

Manchester Township
Adams County, Ohio

Regular Audit

For the years ended December 31, 2008 and 2007
Fiscal Years Audited Under GAGAS: 2008 and 2007



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

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, 2007 through December 31, 2008. 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.

Finding for Recovery - Repaid Under Audit

Ohio Rev. Code Section 5705.10(D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

On August 17, 2007, a check was issued to the Village of Manchester by the Adams County Auditor in the amount of \$964.23 for the July 2007 motor vehicle license fees collected under Ohio Revised Code Section 4501.030 and 4501.04(A). The Village Clerk/Treasurer for the Village of Manchester at that time, who also served as the Manchester Township Fiscal Officer, mistakenly deposited the check into the bank account of Manchester Township.

Board of Trustees
Manchester Township
813 8th Street Manchester, Ohio 45144
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In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Manchester Township in the amount of \$964.23, and in favor of the Village of Manchester State Highway Fund in the amount of \$72.32 and in favor of the Village of Manchester Street Fund in the amount of \$891.91.

On September 8, 2009 a check from Manchester Township in the amount of \$964.23 was issued to the Village of Manchester. Documentation was provided by the current Village Clerk/Treasurer showing payment was received and receipted on the Village's financial records.

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 29, 2009

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Elected Officials
For the Fiscal Years Ended December 31, 2008 and 2007

Position	Name	Term of Office
Fiscal Officer	Jackie Smith	4/1/2004 to 3/31/2008
Fiscal Officer	Dorothy McFarland	4/1/2008 to 3/31/2012
Trustee	Doug Shelton	1/1/2006 to 12/31/2009
Trustee	Patty Cooper	1/1/2007 to 12/31/2009
Trustee	Roddy Tolle	1/1/2004 to 12/31/2007
Trustee	Earl Ruark	1/1/2008 to 12/31/2011

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Manchester Township
Adams County, Ohio
For the Years Ended December 31, 2008 and 2007
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Independent Auditor's Report

Board of Trustees
Manchester Township
Adams County
813 8th 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, 2008 and 2007. 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 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 requirement. 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the years then ended.

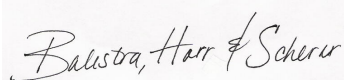
Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Manchester Township, Adams County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 27, 2009, 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.

October 27, 2009

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, 2008*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent Fund	
Cash Receipts:				
Local Taxes	\$ 26,102	\$ 47,479	\$ -	\$ 73,581
Intergovernmental	6,220	108,433	-	114,653
Licenses, Permits, and Fees	-	25,382	-	25,382
Charges for Services	-	9,650	-	9,650
Interest	926	550	-	1,476
Total Cash Receipts	33,248	191,494	-	224,742
Cash Disbursements:				
Current:				
General Government	44,535	-	-	44,535
Public Works	1,000	51,386	-	52,386
Health	-	73,974	-	73,974
Capital Outlay	-	31,297	-	31,297
Total Cash Disbursements	45,535	156,657	-	202,192
Total Cash Receipts Over Cash Disbursements	(12,287)	34,837	-	22,550
Other Financing Receipts and (Disbursements):				
Advance In	7,000	7,000	-	14,000
Advance Out	(7,000)	(7,000)	-	(14,000)
Total Other Financing Receipts/(Disbursements)	-	-	-	-
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(12,287)	34,837	-	22,550
Fund Cash Balances, January 1	(95,519)	276,899	11,730	193,110
Fund Cash Balances, December 31	<u>\$ (107,806)</u>	<u>\$ 311,736</u>	<u>\$ 11,730</u>	<u>\$ 215,660</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, 2007*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent Fund	
Cash Receipts:				
Local taxes	\$ 18,324	\$ 33,177	\$ -	\$ 51,501
Intergovernmental	4,621	91,914	-	96,535
Licenses, Permits, and Fees	-	23,155	-	23,155
Charges for Services	-	11,400	-	11,400
Interest	685	155	-	840
Total Cash Receipts	23,630	159,801	-	183,431
Cash Disbursements:				
Current:				
General Government	10,688	-	-	10,688
Public Works	-	70,129	-	70,129
Health	-	34,842	-	34,842
Capital Outlay	-	25,869	-	25,869
Total Cash Disbursements	10,688	130,840	-	141,528
Total Cash Receipts Over Cash Disbursements	12,942	28,961	-	41,903
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	8,942	32,961	-	41,903
Fund Cash Balances, January 1 (as restated see note #9)	(104,461)	243,938	11,730	151,207
Fund Cash Balances, December 31	<u>\$ (95,519)</u>	<u>\$ 276,899</u>	<u>\$ 11,730</u>	<u>\$ 193,110</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, 2008 and 2007**

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'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 account, 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.

