

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

***FINANCIAL STATEMENTS
(AUDITED)***

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

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 Auditor's Report* of Manchester Township, Adams County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 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. 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 6, 2017

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, 2016	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For The Year Ended December 31, 2015	4
Notes to the Financial Statements.....	5 - 10
Independent Auditor’s Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11 - 12
Schedule of Findings and Responses.....	13 - 14
Status of Prior Audit Findings	15

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

Manchester Township
Adams County
813 8th Street
Manchester, Ohio 45144

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of Manchester Township, Adams County, Ohio, as of and for the years ended December 31, 2016 and 2015.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though Manchester Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described 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, 2016 and 2015, or changes in the 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, 2016 and 2015, 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(D) permit, described in Note 2.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that Manchester Township will continue as a going concern. As discussed in Note 1 to the financial statements, Manchester Township has suffered recurring losses in prior years 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 April 28, 2017, 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.
April 28, 2017

**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, 2016

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Permanent	
Cash receipts:				
Property and local taxes	\$ 18,356	\$ 35,207	\$ -	\$ 53,563
Licenses, permits and fees	-	34,386	-	34,386
Intergovernmental	6,341	92,254	-	98,595
Earnings on investments	-	93	43	136
Miscellaneous	286	22,584	232	23,102
Total cash receipts	24,983	184,524	275	209,782
Cash disbursements:				
Current:				
General government	5,868	-	-	5,868
Public works	-	85,878	-	85,878
Health	-	65,275	-	65,275
Capital outlay	-	1,430	-	1,430
Total cash disbursements	5,868	152,583	-	158,451
Net change in fund cash balances	19,115	31,941	275	51,331
Fund cash balances, January 1, 2016	(54,661)	476,842	13,155	435,336
Restricted	-	508,783	13,430	522,213
Unassigned (deficit)	(35,546)	-	-	(35,546)
Fund cash balances, December 31, 2016	\$ (35,546)	\$ 508,783	\$ 13,430	\$ 486,667

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, 2015

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Permanent	
Cash receipts:				
Property and local taxes	\$ 16,483	\$ 33,286	\$ -	\$ 49,769
Licenses, permits and fees	-	25,962	-	25,962
Intergovernmental	9,070	93,714	-	102,784
Earnings on investments	-	82	41	123
Miscellaneous	46	4,582	50	4,678
Total cash receipts	<u>25,599</u>	<u>157,626</u>	<u>91</u>	<u>183,316</u>
Cash disbursements:				
Current:				
General government	9,591	-	-	9,591
Public works	-	37,468	-	37,468
Health	-	112,443	-	112,443
Total cash disbursements	<u>9,591</u>	<u>149,911</u>	<u>-</u>	<u>159,502</u>
Excess of receipts over/(under) disbursements	<u>16,008</u>	<u>7,715</u>	<u>91</u>	<u>23,814</u>
Other financing receipts/(disbursements)				
Proceeds from sale of assets	-	7,385	-	7,385
Total other financing receipts/(disbursements)	<u>-</u>	<u>7,385</u>	<u>-</u>	<u>7,385</u>
Net change in fund cash balances	<u>16,008</u>	<u>15,100</u>	<u>91</u>	<u>31,199</u>
Fund cash balances, January 1, 2015	<u>(70,669)</u>	<u>461,742</u>	<u>13,064</u>	<u>404,137</u>
Restricted	-	476,842	13,155	489,997
Unassigned (deficit)	(54,661)	-	-	(54,661)
Fund cash balances, December 31, 2015	<u>\$ (54,661)</u>	<u>\$ 476,842</u>	<u>\$ 13,155</u>	<u>\$ 435,336</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, 2016 and 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Manchester Township, Adams County, (the Township) as a body corporate and politic. A publicly elected three- member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and cemetery maintenance.

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.

Risk Sharing Pool

The Township participates in a risk sharing pool. Note 6 to the financial statements provides additional information for the risk pool. 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

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for constructing, maintaining, and repairing Township roads.

