096	9,096	0
Prior Year Encumbrances Appropriated	17,333	17,333	17,333	0
<i>Fund Balance (Deficit) End of Year</i>	\$3,718	(\$13,612)	(\$61,671)	(\$48,059)

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2015*

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	Business-Type Activities			
	Water Operating Fund	Sewer Operating Fund	Storm Water Infrastructure Fund	Total
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$155,810	\$33,217	\$23,513	\$212,540
<b>Net Position</b>				
Unrestricted	\$155,810	\$33,217	\$23,513	\$212,540

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2015*

	Business-Type Activities			Total
	Water Operating Fund	Sewer Operating Fund	Storm Water Infrastructure Fund	
<b>Operating Receipts</b>				
Charges for Services	\$371,166	\$308,432	\$0	\$679,598
<b>Operating Disbursements</b>				
Personal Services	78,079	96,565	0	174,644
Employee Fringe Benefits	33,572	33,177	0	66,749
Contractual Services	61,245	44,955	0	106,200
Supplies and Materials	93,717	84,746	0	178,463
<i>Total Operating Disbursements</i>	266,613	259,443	0	526,056
<i>Operating Income</i>	104,553	48,989	0	153,542
<b>Non-Operating Receipts (Disbursements)</b>				
Special Assessments	32,203	0	15,988	32,203
Proceeds of OWDA Loans	0	23,800	0	23,800
Principal Retirement	(55,335)	(64,004)	(10,434)	(129,773)
Interest and Other Fiscal Charges	(33,411)	(36,590)	(5,419)	(75,420)
<i>Total Non-Operating Receipts (Disbursements)</i>	(56,543)	(76,794)	135	(149,190)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	48,010	(27,805)	135	4,352
Transfers In	133,296	120,949	0	254,245
Transfers Out	(133,296)	(120,949)	0	(254,245)
<i>Change in Net Position</i>	48,010	(27,805)	135	4,352
<i>Net Position Beginning of Year, restated</i>	107,800	61,022	23,378	192,200
<i>Net Position End of Year</i>	<u>\$155,810</u>	<u>\$33,217</u>	<u>\$23,513</u>	<u>\$196,552</u>

See accompanying notes to the basic financial statements

**Village of Manchester, Ohio**  
*Adams County*  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2015*

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	<u>Agency Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,029</u>
<b>Net Position</b>	
Held on Behalf of Others	<u>\$2,029</u>

See accompanying notes to the basic financial statements

***Village of Manchester, Ohio Adams County***  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 1 – Reporting Entity**

The Village of Manchester, Adams County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The 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.

**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, sewer and storm water utilities, maintenance of Village streets and bridges, park operations, and police and fire services.

**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. 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 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. 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 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 the Basis of Accounting section of this note, 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 (GAAP). 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. Following are the more significant of the Village's accounting policies.

**Basis of Presentation**

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

*Village of Manchester, Ohio Adams County*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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Government-Wide Financial Statements

The Statement of Net Position 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 Position 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.

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.

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:



*Village of Manchester, Ohio Adams County*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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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 Fund – The EMS Levy Fund accounts for and reports restricted 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.

Fire Levy Fund – The Fire Levy Fund accounts for and reports restricted property tax monies to provide fire protection for the Village.

Police Levy Fund – The Police Levy Fund accounts for and reports restricted property tax monies to provide police protection for the Village.

### Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds of the Village are enterprise funds.

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, Sewer Operating, and Stormwater Infrastructure 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.

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

### Fiduciary Funds

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

### 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.

*Village of Manchester, Ohio Adams County*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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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.

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 and department level 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.

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.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2015 was \$227, which includes \$97 assigned from other Village funds.

*Village of Manchester, Ohio Adams County*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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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.

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.

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.

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-employment health care benefits.

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.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position 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 position is available.

Fund Balance

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

*Village of Manchester, Ohio Adams County*  
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For the Year Ended December 31, 2015

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Restricted

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource provides, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Village ordinances).