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.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**Notes to the Financial Statements
December 31, 2008 and 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Fund Accounting

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. Unencumbered appropriations lapse at year end.

2. 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 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 need not be re-appropriated.

A summary of 2008 and 2007 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.

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.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**Notes to the Financial Statements
December 31, 2008 and 2007
(Continued)**

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 and investments at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 214,660	\$ 192,110
Certificates of deposit	1,000	1,000
Total deposits	<u>\$ 215,660</u>	<u>\$ 193,110</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 2008 and 2007, PERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equal to 14% and 13.85%, respectively, of participants' gross salaries. As of December 31, 2008, the Township had paid 100% of its required contribution for 2008, and 100% of its required contribution for 2007.

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, 2008 and 2007
(Continued)**

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,540	\$33,248	\$5,708
Special Revenue	178,735	191,494	12,759
Permanent	-	-	-
Total	\$206,275	\$224,742	\$18,467

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,530	\$45,535	(\$35,005)
Special Revenue	94,823	156,657	(61,834)
Permanent	-	-	-
Total	\$105,353	\$202,192	(\$96,839)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,289	\$23,630	(\$4,659)
Special Revenue	145,000	159,801	14,801
Permanent	-	-	-
Total	\$173,289	\$183,431	\$10,142

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,530	\$10,688	(\$158)
Special Revenue	94,823	130,840	(36,017)
Permanent	-	-	-
Total	\$105,353	\$141,528	(\$36,175)

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**Notes to the Financial Statements
December 31, 2008 and 2007
(Continued)**

6. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each Member’s needs. The plan pays judgments, settlements, and other expenses resulting from claims that exceed the Member’s deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses.

Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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 to generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31:

	2007	2006
Assets	\$9,620,148	\$8,219,430
Liabilities	(3,329,620)	(2,748,639)
Member's Equity	\$6,290,528	\$5,470,791

Complete audited financial statements for The Ohio Government Risk Management Plan can be obtained at the Plan’s website, www.ohioplan.org.

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 changes in coverage has occurred from prior years.

7. COMPLIANCE

Contrary to Ohio laws, the Township Trustees or Clerk was not bonded during the audit period.

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

Contrary to Ohio law, the Township’s appropriations were in excess of estimated resources in the General, Road Levy and Permissive Sales Tax funds.

Contrary to Ohio law, the Township’s budgetary basis expenditures exceeded appropriations.

Contrary to Ohio law, the Township did not maintain an accurate record of all monies received.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**Notes to the Financial Statements
December 31, 2008 and 2007
(Continued)**

7. COMPLIANCE (Continued)

Contrary to Federal law, the Township was delinquent in filing IRS Tax Forms 941 for several quarters during the audit period. Furthermore, the Township did not remit payroll withholdings to the appropriate agencies accurately or in a timely manner.

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 both years of the audit period.

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.

9. RESTATEMENT OF FUND BALANCES

During the 2007, several outstanding warrants were voided. These voided warrants created a discrepancy between the 2006 ending fund balance and the 2007 beginning fund balance. These adjustments resulted in the following changes to fund balances at December 31, 2006:

	General Fund	Special Revenue Funds	Permanent Fund	Totals
Fund Balance, December 31, 2006	\$ (123,770)	\$ 239,864	\$ 11,730	\$ 127,824
Return of Outstanding Warrants	-	3,919	-	3,919
Prior Period Adjustment	19,308	-	-	19,308
Fund Balance, December 31, 2006 as Restated	\$ (104,462)	\$ 243,783	\$ 11,730	\$ 151,051



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Manchester Township
Adams County, Ohio
813 8th 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, 2008 and 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United State of America and 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, and have issued our report thereon dated October 27, 2009. 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. These items are identified in the accompanying schedule of findings as items 2008-008 through 2008-12.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Manchester Township

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe that findings 2008-08 through 2008-12 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 27, 2009.

