

Manchester Township  
Adams County, Ohio

Regular Audit

For the years ended December 31, 2010 and 2009  
Fiscal Years Audited Under GAGAS: 2010 and 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639  
9076 Ohio River Rd. Wheelersburg, Ohio 45694 Phone: 740.876.9121 Fax: 800.210.2573





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Manchester Township, Adams County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

June 9, 2011

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Manchester Township  
Adams County, Ohio  
For the Years Ended December 31, 2010 and 2009  
Table of Contents

Title	Page
Independent Auditor's Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2010 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2009 .....	4
Notes to the Financial Statements .....	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	16

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### Independent Auditor's Report

Board of Trustees  
Manchester Township  
Adams County  
813 8<sup>th</sup> Street  
Manchester, Ohio 45144

We have audited the accompanying financial statements of Manchester Township, Adams County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

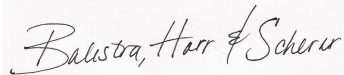
Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Manchester Township, Adams County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Board of Trustees  
Manchester Township  
Adams County  
Independent Auditors' Report

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

The accompanying financial statements have been prepared assuming the Township will continue as a going concern. As discussed in Note 8 to the financial statements, the Township's negative General Fund balance and recurring losses raise substantial doubt about its ability to continue as a going concern. Also, the Auditor of State has determined, under the criteria of Ohio Revised Code Section 118.03, the Township is in a state of Fiscal Emergency. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2011, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

April 28, 2011



**Manchester Township**  
Adams County, Ohio

*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances  
All Governmental Funds  
For the Year Ended December 31, 2010*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent Fund	
Cash Receipts:				
Local Taxes	\$ 16,514	\$ 33,797	\$ -	\$ 50,311
Intergovernmental	5,921	94,665	-	100,586
Licenses, Permits, and Fees	-	37,967	-	37,967
Interest	32	516	22	570
Other Revenue	12	10,820	-	10,832
				-
Total Cash Receipts	22,479	177,765	22	200,266
Cash Disbursements:				
Current:				
General Government	19,788	-	-	19,788
Public Works	-	42,438	-	42,438
Health	-	49,689	-	49,689
Capital Outlay	-	17,038	-	17,038
				-
Total Cash Disbursements	19,788	109,165	-	128,953
Total Cash Receipts Over Cash Disbursements	2,691	68,600	22	71,313
Other Financing Receipts and (Disbursements):				
Advance In	4,000	-	-	4,000
Advance Out	-	(4,000)	-	(4,000)
				-
Total Other Financing Receipts/(Disbursements)	4,000	(4,000)	-	-
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	6,691	64,600	22	71,313
Fund Cash Balances, January 1	(109,640)	314,059	11,765	216,184
Fund Cash Balances, December 31	<u>\$ (102,949)</u>	<u>\$ 378,659</u>	<u>\$ 11,787</u>	<u>\$ 287,497</u>

*The notes to the financial statements are an integral part of this statement.*

**Manchester Township**  
Adams County, Ohio

*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances  
All Governmental Funds  
For the Year Ended December 31, 2009*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent Fund	
Cash Receipts:				
Local taxes	\$ 17,867	\$ 30,818	\$ -	\$ 48,685
Intergovernmental	5,168	91,356	-	96,524
Licenses, Permits, and Fees	-	23,578	-	23,578
Interest	536	151	35	722
Other Revenue	309	5,815	-	6,124
<b>Total Cash Receipts</b>	<b>23,880</b>	<b>151,718</b>	<b>35</b>	<b>175,633</b>
Cash Disbursements:				
Current:				
General Government	25,714	-	-	25,714
Public Works	-	35,989	-	35,989
Health	-	59,503	-	59,503
Capital Outlay	-	63,090	-	63,090
<b>Total Cash Disbursements</b>	<b>25,714</b>	<b>158,582</b>	<b>-</b>	<b>184,296</b>
<b>Total Cash Receipts Over Cash Disbursements</b>	<b>(1,834)</b>	<b>(6,864)</b>	<b>35</b>	<b>(8,663)</b>
Other Financing Receipts and (Disbursements):				
Sale of Fixed Assets	-	9,187	-	9,187
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(1,834)	2,323	35	524
Fund Cash Balances, January 1	(107,806)	311,736	11,730	215,660
Fund Cash Balances, December 31	<u>\$ (109,640)</u>	<u>\$ 314,059</u>	<u>\$ 11,765</u>	<u>\$ 216,184</u>

*The notes to the financial statements are an integral part of this statement.*

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 oversight 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.

