

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

***FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**

DOROTHY MCFARLAND, FISCAL OFFICER



Dave Yost • Auditor of State

Board of Trustees
Manchester Township
813 8th Street
Manchester, Ohio 45144

We have reviewed the *Independent Auditors' Report* of Manchester Township, Adams County, prepared by Julian & Grube, Inc., for the audit period January 1, 2011 through December 31, 2012. 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. Manchester Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

November 12, 2013

This page intentionally left blank.

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For The Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For The Year Ended December 31, 2011	4
Notes to the Financial Statements.....	5 - 11
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	12 - 13
Schedule of Findings and Responses.....	14 - 17
Status of Prior Audit Findings	18 - 19

This page intentionally left blank.



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

Board of Trustees
Manchester Township
813 8th Street
Manchester, Ohio 45144

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Manchester Township, Adams County, Ohio, as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to Manchester Township'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 Manchester Township'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 opinion.

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Manchester Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Manchester Township, Adams County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 2.

Emphasis of Matters

As discussed in Note 11 to the financial statements, during 2011, Manchester Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming that Manchester Township will continue as a going concern. As discussed in Note 9 to the financial statements, Manchester Township has suffered losses from operations and has a deficiency that raises substantial doubt about its ability to continue as a going concern. In addition, the Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, on our consideration of Manchester Township'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 Manchester Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.
September 27, 2013

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Permanent	
Cash receipts:				
Property and local taxes	\$ 16,061	\$ 32,493	\$ -	\$ 48,554
Intergovernmental	3,398	91,214	-	94,612
Licenses, permits and fees	-	26,235	-	26,235
Interest	-	188	32	220
Miscellaneous	256	12,663	-	12,919
Total cash receipts	<u>19,715</u>	<u>162,793</u>	<u>32</u>	<u>182,540</u>
Cash disbursements:				
Current:				
Public safety	59	-	-	59
Public works	-	82,676	-	82,676
Health	-	61,403	-	61,403
General government	9,520	-	-	9,520
Capital outlay	-	27,588	-	27,588
Total cash disbursements	<u>9,579</u>	<u>171,667</u>	<u>-</u>	<u>181,246</u>
Net change in fund cash balances	<u>10,136</u>	<u>(8,874)</u>	<u>32</u>	<u>1,294</u>
Fund cash balances, January 1, 2012	<u>(102,089)</u>	<u>448,804</u>	<u>11,885</u>	<u>358,600</u>
Restricted	-	439,930	11,917	451,847
Unassigned (deficit)	<u>(91,953)</u>	<u>-</u>	<u>-</u>	<u>(91,953)</u>
Fund cash balances, December 31, 2012	<u>\$ (91,953)</u>	<u>\$ 439,930</u>	<u>\$ 11,917</u>	<u>\$ 359,894</u>

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

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Permanent	
Cash receipts:				
Property and local taxes	\$ 16,155	\$ 30,967	\$ -	\$ 47,122
Intergovernmental	4,908	92,365	-	97,273
Licenses, permits and fees	-	24,034	-	24,034
Interest	-	236	98	334
Miscellaneous	-	6,189	-	6,189
Total cash receipts	<u>21,063</u>	<u>153,791</u>	<u>98</u>	<u>174,952</u>
Cash disbursements:				
Public works	-	31,613	-	31,613
Health	-	52,860	-	52,860
General government	18,203	-	-	18,203
Capital outlay	-	1,173	-	1,173
Total cash disbursements	<u>18,203</u>	<u>85,646</u>	<u>-</u>	<u>103,849</u>
Excess of receipts over/(under) disbursements	<u>2,860</u>	<u>68,145</u>	<u>98</u>	<u>71,103</u>
Other financing receipts/(disbursements)				
Advances in	-	2,000		2,000
Advances out	(2,000)	-	-	(2,000)
Total other financing receipts/(disbursements)	<u>(2,000)</u>	<u>2,000</u>	<u>-</u>	<u>-</u>
Net change in fund cash balances	<u>860</u>	<u>70,145</u>	<u>98</u>	<u>71,103</u>
Fund cash balances, January 1, 2011	<u>(102,949)</u>	<u>378,659</u>	<u>11,787</u>	<u>287,497</u>
Restricted	-	448,804	11,885	460,689
Unassigned (deficit)	(102,089)	-	-	(102,089)
Fund cash balances, December 31, 2011	<u>\$ (102,089)</u>	<u>\$ 448,804</u>	<u>\$ 11,885</u>	<u>\$ 358,600</u>

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

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - DESCRIPTION OF THE ENTITY

Manchester Township (the "Township"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general government services, including road and bridge maintenance and cemetery maintenance.