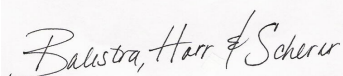
Compliance and Other Matters

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-01 through 2008-07 and 2008-13 through 2008-15.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 27, 2009.

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

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



Balestra, Harr & Scherer, CPAs, Inc.
October 27, 2009

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding 2008-01

Material Noncompliance

26 U.S.C. 3402 (a)(1) requires employers to withhold and remit federal income taxes from the wages of employees and elected officials.

The Township was delinquent in filing IRS Tax Forms 941 for 2007 and the first quarter of 2008. Furthermore, the Township did not remit payroll withholdings to the appropriate agencies accurately or in a timely manner nor were withholding authorization forms on file.

The Township's Fiscal Officer should remit federal income taxes withheld on a timely basis. Additionally, the Township should maintain documentation concerning the remittance of federal income taxes as well as the required reports.

Client Response:

The new fiscal officer did not take office until April 1, 2008. These taxes were filed in 2008 for years 2007 and first quarter 2008.

Finding 2008-02

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.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

**Finding 2008-02
(Continued)**

Material Noncompliance

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

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

Client Response:

The new fiscal officer did not take office until April 1, 2008.

Finding 2008-03

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:

2008:	
General Fund –	(\$106,806)
Motor Vehicle Tax Fund	(\$2,121)
2007:	
General Fund -	(\$95,519)
Motor Vehicle Tax Fund	(\$2,623)

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

Client Response:

We did not receive a response from the client concerning this matter.

Finding 2008-04

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 measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

**Finding 2008-04
(Continued)**

Material Noncompliance

Appropriations were in excess of estimated resources plus unencumbered beginning balances (available resources) in the following funds at 12/31/08:

- General Fund (1000) - \$11,419

Appropriations were in excess of estimated resources plus unencumbered beginning fund balance at 12/31/07 for the following funds:

- General Fund (1000) - \$10,530

Appropriations in excess of estimated resources could result in overspending, leading to negative fund balances.

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

Client Response:

We did not receive a response from the client concerning this matter.

Finding 2008-05

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 (available resources) in the following funds at 12/31/08:

- General Fund (1000) - \$45,406

Appropriations were in excess of available resources at 12/31/07 for the following funds:

- General Fund (1000) - \$10,688

Appropriations in excess of estimated resources could result in overspending, leading to negative fund balances.

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

Client Response:

We did not receive a response from the client concerning this matter.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding 2008-06

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 plus outstanding encumbrances were in excess of appropriations in the general fund by \$33,987 at 12/31/08.

Expenditures in excess of appropriations could result in negative fund balances and overspending.

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

Client Response:

We did not receive a response from the client concerning this matter.

Finding 2008-07

Material Noncompliance

Ohio Revised Code Section 733.28 provides that the Township clerk shall keep the books of the Township; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, Ohio Administrative Code Section 117-2-02(A) states that all public offices are required to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the administrative code.

The Township's Fiscal Officer did not maintain an accurate record of all monies received. The accounting records of the Township were incomplete and inaccurate.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Township funds, reduces the Trustees' ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Township's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as to ensure that all recorded transactions have been deposited with the financial institution. Failure to timely and accurately remit payroll withholdings to the appropriate agencies can cause the Township to be liable for penalties and interest. Failure to properly certify budgetary documents can result in overspending funds and negative cash balances.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**Finding 2008-07
(Continued)**

Material Noncompliance

The Township should implement procedures to ensure that receipts are accurately and completely stated, and to ensure that the accounting records of the Township are accurate and complete. The Township should also implement procedures to ensure that payroll withholdings withheld are timely and accurately remitted to the appropriate agencies. The Township should also ensure that all budgetary documents are properly certified.

Client Response

We did not receive a response from the client concerning this matter.

Finding 2008-08

Material Weakness

Accurate monthly reconciliations of the ending bank account balance to the Township's ending book balance were not performed each month during 2007 and the first quarter of 2008 by the Fiscal Officer. Additionally, old outstanding checks greater than one year old were being carried on the township's reconciliation.