Cemetery Fund The cemetery fund accounts for and reports the fees received from the sale of lots, footers, and burial fees for the purpose of maintaining and operating the Township cemetery.

Manchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and 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 significant permanent fund:

Cemetery Bequest Fund – The cemetery bequest fund accounts for and reports interest earned on the nonexpendable donation to the cemetery and is used for the general maintenance of the cemetery.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year-end.

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

Manchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

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:

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

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.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend 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.

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 Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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 – Budgetary Activity

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,850	\$24,983	\$4,133
Special Revenue	160,250	184,524	24,274
Permanent	0	275	275
Total	\$181,100	\$209,782	\$28,682

Manchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,745	\$5,868	\$6,877
Special Revenue	271,301	152,583	118,718
Total	<u>\$284,046</u>	<u>\$158,451</u>	<u>\$125,595</u>

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,480	\$25,599	\$5,119
Special Revenue	167,281	165,011	(2,270)
Permanent	0	91	91
Total	<u>\$187,761</u>	<u>\$190,701</u>	<u>\$2,940</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$13,980	\$9,591	\$4,389
Special Revenue	208,413	149,911	58,502
Total	<u>\$222,393</u>	<u>\$159,502</u>	<u>\$62,891</u>

Note 4 – Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2016	2015
Demand deposits	\$484,667	\$433,336
Certificates of deposit	2,000	2,000
Total deposits and investments	<u>\$486,667</u>	<u>\$435,336</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

Manchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

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

Note 6 - Risk Management

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation. The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014 (the latest information available):

	2015	2014
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$1,663.

Based on discussions with OTARMA, the expected rates OTARMA 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 OTARMA for each year of membership.

Manchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

<u>Contributions to OTARMA</u>	
<u>2016</u>	<u>2015</u>
\$3,094	\$3,137

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA 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 the pool. 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 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Contingent Liabilities

The Township is not currently involved in litigation.

Note 10 – Miscellaneous Income

The miscellaneous receipts in the permanent fund consist of contributions to the cemetery bequest fund.

Note 11 – Compliance

- A. The Township could not provide a signed approved submission of a detailed financial plan, in noncompliance with Ohio Revised Code Section 118.06.
- B. The Township failed to submit the required financial plan, in noncompliance with Ohio Revised code Section 118.12 and 2015 disbursements appeared to be greater than 85% of the preceding year disbursements with no evidence of the Commission authorizing a higher percentage.



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

Manchester Township
Adams County
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 the cash balances, receipts, and disbursements by fund type of Manchester Township, Adams County, Ohio, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated April 28, 2017, wherein we noted Manchester Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. 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 1 to the financial statements, Manchester Township has suffered recurring losses in prior years from operations and has a deficiency that raises doubts 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.

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 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.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a significant deficiency. We consider finding 2016-003 to be a significant deficiency.

Board of Trustees
Manchester Township

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 two 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 2016-001 and 2016-002.

Manchester Township's Responses 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.

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.
April 28, 2017

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

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 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	2016-002
----------------	----------

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.

2015 General fund disbursements were 126% 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.

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**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-003

Significant Deficiency - Financial Statement Presentation

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

Multiple adjustments were made to the financial statements for the years ended December 31, 2016 and 2015 to properly state financial statement amounts. In addition, numerous adjustments were made to the Township's notes to the financial statements.

The audited financial statements and Township 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 Township consult with their auditors, the Ohio Township Handbook, the Auditor of State and/or Ohio Municipal League 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 additional policies and procedures to help with financial statement presentation.

**MANCHESTER TOWNSHIP
ADAMS COUNTY, OHIO**

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

<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>
2014-001	<p><u>Noncompliance/Material Weakness</u> - 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. The Township did not properly certify 17 percent and 43 percent of the disbursement transactions tested during 2014 and 2013, respectively.</p>	Yes	N/A
2014-002	<p>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 certain elements. The Township was unable to provide evidence that this financial plan was approved.</p>	No	Repeated as finding 2016-001
2014-003	<p>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 118% of prior year general fund disbursements.</p>	No	Repeated as finding 2016-002

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
JUNE 20, 2017**