**B. 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.

**C. 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.

**D. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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 assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant 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.

**E. 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.

**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 2010 and 2009 budgetary activity appears in Note 5.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**2. 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>2010</u>	<u>2009</u>
Demand deposits	\$ 286,497	\$ 215,184
Certificates of deposit	1,000	1,000
Total deposits	<u>\$ 287,497</u>	<u>\$ 216,184</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.

**3. RETIREMENT SYSTEMS**

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, 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 2010 and 2009, PERS members contributed 10%, of their gross salaries and the Township contributed an amount equal to 14%, of participants' gross salaries. As of December 31, 2010, the Township had paid 100% of its required contribution for 2010, and 100% of its required contribution for 2009.

**4. 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.

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.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2009**

**5. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 20,100	\$ 22,479	\$ 2,379
Special Revenue	169,100	177,765	8,665
Permanent	-	22	22
Total	\$ 189,200	\$ 200,266	\$ 11,066

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 26,946	\$ 19,788	\$ 7,158
Special Revenue	169,776	109,165	60,611
Permanent	-	-	-
Total	\$ 196,722	\$ 128,953	\$ 67,769

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 20,100	\$ 23,880	\$ 3,780
Special Revenue	169,100	160,905	(8,195)
Permanent	-	35	35
Total	\$ 189,200	\$ 184,820	\$ (4,380)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 26,946	\$ 25,714	\$ 1,232
Special Revenue	169,776	158,582	11,194
Permanent	-	-	-
Total	\$ 196,722	\$ 184,296	\$ 12,426

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2009**

**6. RISK MANAGEMENT**

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 oversight 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.

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. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), 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 retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Township does not participate in this coverage.

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.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	2009 OPRM	2009 OPHC	Total 2009	2008
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Member's Equity	\$6,323,701	\$105,185	\$6,428,886	\$5,184,333

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2009**

**6. RISK MANAGEMENT**

Health insurance and dental coverage is also available to employees through a private carrier.

Settled claims have not exceeded coverage in any of the past three years. No significant change in coverage has occurred from prior years.

**7. COMPLIANCE**

Contrary to Ohio law, the Township did not certify expenditures prior to making order or contracts.

Contrary to Ohio law the General Fund and Motor Vehicle Gas Tax Funds carried negative fund balances throughout the audit period.

Contrary to Ohio law the General Fund appropriations were in excess of available resources at 12/31/09.

Contrary to Ohio law the General Fund appropriations were in excess of estimated resources at 12/31/09.

Contrary to Ohio law the Motor Vehicle License Fund had expenditures in excess of appropriations at 12/31/09.

**8. FISCAL EMERGENCY DETERMINATION/GOING CONCERN**

The Auditor of State of Ohio declared Manchester Township to be in 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. The Commission approved a financial recovery plan which had been adopted by the Township, and the plan must be updated annually. Since the plan has been adopted, the Township's discretion is limited in that all financial activity of the Township must be in accordance with the plan.





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

Board of Trustees  
Manchester Township  
Adams County, Ohio  
813 8<sup>th</sup> Street  
Manchester, Ohio 45144

We have audited the financial statements of Manchester Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 28, 2011 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United State of America, the General Fund had a negative fund balance, and the Township is in the state of fiscal emergency per Ohio Revised Code section 118.83. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-03 described in the accompanying schedule of findings to be a material weakness.

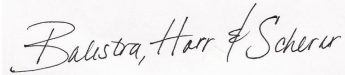
**Compliance and Other Matters**

As part of reasonably assuring whether the 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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01, 2010-02, 2010-04, 2010-05 and 2010-06.

Board of Trustees  
Manchester Township  
Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Required by *Government Auditing Standards*

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 28, 2011.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
April 28, 2011

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

Schedule of Findings  
For the Years Ended December 31, 2010 and 2009

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding 2010-01**

***Material Noncompliance***

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

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Other exceptions to this basic requirement include:

1. Continuing Contracts to be Performed in Whole or in Part in an Ensuing Fiscal Year.
2. Per Unit Contracts.
3. Contract or Lease Running Beyond the Termination of the Fiscal Year Made.

During testing of non-payroll disbursements we identified several instances where goods or services were ordered prior to purchase orders being certified by the Fiscal Officer.