This resulted in inaccurate book balances and cumbersome reconciliation procedures.

The Township's Fiscal Officers should perform bank reconciliations on a monthly basis and any reconciling items should be documented and investigated to prevent unsupported adjustments from being recorded.

Client Response:

The new fiscal officer did not take office until April 1, 2008.

Finding 2008-09

Material Weakness

The Township failed to record interest earned on the principal balance in its cemetery bequest fund, gas tax fund, and motor vehicle license fund in 2008 and 2007, however the amount of interest calculated was immaterial, therefore the financial statements were not adjusted. Further, the Township did have some adjustments and reclassifications that were required to be posted to properly reflect cash receipts and cash disbursements.

The accompanying financial statements were adjusted to reflect adjustments to the following line items:

- Property and other local taxes
- Intergovernmental revenue
- Miscellaneous revenue
- Special Items

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**Finding 2008-09
(Continued)**

Material Weakness (Continued)

The aforementioned errors were the result of a lack of internal controls over financial reporting.

The Township should implement application and monitoring controls to ensure that financial statement balances are accurately and completely stated.

Client Response:

The new fiscal officer did not take office until April 1, 2008.

Finding 2008-10

Material Weakness

The Township has experienced several accounting and reporting issues as evidenced by the number of report findings.

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and schedules used to make these management decisions.

There was an obvious lack of controls over the financial accounting process, which need to be addressed promptly.

Failure to implement controls over the financial accounting process has resulted in the Township's records being inaccurate. Furthermore, the Township has been delinquent in filing tax returns, and payroll withholdings have not been accurately and timely remitted to the appropriate agencies. The Clerk also failed to certify all appropriate budgetary documents with the County Auditor. The Clerk also failed to provide necessary contract information and documentation, making it impossible to determine that the Township was compliant with certain sections of the Ohio Revised Code.

The Township should take the following steps in addressing these issues:

- Designate the Fiscal Officer and Trustees as having the primary responsibility of ensuring that all audit findings are properly addressed in a timely manner.
- Organize and hold monthly meetings to discuss and develop an action plan to address all audit findings, monitor progress on the action plan, and review specific action taken for each of the findings.
- Have the Fiscal Officer, in conjunction with the Trustees; develop a monthly, quarterly, and annual check sheet to document key actions performed which are an integral part of the financial accounting and reporting process. The check sheet(s) should include such items as monthly bank reconciliations, monthly financial reports, including a monthly review of budget and actual information and determination of whether budgetary documents require amendments, submission of various tax remittances for federal, state, and local governments, filing of appropriate forms for federal, state, and local governments, reconciliation of tax remittances with the appropriate tax forms, and any other key items. The check sheet should be prepared by the Fiscal Officer and approved by the Trustees.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**Finding 2008-10
(Continued)**

Material Weakness (Continued)

- The Fiscal Officer should go over the check sheet at the monthly meetings, and it should be approved by the Trustees.

Client Response:

The new fiscal officer did not take office until April 1, 2008.

Finding 2008-11

Material Weakness

The size of the Township's staff did not allow for an adequate segregation of duties; the Township's Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Township's Board of Trustees monitor financial activity closely. The Township's Board of Trustees did not review financial reports. No ledgers were printed during the audit period. Bank reconciliations were not prepared on a timely basis, and were not reviewed by anyone other than the preparer. There were no processes or procedures in place to ensure transactions were posted in the proper period. No processes existed to identify unusual fluctuations between accounts or between fiscal years.

Monitoring controls should assist management in detecting material misstatements in the financial or other information presented. Such controls may include, but are not limited to, the following reviews by the Board of Trustees:

- Monthly review of budget and actual activity including required submission of budgetary reports;
- Monthly review of unusual or significant items on the bank-to-book reconciliation, such as long outstanding checks or deposits;
- Planning for adequate segregation of duties or compensating controls;
- Ensuring the accounting records are properly designed.

The Township has not implemented an effective monitoring control system which would assist management in detecting material misstatements in financial or other information.