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by Village Charter or ordinance. State statute authorizes the Fiscal Officer to assign fund balance purchases on order provided such amounts have been lawfully approved.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**Village of Manchester, Ohio Adams County**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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

**Note 3 – Accountability and Compliance**

At December 31, 2015, the Police Levy Fund had a deficit fund balance of \$40,820 contrary to Ohio Revised Code 5705.10. The Police Levy Fund deficit balance exists because sufficient revenues have not been generated to cover expenditures. The General Fund is liable for any deficit in the nonmajor special revenue funds and will provide transfers when cash is required not when accruals occur.

Contrary to Ohio Revised Code Section 5705.41(D), the village had 15% of disbursements with an invoice dated after the purchase order during the year ended December 31, 2015.

Contrary to Ohio Revised Code Section 5705.41(B) and 5705.40, budgetary expenditures exceeded the appropriations authority for certain funds for the year ended December 31, 2015.

Contrary to Ohio Revised Code Section 5705.39 and 5705.36, certain funds had appropriations in excess of estimated resources for the year ended December 31, 2015.

Contrary to Ohio Revised Code Section 118.12, 2015 General Fund disbursements exceeded 85% of the respective prior year general fund disbursements.

**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, Fire Levy, and Police Levy Special Revenue Funds on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than as reservations of fund balance (cash basis).

The encumbrances outstanding at year-end (budgetary basis) are detailed in the table below:

Fund	12/31/15 Outstanding Encumbrance
General	\$11,161
Emergency Medical Services	19,577
Fire Levy	3,124
Police Levy	20,851

*Village of Manchester, Ohio Adams County*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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**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.

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.

**Village of Manchester, Ohio Adams County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Note 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 property and public utility property located in the Village. Real property tax receipts received in 2015 for real and public utility property taxes represent the collection of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values are established by State statute at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2015, was \$9.00 per \$1,000 of assessed value. The assessed values of real property and tangible personal property upon which 2015 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Agricultural/Residential	\$10,735,020
Commercial/Industrial	1,877,110
Tangible Personal Property:	
Public Utility Real	1,483,600
Total Property Taxes	<u><u>\$14,095,730</u></u>

**Village of Manchester, Ohio Adams County**  
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For the Year Ended December 31, 2015

**Note 8 – Interfund Activity**

Transfers made during the year ended December 31, 2015 were as follows:

Transfer From	Transfer To		
	Police Levy Fund	Nonmajor Governmental Funds	Total
General Fund	\$76,626	\$5,000	\$81,626

Transfers were made from the General Fund to the Police Levy and Parks and Recreation Special Revenue Funds to support the operations.

**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 maintains comprehensive insurance coverage through the Public Entities Pool of Ohio (PEP), a risk sharing pool, for building contents, vehicles, general liability, public official and police professional liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

The Village pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

**Note 10 – Defined Benefit Pension Plans**

**Ohio Public Employees Retirement System**

Plan Description - Village employees, other than full-time police, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.



**Village of Manchester, Ohio Adams County**  
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Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**Village of Manchester, Ohio Adams County**  
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	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2015 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2015 Actual Contribution Rates</b>			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$45,730 for year 2015.

**Ohio Police & Fire Pension Fund (OPF)**

Plan Description - Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

**Village of Manchester, Ohio Adams County**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2015 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
 <b>2015 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
 Total Employer	 19.50 %	 24.00 %
 Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OPF was \$10,344 for 2015. The Village has no firefighters who are members of OPF.

**Note 11 – Postemployment Benefits**

**Ohio Public Employees Retirement System**

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

*Village of Manchester, Ohio Adams County*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten 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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2015.

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 the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The Village's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2015, 2014, and 2013 was \$7,622, \$15,054, and \$12,977, respectively. The full amount has been contributed for all three years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

### **Police and Fire Pension Fund**

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

*Village of Manchester, Ohio Adams County*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 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 OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

OPF 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 premium reimbursements administered 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 OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution 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 OPF Board of Trustees is also 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 OPF; therefore, OPF covers police personnel only

The Village's contribution to OPF which was allocated to fund postemployment health care benefits for police was \$1,552 for the year ended December 31, 2015, \$1,553 for the year ended December 31, 2014, and \$2,327 for the year ended December 31, 2013. The full amount has been contributed for all three years.