The Township participates in the Ohio Plan Risk Management, a public entity risk pool.

Public Entity Risk Pool

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - Formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - Formerly known as the Ohio Healthcare Consortium; and,
- Ohio Plan, Inc. - Mirrors the over sight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

B. Cash

Certificates of deposit are valued at cost. Township funds are maintained in an interest bearing checking account, savings accounts, and certificate of deposit with a local commercial bank.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General fund accounts for and reports all financial resources not accounted for or reported in another fund.

2. Special Revenue Funds

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

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Cemetery Fund - This fund receives fees from the sale of lots, footers, and burial fees for the purpose of maintaining and operating the Township cemeteries.

3. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following permanent fund:

Cemetery Bequest Fund - This fund is used to record interest income received on monies donated to the cemetery and is used for the general maintenance of the cemetery.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 6.

E. Property, Plant and Equipment

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

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

5. Unassigned

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

The Township 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 - EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds.

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>2012</u>	<u>2011</u>
Deposits: Demand deposits	\$ 358,894	\$ 357,600
Certificates of Deposits	<u>1,000</u>	<u>1,000</u>
Total Cash and Cash Equivalents	<u>\$ 359,894</u>	<u>\$ 358,600</u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

NOTE 4 - RETIREMENT SYSTEMS

The Township' selected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2012 and 2011 OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equal to 14%, of participants' gross salaries. As of December 31, 2012 the Township had paid 100% of its required contributions for 2012 and 100% of its required contributions for 2011.

NOTE 5 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are Adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 5 - PROPERTY TAX - (Continued)

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

NOTE 6 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 19,448	\$ 19,715	\$ 267
Special Revenue	142,300	162,793	20,493
Permanent	-	32	32
Total	\$ 161,748	\$ 182,540	\$ 20,792

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 14,686	\$ 9,579	\$ 5,107
Special Revenue	222,023	171,667	50,356
Permanent	-	-	-
Total	\$ 236,709	\$ 181,246	\$ 55,463

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 23,080	\$ 21,063	\$ (2,017)
Special Revenue	100,000	155,791	55,791
Permanent	-	98	98
Total	\$ 123,080	\$ 176,952	\$ 53,872

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 20,072	\$ 20,203	\$ (131)
Special Revenue	135,773	85,646	50,127
Permanent	-	-	-
Total	\$ 155,845	\$ 105,849	\$ 49,996

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 7 -RISK MANAGEMENT

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$ 13,000,381	\$ 12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Member's Equity	<u>\$ 6,313,188</u>	<u>\$ 7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 8 - COMPLIANCE

- A. The Township did not properly certify fifty-nine percent and forty-six percent of the disbursement transactions tested during 2012 and 2011, respectively, in noncompliance with Ohio Revised Code Section 5705.41(D).
- B. The Township could not provide a signed approved submission of a detailed financial plan, in noncompliance with Ohio Revised Code Section 118.06.
- C. The Township failed to submit the required financial plan, in noncompliance with Ohio Revised Code Section 118.12 and 2011 disbursements appeared to be greater than 85% of the preceding year disbursements with no evidence of the Commission authorizing a higher percentage.

NOTE 9 - FISCAL EMERGENCY DETERMINATION/GOING CONCERN

The Auditor of State of Ohio declared Manchester Township to be in a state of fiscal emergency on September 20, 2002, 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 President of the Trustees, the County Auditor, three local financial business professionals and two representatives from the State of Ohio.

NOTE 10 - CONTINGENT LIABILITIES

The Township is not currently involved in litigation.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which are described in Note 2.F.



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 on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

Board of Trustees
Manchester Township
813 8th Street
Manchester, Ohio 45144

To the Board of Trustees:

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 Manchester Township, Adams County, Ohio, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated September 27, 2013 wherein we noted Manchester Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. In addition, as discussed in Note 11, Manchester Township adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". In addition, we noted that the accompanying financial statements have been prepared assuming that Manchester Township will continue as a going concern. As discussed in Note 9 to the financial statements, Manchester Township has suffered losses from operations and has a deficiency that raises substantial doubt about its ability to continue as a going concern.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Manchester Township'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. We consider findings 2012-MT-001 and 2012-MT-002 in the accompanying schedule of findings and responses to be material weaknesses.

Manchester Township
Board of Trustees

Compliance and Other Matters

As part of reasonably assuring whether Manchester Township'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 three 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 2012-MT-002, 2012-MT-003 and 2012-MT-004.

