

**Manchester Township
Adams County**

**Fiscal Emergency Analysis
As of December 31, 2001 and August 31, 2002**

Local Government Services Division

MANCHESTER TOWNSHIP, ADAMS COUNTY
FISCAL EMERGENCY ANALYSIS

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DECLARATION OF FISCAL EMERGENCY

The Auditor of State performed a fiscal emergency analysis of Manchester Township, Adams County, pursuant to Section 118.04, Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at Manchester Township due to the existence of fiscal emergency conditions as defined in Sections 118.03 (A)(5), 118.03(A)(6), and 118.03(B) of the Ohio Revised Code.

This report, which sets forth the steps taken to make this determination and our conclusions, is hereby submitted and filed with Roddy Shane Tolle, President of the Board of Trustees of Manchester Township; Jacqueline Smith, Manchester Township Clerk; Joseph T. Deters, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Bob Taft, Governor; Thomas W. Johnson, Director of the Office of Budget and Management; Carroll E. Newman, Adams County Auditor as Secretary of the Adams County Budget Commission.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

September 20, 2002

Manchester Township, Adams County

Fiscal Emergency Analysis

Introduction

As provided by Section 118.04(A) of the Ohio Revised Code, the President of the Board of Trustees requested that a fiscal emergency review be performed by the Auditor of State for Manchester Township, Adams County, Ohio. The purpose of the analysis was to determine if the financial condition of the Township justifies the declaration of a fiscal emergency.

This report sets forth an analysis of fiscal emergency as of December 31, 2001 and August 31, 2002. For a fiscal emergency to be declared any one of six conditions must exist.

The guidelines for performing the analysis are set forth in Section 118.03 of the Ohio Revised Code. The specific procedures performed for each of the conditions and the corresponding results are presented below.

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code defines a fiscal emergency condition as:

“The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.”

We reviewed the outstanding indebtedness of the Township as of August 31, 2002. The Township had no outstanding debt obligations.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Ohio Revised Code. No default on any debt obligation for more than thirty days existed at August 31, 2001.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Ohio Revised Code defines a fiscal emergency condition as:

“The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation, county, or township in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than thirty days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.”

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We obtained an understanding of the payroll process through various discussions with the Township Clerk. We requested the payroll records of the Township and reviewed the minutes, resolutions and bank statements to determine the employees of the Township, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We then verified that payroll checks were issued to employees for the pay period including August 31, 2002 by reviewing payroll and accounting records. These procedures were performed to ascertain whether Township employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Ohio Revised Code.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of August 31, 2002. All employees have been paid in amounts and at the times required by the Township and State law.

Condition Three - Increase in Minimum Levy

Section 118.03(A)(3) of the Ohio Revised Code defines a fiscal emergency condition as:

“An increase, by action of the county budget commission pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.”

We confirmed with the Adams County Budget Commission whether there had been an increase, pursuant to Division (D) of Section 5705.31 of the Ohio Revised Code, in the minimum levy of Manchester Township which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Adams County Budget Commission indicated that the commission had not taken any action to increase the inside millage of Manchester Township.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code. The Adams County Budget Commission has not taken any action to increase the inside millage of the Township reducing another subdivision's millage.

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Condition Four - Past Due Accounts Payable from the General Fund and All Funds

Section 118.03(A)(4) of the Ohio Revised Code defines a fiscal emergency condition as:

“The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable. Accounts due and payable shall not include any account or portion thereof, that is being contested in good faith.”

We searched for accounts payable as of December 31, 2001, that were due and payable from all funds of the Township, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2001, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. We did not find any payables that had been due and payable for more than thirty days.

Condition Five - Deficit Fund Balances

Section 118.03 (A)(5) of the Ohio Revised Code defines a fiscal emergency as:

“The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in sections 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.”

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We computed the adjusted aggregate sum of all deficit funds as of December 31, 2001, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the revenues lawfully available to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit. The Township was unable to provide information that would allow us to determine whether the FEMA fund cash balance in the amount of \$3,438 could be available for transfer to the general fund.

In 2001, the Trustee's passed a resolution stating that the Board of Trustees' salary should be paid 80 percent from the general fund and 20 percent from the gasoline tax fund. The 2001 cash journal has all of the Trustees' salaries charged to the gasoline tax fund. The general and gasoline tax funds were adjusted to reflect the amounts that should have been expended according to the resolution.

Schedule I

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2001

	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum Of Funds with Deficit Balances	One-sixth of Budget and Revenues Lawfully Available	Unprovided Portion of Aggregate Deficit
General Fund	(\$64,539)	\$4,417	(\$68,956)	\$3,550	(\$65,406)
Motor Vehicle License Tax Fund	(280)	748	(1,028)	63	(965)
Cemetery Fund	(1,972)	2,359	(4,331)	5,679	0
General Bond/Note Retirement Fund	(231)	0	(231)	0	(231)
	<u>(\$67,022)</u>	<u>\$7,524</u>	<u>(\$74,546)</u>	<u>\$9,292</u>	<u>(\$66,602)</u>
Funds Available For Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u><u>(\$66,602)</u></u>

Conclusion: Schedule I indicates that a fiscal emergency condition exists under Section 118.03(A)(5) of the Ohio Revised Code as of December 31, 2001. The total unprovided portion of the aggregate deficit funds as of December 31, 2001, was \$66,602.

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Condition Six - Treasury Deficiency

Section 118.03(A)(6) of the Ohio Revised Code defines a fiscal emergency condition as:

“The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.”

We verified the Township’s reconciled bank balance to its cash book balance as of December 31, 2001, including necessary adjustments, to arrive at "net" treasury balances. We then determined the aggregate sum of the positive fund balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. The positive fund balances include the affect for the payroll adjustments. We then subtracted from the treasury deficit one-sixth of the total amount received into the treasury during 2001 to determine whether the treasury deficiency exceeded one-sixth of the treasury receipts as of December 31, 2001.

Schedule II

Treasury Balances

Revised Code Section 118.03(A)(6)

As of December 31, 2001

	<u>Amounts</u>
Bank Cash Balances	\$49,127
Adjustments:	
Outstanding Checks	0
Deposit in Transit	461
Total Treasury Balance	<u>49,588</u>
 Positive Fund Balances	
Gasoline Tax Fund	103,566
FEMA Fund	3,438
Non-Expendable Trust Fund	8,360
Total Positive Cash Fund Balances	<u>115,364</u>
 Treasury Balance Less Positive Fund Balances	(65,776)
One-sixth Treasury Receipts	<u>18,055</u>
Treasury Deficiency	<u><u>(\$47,721)</u></u>

Conclusion: Schedule II indicates that a fiscal emergency condition exists under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2001. The treasury balances less the

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positive cash fund balances exceeded one-sixth of the treasury receipts as of December 31, 2001, by \$47,721.

Required Subsequent Analysis for Conditions 4, 5, and 6

Under Section 118.03(B) of the Ohio Revised Code, the fiscal emergency criteria described above under Conditions 4, 5, and 6 must exist at year-end and at the date of the Auditor of State's determination in order to declare a fiscal emergency. This requirement allows the Township an opportunity to demonstrate that a fiscal emergency does not exist. In order to demonstrate that any year-end fiscal emergency condition no longer exists, the Township should have up-to-date and reconciled accounting ledgers among other records. The Township was unable to provide sufficient financial records to perform the analysis at August 31, 2002.

Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency exists at Manchester Township as defined in Sections 118.03(A)(5), 118.03(A)(6), and 118.03(B) of the Ohio Revised Code and presented in Schedules I and II above.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.



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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
SEPTEMBER 20, 2002**