**Village of Manchester, Ohio Adams County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

**Note 12 – Debt**

The Village’s long-term debt activity for the year ended December 31, 2015, was as follows:

Types / Issues	Balance 12/31/2014	Issued	Retired	Balance 12/31/2015	Due Within One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
2002 Water System Improvement Bonds 5.25%	\$54,100	\$0	\$18,200	\$35,900	\$19,200
<u>Mortgage Revenue Bonds</u>					
Water Fund					
2004 USDA Rural Development Mortgage Revenue Bonds 4.375%	465,974	0	7,801	458,173	8,143
Sewer Fund					
1998 Sanitary Sewer System Mortgage Revenue Bonds Series A 4.50%	747,900	0	20,200	727,700	21,100
1998 Sanitary Sewer System Mortgage Revenue Bonds Series B 4.50%	65,200	0	19,300	45,900	20,100
Total Sewer Fund	813,100	0	39,500	773,600	41,200
Total Mortgage Revenue Bonds	1,279,074	0	47,301	1,231,773	49,343
<u>Other Long-Term Obligations</u>					
2004 OWDA Water Treatment and Wellfield Improvement Loan 1.50%	718,238	0	29,334	688,904	29,775
2010 OWDA Storm Sewer Replacement Loan 1.50%	110,727	0	3,501	107,226	3,553
2011 OWDA Storm Sewer Construction Loan 1.50%	175,958	0	5,308	170,650	5,388
2013 OWDA Phase 2 Storm Sewer Improvement Loan 1.50%	73,823	0	1,625	72,198	0
2014 Sewer Collection System Rehabilitation 0%	193,954	23,800	24,504	193,250	0
Total Loans	1,272,700	23,800	64,272	1,232,228	38,716
Total Business-Type Activities	<u>\$2,605,874</u>	<u>\$23,800</u>	<u>\$129,773</u>	<u>\$2,499,901</u>	<u>\$107,259</u>

**Village of Manchester, Ohio Adams County**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Types / Issues	Balance 12/31/2014	Issued	Retired	Balance 12/31/2015	Due Within One Year
<u>Governmental Activities</u>					
<u>Other Long-Term Obligation</u>					
2010 Ambulance Acquisition Notes 4.5%	\$16,913	\$0	\$16,913	\$0	\$0
2015 Ambulance Acquisition Loan 3.75%	0	142,000	0	142,000	11,965
<b>Total Governmental Activities</b>	<b>\$16,913</b>	<b>\$142,000</b>	<b>\$16,913</b>	<b>\$142,000</b>	<b>\$11,965</b>

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, 2015, were an overall debt margin of \$1,365,417 and an unvoted debt margin of \$660,630.

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

<i>Business-Type Activities</i>						
<i>Water Operating Fund</i>						
<i>Year</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>
2016	\$19,200	\$1,380	\$8,143	\$20,045	\$29,775	\$10,110
2017	16,700	438	8,499	19,689	30,224	9,660
2018	0	0	8,870	19,317	30,679	9,204
2019	0	0	9,259	18,929	31,141	8,857
2020	0	0	9,664	18,524	31,610	8,388
2021-2025	0	0	55,043	85,894	165,333	34,637
2026-2030	0	0	68,184	72,754	178,160	21,830
2031-2035	0	0	84,463	56,475	191,982	8,007
2036-2040	0	0	104,628	36,310	0	0
2041-2045	0	0	101,420	11,331	0	0
<b>Totals</b>	<b>\$35,900</b>	<b>\$1,818</b>	<b>\$458,173</b>	<b>\$359,268</b>	<b>\$688,904</b>	<b>\$110,693</b>

**Village of Manchester, Ohio Adams County**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

<u>Year</u>	<u>Business-Type Activities</u>		<u>Business-Type Activities</u>	
	<u>Sewer Operating Fund</u>		<u>Storm Sewer Operating Fund</u>	
	<u>Mortgage Revenue Bonds</u>		<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$41,200	\$34,812	\$8,941	\$4,118
2017	43,100	32,958	9,075	3,985
2018	22,000	31,018	9,212	3,847
2019	23,000	30,029	9,351	3,709
2020	24,000	28,994	9,492	3,568
2021-2025	137,200	127,760	49,663	15,653
2026-2030	171,000	93,993	53,497	11,801
2031-2035	212,900	51,903	57,648	7,651
2036-2040	99,200	6,746	62,458	3,178
2041	0	0	8,539	88
Totals	<u>\$773,600</u>	<u>\$438,213</u>	<u>\$277,876</u>	<u>\$57,598</u>