Manchester Township's Response to Findings

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

We also noted certain matters not requiring inclusion in this report that we reported to Manchester Township's management in a separate letter dated September 27, 2013.

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 Manchester Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Manchester Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
September 27, 2013

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-MT-001

Material Weakness - Financial Statement Presentation

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

The following audit adjustments were made to correct misstatements identified in the audit of the Township's financial statements:

For the Year Ended December 31, 2011

- i. Increased property and other local taxes receipts in the Cemetery Fund and decreased property and other local taxes receipts in the General Fund in the amount of \$76.
- ii. Increased intergovernmental receipts in the Cemetery Fund and decreased property and other local taxes receipts in the General Fund in the amount of \$84.
- iii. Increased intergovernmental receipts in the Cemetery Fund and decreased intergovernmental receipts in the General Fund in the amount of \$2,699.

For the Year Ended December 31, 2012

- i. Increased property and other local taxes receipts and increased general government disbursements in the Cemetery Fund and decreased property and other local taxes receipts and general government disbursements in the General Fund in the amounts of \$151 and \$17, respectively.
- ii. Increased General Fund general government disbursements and decreased Cemetery Fund general government disbursements in the amount of \$705.

The Township's financial statements and cash fund balances in the Township's records have been adjusted to reflect these adjustments.

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 Township consult with their auditors, the Township Handbook, and the Auditor of State to help ensure accurate financial reporting.

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

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-MT-002

Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- a) “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contractor order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal office without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the subdivision.
- b) Blanket certificate - Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- c) Super Blanket certificate - The subdivision may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The Township did not properly certify fifty-nine percent and forty-six percent of the disbursement transactions tested during 2012 and 2011, respectively.

Without timely certification, the Township may expend more funds than available in the treasury, in the process of collection, or appropriated by the Trustees, which could potentially lead to negative fund balances. In addition, the Township may make unnecessary purchases.

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2012-MT-002 - (Continued)

To improve controls over disbursements, and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, the fiscal officer should certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, “then and now” certification should be used. When the "Then and Now" certification is used for amounts in excess of \$3,000, the Trustees should approve the payment by resolution within 30 days.

Client Response: It is the intent of the Township 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 Trustees approve payments by resolution.

Finding Number	2012-MT-003
----------------	-------------

Ohio Revised Code 118.06 states that within one-hundred-twenty days after the first meeting of the Commission the Board of Township Trustees shall submit to the Commission a detailed financial plan, as approved or amended and approved by ordinance or resolution of the legislative authority containing the certain elements.

The Township was unable to provide evidence that this financial plan was approved.

Without an approved plan, the Township increases its risk of remaining under fiscal emergency and not increasing their fiscal sustainability.

We recommend the Township Trustees contact the Commission members and request a meeting to move forward on obtaining a completed plan.

Client Response: The Township Trustees will contact the Commission members and work with the Ohio Auditor of State local region to complete this plan.

Finding Number	2012-MT-004
----------------	-------------

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.

2011 General fund disbursements were 92% 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 Township risks remaining under fiscal emergency and not increasing their fiscal sustainability.

We recommend the Township 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.

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2012-MT-004 - (Continued)

Client Response: The Township Trustees will contact the Commission members and the Ohio Auditor of State local region to discuss the adoption of an acceptable plan. The Township 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.

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</u>
2010-001	Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer 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. Several instances were noted where goods or services were ordered prior to purchase orders being certified by the Fiscal Officer.	No	Repeated as finding 2012-MT-002
2010-002	Ohio Revised Code Section 5705.10 provides that all money paid into a fund must be used for purposes for which that fund was established. Negative fund balances indicate that money from one fund was used to cover the expenses of another fund. Certain funds had negative balances at year end.	No	This finding is not applicable for fiscal emergency entities.
2010-003	<u>Material Weakness - Cemetery Receipts</u> - The individual responsible for receipt of grave transactions for the cemetery has no oversight from the Township nor are they bonded.	Yes	N/A
2010-004	Ohio Revised Code Section 5705.36 provides in part that total appropriations from each fund shall not exceed the total available resources. Appropriations were in excess of actual revenues plus unencumbered beginning balances in the General Fund.	Yes	N/A
2010-005	Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total available resources. Appropriations were in excess of estimated resources plus unencumbered beginning balances in the General Fund.	Yes	N/A

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; <u>Finding no Longer Valid</u>
2010-006	Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures in excess of appropriations in a certain fund.	Yes	N/A

This page intentionally left blank.



Dave Yost • Auditor of State

MANCHESTER TOWNSHIP

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
NOVEMBER 26, 2013**