The Township’s Fiscal Officer should ensure that funds have been properly encumbered prior to ordering or obtaining goods or services.

***Client Response:***

The Client did not offer a response for the above finding.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

Schedule of Findings  
For the Years Ended December 31, 2010 and 2009

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding 2010-02**

***Material Noncompliance***

Ohio Revised Code Section 5705.10 provides that all money paid into a fund must be used for purposes for which that fund was established. Negative fund balances indicate that money from one fund was used to cover the expenses of another fund.

The Township had significant negative fund balances as follows:

2010:		
General Fund –		(\$102,949)
Motor Vehicle Tax Fund		(\$1,049)
2009:		
General Fund -		(\$109,640)

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

***Client Response:***

The Client did not offer a response for the above finding.

**Finding 2010-03**

***Material Weakness***

While testing the revenues for the Cemetery it was noted that the Township employees a sexton to take care of all function within the cemetery. He receives all monies for the purchase of grave lots, opening and closing of graves and any other miscellaneous receipts that come into the cemetery. However, the sexton does not maintain adequate records of these transactions. Receipts are not always given to the Fiscal Officer on a daily basis and no one within the Township reviews the amounts that are being deposited. The Township was not able to produce a fee schedule for the lots or opening and closing of graves. Furthermore the Township was not able to provide us with a deed book to support the sale of lots during the audit period. Finally, the sexton was not bonded during the audit period.

The Township Trustees should adopt a schedule of fees for cemetery related charges and keep it on file so that it can be reviewed by anyone who would like to see it. The sexton should properly document all details of cemetery transactions in the subsidiary ledger including the purpose of the transaction, date and amount and report it to the Fiscal Officer on a daily basis when possible. Cemetery receipts should be reconciled to the UAN system monthly and any discrepancies should be investigated and explained. Since the sexton is handling cash of several hundred dollars at a time the Township should ensure that he is bonded in an amount established by the Board of Trustees. The Township should locate and maintain the cemetery deed book to support the sale of lots.

***Client Response:***

The Client did not offer a response for the above finding.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

Schedule of Findings  
For the Years Ended December 31, 2010 and 2009

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding 2010-04**

***Material Noncompliance***

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 at 12/31/09.

The Township should ensure appropriations and actual resources are monitored, and that revisions are made when needed.

***Client Response:***

The Client did not offer a response for the above finding.

**Finding 2010-05**

***Material Noncompliance***

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measurer is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total estimate or amended official estimate.

Appropriations were in excess of estimated resources plus unencumbered beginning balances in the General fund at 12/31/09.

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

***Client Response:***

The Client did not offer a response for the above finding.

**Finding 2010-06**

***Material Noncompliance***

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 the motor vehicle license fund at 12/31/09.

The Township should ensure that annual appropriations are passed timely, appropriations and expenditures are monitored, and that revisions are made as necessary.

***Client Response:***

The Client did not offer a response for the above finding.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

Schedule of Prior Audit Findings  
For the Years End December 31, 2010 and 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-01	26 USC 3402(A)(1) IRS tax payments	Yes	
2008-02	Citation 5705.41(D) – Prior certification of disbursements.	No	Re-issued finding number 2010-01
2008-03	Citation 5705.10 – Negative fund balances	No	Re-issued finding number 2010-02
2008-04	Citation 5705.39 – Appropriations exceeded estimated resources.	No	Re-issued finding number 2010-05
2008-05	Citation 5705.36 – Appropriations exceeded total available resources.	No	Re-issued finding number 2010-04
2008-06	Citation 5705.41(B) – Expenditures in excess of appropriations	No	Re-issued finding number 2010-06
2008-07	Citation 733.28 – Maintaining accurate records	Yes	
2008-08	Material weakness – Bank reconciliations	Yes	
2008-09	Material Weakness – Material adjustments posted to the financial statements	Yes	
2008-10	Material Weakness – Reporting	Yes	
2008-11	Material Weakness – Segregation of duties	Yes	

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

Schedule of Prior Audit Findings  
For the Years End December 31, 2010 and 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-12	Material Weakness – Cemetery Fund cash collections	No	Re-issued finding number 2010-03
2008-13	Citation 9.38 – timely deposit of funds.	Yes	
2008-14	Citation 145.47 and 145.48 – Payments to Public Employees Retirement System	Yes	
2008-15	Citation 5747.07 (B)(4) – Timely reporting of taxes withheld.	Yes	

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# 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  
JUNE 23, 2011**