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

<u>Governmental Activities</u>		
<u>Ambulance Acquisition Loan</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$11,965	\$5,325
2017	12,414	4,876
2018	12,879	4,411
2019	13,362	3,928
2020	13,863	3,427
2021-2025	77,517	8,934
Totals	<u>\$142,000</u>	<u>\$30,901</u>

On March 22, 2002, the Village issued \$217,000 in general obligation bonds for the purpose of retiring the Waterline Extension Bond Anticipation Notes and the Water System Bond Anticipation Notes. The 2002 Water System Improvement Bonds were issued for a 15 year period with final maturity on March 1, 2017. The bonds will be repaid from service fees collected in the Water Operating Fund.

The 2004 USDA Rural Development Mortgage Revenue Bonds were issued for \$523,000 for the purpose of paying the costs of constructing improvements to the Village's water system. The bonds will be repaid over 39 years with service fees collected in the Water Operating Fund.

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

The 1998 Sanitary Sewer System Mortgage Revenue Bonds Series B was issued for \$300,000. The bonds were obtained for the purpose of paying the costs of constructing improvements to the Village's sewer system. The bonds will be repaid over 40 years with service fees collected in the Sewer Operating Fund.



*Village of Manchester, Ohio Adams County*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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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.

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

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

In 2013, the Village issued a \$39,374 OWDA Phase 2 Storm Sewer Improvement Loan for improvements on the storms sewers in the Village. The loan will be repaid over 30 years from the Storm Water Infrastructure Fund; however, a final amortization schedule was not yet available.

The 2014 OWDA Sewer Collection System Rehabilitation Loan was issued for \$193,954. The loan was obtained for improvements to the sewer system. The loan will be repaid over 5 years from the Sewer Operating Fund; however, a final amortization schedule was not yet available. During the year, the Village received \$23,800 in additional proceeds.

The 2010 Ambulance Acquisition Note was issued for \$77,589. The note was obtained to purchase an ambulance. The note was paid over 5 years from charges for services in the EMS special revenue fund.

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

**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.

**Village of Manchester, Ohio Adams County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

**Note 14 – Contingent Liabilities**

Litigation

The Village is currently not party to any legal proceedings.

Federal and State Grants

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

**Note 15 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balances	General Fund	EMS Fund	Fire Levy Fund	Police Levy Fund	Nonmajor Governmental Funds	Total
<u>Restricted for:</u>						
Emergency Medical Services	\$0	\$30,978	\$0	\$0	\$0	\$30,978
Fire Services	0	0	33,368	0	4,050	37,418
Law Enforcement	0	0	0	0	738	738
Enforcement and Education	0	0	0	0	3,455	3,455
Drug Law Enforcement	0	0	0	0	9,123	9,123
Parks and Recreation	0	0	0	0	6,037	6,037
Transportation	0	0	0	0	29,678	29,678
Computer Equipment	0	0	0	0	4,203	4,203
<i>Total Restricted</i>	0	30,978	33,368	0	57,284	121,630
<u>Assigned to:</u>						
Purchases On Order	11,161	0	0	0	0	11,161
<u>Unassigned</u>	25,903	0	0	(40,820)	0	(14,917)
Total Fund Balances (Deficit)	<u>\$37,064</u>	<u>\$30,978</u>	<u>\$33,368</u>	<u>(\$40,820)</u>	<u>\$57,284</u>	<u>\$117,874</u>

**Note 16 – Significant Commitments**

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

**Village of Manchester, Ohio Adams County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

General	\$11,161
Emergency Medical Services	19,577
Fire Levy	3,124
Police Levy	20,851
Nonmajor Governmental Funds	12,845
Water Operating	38,296
Sewer Operating	42,575
Total	\$148,429

**Note 17 – Fiscal Emergency Determination**

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

**Note 18 – Prior Period Restatement**

The Village Identified long outstanding checks that it determined would not be cashed /deposited by the payee and could be removed from their list of reconciling items. The determination had the following effect on financial statement fund balances at January 1, 2015:

	General Fund	EMS Fund	Fire Levy Fund	Police Levy Fund	Nonmajor Governmental Funds	Total
<u>Governmental Fund Balances:</u>						
December 31, 2014	\$9,269	\$54,710	\$25,335	\$14,546	\$41,740	\$145,600
Checks removed from reconciling items	9,310	27,480	7,343	11,883	8,041	64,057
January 1, 2015, restated	\$18,579	\$82,190	\$32,678	\$26,429	\$49,781	\$209,657

	Water Operating Fund	Sewer Operating Fund	Storm Water Infrastructure Fund	Total
<u>Proprietary Fund Net Position:</u>				
December 31, 2014	\$90,413	\$44,719	\$23,378	\$158,510
Checks removed from reconciling items	17,387	16,303	0	33,690
January 1, 2015, restated	\$107,800	\$61,022	\$23,378	\$192,200

	Governmental Activities	Business-Type Activities	Total
<u>Net Position</u>			
December 31, 2014	\$145,600	\$158,510	\$304,110
Checks removed from reconciling items	64,057	33,690	97,747
January 1, 2015, restated	\$209,657	\$192,200	\$401,857

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**Julian & Grube, Inc.**  
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**Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Members of Village Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Manchester, Adams County, Ohio, as of and for the years ended December 31, 2016 and December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village of Manchester's basic financial statements and have issued our report thereon dated June 29, 2017, wherein we noted the Village of Manchester uses a special purpose framework other than generally accepted accounting principles. We also noted in Note 16 for the year ended December 31, 2016 and Note 17 for the year ended December 31, 2015, on September 29, 1997, the Village of Manchester was declared by the Auditor of State to be in a state of fiscal emergency; and in Note 18 for the year ended December 31, 2015, the Village of Manchester recorded a prior period restatement.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Members of Village Council and Mayor  
Village of Manchester

***Compliance and Other Matters***

As part of reasonably assuring whether the Village of Manchester’s financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2016-002 through 2016-008.

***Village of Manchester’s Responses to Findings***

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

***Purpose of this Report***

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



Julian & Grube, Inc.  
June 29, 2017

**VILLAGE OF MANCHESTER  
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2016-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and the Council with objective and timely information to enable well-informed decisions.

Numerous adjustments were made to the financial statements and notes to the financial statements for the years ended December 31, 2016 and 2015 to properly state financial statement amounts. In addition, numerous material adjustments were made to the Village’s notes to the financial statements.

The audited financial statements and Village records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, the Village Handbook, or an accounting firm/consultant or seek additional training courses on financial statement preparation to help ensure accurate financial reporting.

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Village and has implemented policies and procedures to help with financial statement presentation.

Finding Number	2016-002
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Material Noncompliance

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

The Village had 44% and 15% of disbursements tested with an invoice that was dated prior to the purchase order during 2016 and 2015, respectively, thus causing those disbursements not to be certified in a timely manner.

Without proper certification, the Village may expend more funds than available in the treasury or in the process of collection, or than funds appropriated. It may also result in unnecessary or undesirable purchases.

We recommend that all orders or contracts involving the disbursement of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should consider using “Then” and “Now” certificates where applicable.

Client Response: It is in the intent of the Village to improve compliance by more closely following as described in the finding to ensure prior certification for exceptions to ORC 5704.41 (D) and, when necessary, to have Council approved payments by resolution.

**VILLAGE OF MANCHESTER  
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2016-003

Material Noncompliance

Ohio Revised Code Sections 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

During the year ended December 31, 2016 and 2015 the Village's appropriations exceeded its estimated resources.

The Village had appropriations exceeding its resources which could lead to spending monies not collected or expected to be collected, and thus could lead to a negative fund balance.

We recommend the Village first evaluate its certified estimated resources prior to modifying/approving appropriations to ensure appropriations are less than or equal to certified estimated resources.

Client Response: The Village will attempt to monitor its estimated revenues and appropriations more closely and will request amended certificates as needed.

Finding Number	2014-004
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Material Noncompliance

Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

The Village had appropriations in excess of estimated resources at December 31, 2016 and 2015 in the following funds:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>December 31, 2016</u>			
<u>Major Proprietary Funds:</u>			
Sewer Operating Fund	\$ 375,762	\$ 398,809	\$ 23,047
 <u>December 31, 2015</u>			
<u>Major Special Revenue Fund:</u>			
Police Levy	\$ 146,696	\$ 160,308	\$ 13,612
 <u>Major Proprietary Funds:</u>			
Water Operating Fund	\$ 469,104	\$ 504,144	\$ 35,040
Sewer Operating Fund	\$ 347,328	\$ 379,333	\$ 32,005



**VILLAGE OF MANCHESTER  
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2016-004 - (Continued)

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause disbursements to increase and cause a deficit fund balance.

We recommend the Village comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

*Client Response:* The Fiscal Officer will attempt to update estimated revenues on a more timely basis.

Finding Number	2016-005
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Material Noncompliance

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

Disbursements exceeded appropriations in the Fire Levy Fund, Street Construction Maintenance and Repair Fund and Water Operating Fund in 2016. In 2015, disbursements exceeded appropriations in the EMS Fund, the Fire Levy Fund, the Police Levy Fund and the Storm Water Infrastructure Fund.

By not timely and properly modifying the Village's appropriations, the Village is not adequately monitoring appropriations versus disbursements. With disbursements exceeding appropriations, overspending may occur which may result in a negative fund balance.

We recommend that the Village comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring disbursements so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

*Client Response:* The Village is aware of the requirement for Council approval and is currently implementing policies and procedures to have all supplemental appropriations properly approved.

Finding Number	2014-006
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Material Noncompliance

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

**VILLAGE OF MANCHESTER  
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2016-006 - (Continued)

Disclosure is presented at the fund level due to the practicality of disclosing object level amounts. The Village had disbursements exceeding appropriations at December 31, 2016 and 2015 in the following funds:

	<u>Appropriations</u>	<u>Disbursements</u>	<u>Excess</u>
<u>December 31, 2016</u>			
<u>Special Revenue Funds:</u>			
Fire Levy	\$ 66,250	\$ 87,977	\$ 21,727
Street	70,920	76,936	6,016
Police Levy	106,949	107,041	92
 <u>Enterprise Funds:</u>			
Water Operating Fund	368,211	376,623	8,412
 <u>December 31, 2015</u>			
<u>Special Revenue Funds:</u>			
EMS	319,052	481,770	162,718
Fire Levy	59,602	86,543	26,941
Police Levy	177,641	219,007	41,366
 <u>Enterprise Funds:</u>			
Storm Water Infrastructure	-	8,292	8,292

With disbursements exceeding appropriations, the Village is expending monies that have not been appropriated and approved by the Village Council. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring disbursements so they do not exceed lawful appropriations and amending the budget prior to year end. We further recommend the Village monitor on-behalf activity and increase appropriations and estimated resources accordingly. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: The Village is actively seeking to resolve this.

**VILLAGE OF MANCHESTER  
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2016-007

Material Noncompliance

Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the year or at year end.

At December 31, 2015, the Village had the following negative fund balances:

<u>Fund Type/Fund</u>	<u>Amount</u>
Major Governmental/Police Levy Fund	\$ 40,820

By having a negative fund balance, this fund has spent other funds' balances. This could indicate insufficient monitoring of appropriations and related expenditures and continual review of cash management. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the Village properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the Village should advance or transfer funds from the General Fund with proper Council approval. We recommend the Village utilize its accounting software program to its fullest and continually review relevant reports to assist in preventing negative fund balances.

Client Response: The Village in the future will advance monies from the General fund if necessary to cover temporary fund deficits.

Finding Number	2014-008
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Material Noncompliance

Ohio Revised Code Section 118.12 outlines the requirements if an entity fails to submit a financial plan, specially that if a plan is not submitted, then disbursements from the general fund may not exceed 85% of disbursements from the general fund for the preceding year, until the Commission has authorized a higher percent.

A financial plan was not submitted for the year ended December 31, 2015.

2015 General fund disbursements were 120% of prior year General fund disbursements and there was no evidence provided that the Commission authorized a percent greater than the 85% listed in the statute.

Without abiding by the requirements, the Village risks remaining under fiscal emergency and not increasing their fiscal sustainability.

We recommend the Village contact the Commission members and actively pursue obtaining an approved financial plan and/or carefully monitor its disbursements to ensure they don't exceed the 85% limit, unless they have Commissions approval.

**VILLAGE OF MANCHESTER  
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2016-008 - (Continued)

*Client Response:* The Village Council will contact the Commission members and the Ohio Auditor of State local region to discuss the adoption of an acceptable plan. The Village Council Fiscal Officer will attempt to monitor disbursements more closely to ensure they do not exceed the 85% requirement of the prior year unless approval is obtained from the Commission.

**VILLAGE OF MANCHESTER  
ADAMS COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2014-001	<u>Material Weakness - Financial Statement Presentation</u> - Accurate financial reporting is required in order to provide management and the Council with objective and timely information to enable well-informed decisions. Adjustments were made to correct misstatements identified during the audit of the Village's financial statements.	No	Repeated as finding 2016-001
2014-002	Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The Village had 26% and 35% of disbursements tested with an invoice that was dated prior to the purchase order during 2014 and 2013, respectively, thus causing those disbursements not to be certified in a timely manner.	No	Repeated as finding 2016-002
2014-003	Ohio Revised Code Sections 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The Village had appropriations exceeding its resources.	No	Repeated as finding 2016-003
2014-004	Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources. The Village had appropriations in excess of estimated resources in the Police Levy Fund and Fire Truck Debt Fund at December 31, 2014 and the Police Levy Fund and State Grant – Community Youth Center Fund at December 31, 2013.	No	Repeated as finding 2016-004

**VILLAGE OF MANCHESTER  
ADAMS COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2014-005	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations. Adjustments to the budget were made in the Village's system without proper Council approval. Due to these unapproved and unallowable adjustments, disbursements exceeded appropriations in the Street Construction Maintenance & Repair fund, the Parks and Recreation fund, the Drug Law Enforcement fund, the EMS fund, the Fire Levy fund, and the Storm Water Infrastructure fund in 2014. In 2013, disbursements exceeded appropriations in the Street Maintenance & Repair fund, the Police Levy fund, the Water Operating fund, the Sewer Operating fund, and the Storm Water Infrastructure fund due to similar unapproved and unallowable adjustments.	No	Repeated as finding 2016-005
2014-006	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. The Village had disbursements exceeding appropriations in the EMS Fund, Fire Levy Fund, Street Construction Maintenance & Repair Fund, Parks and Recreation Fund and Drug Law Enforcement Fund at December 31, 2014 and the Police Levy Fund, Street Construction Maintenance & Repair Fund, Water Operating Fund, Sewer Operating Fund, and Storm Water, Infrastructure Fund at December 31, 2013.	No	Repeated as finding 2016-006
2014-007	Ohio Revised Code Section 118.12 outlines the requirements if an entity fails to submit a financial plan, specifically that if a plan is not submitted, then disbursements from the general fund may not exceed 85% of disbursements from the general fund for the preceding year, until the Commission has authorized a higher percent. 2013 General fund disbursements were 112% of prior year General fund disbursements and 2014 General fund disbursements were 113% of 2013 General fund disbursements; and there was no evidence provided that the Commission authorized a percent greater than the 85% listed in the statute.	No	Repeated as finding 2016-008

**VILLAGE OF MANCHESTER  
ADAMS COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2014-008	Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the year or at year end. At December 31, 2013 the Village had a negative fund balance in the State Grant - Community Youth Center Fund.	No	Repeated as finding 2016-007
2014-009	Material Weakness - Payroll Internal Controls - Record Keeping - Accurate record keeping is important in order for the Village to properly substantiate their records, transactions and ultimately the financial statements. Internal controls over the payroll process were not effectively operating.	Yes	N/A
2014-010	Material Weakness - Utility Billing Cash Drawer Reconciliation - Properly accounting for and reconciling any cash drawer helps mitigate the inherently risky nature of cash transactions. The Village did not perform beginning and ending reconciliations on this department drawer to a preapproved set dollar amount on a daily basis	Yes	N/A

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# 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  
OCTOBER 10, 2017