Failure to properly monitor the Township's financial activities has resulted in the Township's records being inaccurate. Monthly bank reconciliations were not timely performed or reviewed by Trustees during the audit period. Furthermore, the Township has been delinquent in filing tax returns, and payroll withholdings have not been accurately and timely remitted to the appropriate agencies. The Clerk also failed to certify all appropriate budgetary documents with the County Auditor. Failure to develop and implement a monitoring control system could also result in misappropriation of the Township's assets.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**Finding 2008-11
(Continued)**

Material Weakness

The Township should develop and implement a monitoring control system to prevent material misstatements or misappropriation of assets from occurring.

Client Response:

The new fiscal officer did not take office until April 1, 2008.

Finding 2008-12

Material Weakness

While testing revenues received into the Cemetery fund we noted the following internal control weaknesses: Receipts collected by the Sexton were not reconciled to the Township's accounting records. The Sexton did not always include a detailed description of the cemetery fee or amount received in his subsidiary ledgers. Further, we noted that cemetery transactions were only posted to the Township financial system monthly. Also, the Township was not able to provide us the deed book to support plots sold during the audit period.

We make the following recommendations regarding cemetery receipts. The Township Trustees should adopt a schedule of fees for cemetery related charges. The Sexton should properly document all details of cemetery transactions in the subsidiary ledger including the purpose of the transaction, date and amount. Cemetery receipts should be reconciled to the UAN system monthly and any discrepancies should be investigated and explained.

Cemetery collections should be posted to the UAN system daily. And finally, the Township should locate and maintain the cemetery deed book.

Client Response:

The fiscal officer now has a list of fees that she knows about.

Finding 2008-13

Material Noncompliance

Ohio Revised Code section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

The Township has several instances where monies were not deposited in a timely manner. Also the Township failed to deposit monies sent to them by the County Auditor and replacement checks had to be issued. Furthermore the Township's Fiscal Officer deposited a check into the Township's bank account that was made out to the Village of Manchester and as of the December 31, 2008 these monies have not be paid back to the Village.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**Finding 2008-13
(Continued)**

Material Noncompliance

The Township's Fiscal Officer should ensure that all monies collected are being receipted into the UAN system and deposited within one business day. Also the Township should repay the Village for the amount of monies that were inappropriately deposited into their account.

Client Response:

The new fiscal officer did not take office until April 1, 2008. All deposits are made on time.

Finding 2008-14

Material Noncompliance

Ohio Rev. Code section 145.47 and 145.48 states, in part, that the fiscal officer of each local authority shall transmit promptly to the Public Employees Retirement System a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions. Ohio Revised Code section 145.48 (a) requires that each employer shall pay to the system an amount that shall be a certain percent of the earnable salary of all contributors to be known as the "employer contributions."

Per review of the payroll records, it was determined that the Township did not remit all of the required contributions for 2007 and the first quarter of 2008. Additionally, the reports were not filed in a timely manner. The Township did, however, remit all delinquent reports and remittances during 2008 and was current as of December 31, 2008.

The Township should ensure that the employees' withholdings and the corresponding employer's share be paid and reports filed in a timely manner. The Township should also remit all outstanding unpaid balances due to the Public Employees Retirement System.

Client Response:

The new fiscal officer did not take office until April 1, 2008.

Finding 2008-15

Material Noncompliance

Ohio Rev. Code section 5747.07 (B)(4) states an employer shall make the payments of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December of each year. The employer shall file the return prescribed by the tax commissioner with the payment.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**Finding 2008-15
(Continued)**

Material Noncompliance

Ohio Rev. Code section 5747.07 (E)(2) requires that in addition to other returns required to be filed and payments made under this section, every employer are required to deduct and withhold taxes shall file, not later than the thirty-first day of January of each year, an annual return covering, but not limited to, both the aggregate amount deducted and withhold and the aggregate amount required to be deducted and withheld during the entire preceding year for the tax imposed under section 5747.02 of the Revised code. At the time of filing the return, the employer shall pay over any amounts of undeposited taxes for the preceding year, whether actually deducted and withheld or required to be deducted and withheld, that have not been previously paid. The employer shall make the annual report, to each employee and to the tax commissioners, of the compensation paid and each tax withheld, as the commissioner by rule may prescribe.

Per review of the payroll records, it was determined that the Township did not remit all of the required contributions for 2007 and the first quarter of 2008. Additionally, the reports were not filed in a timely manner. The Township did, however, remit all delinquent reports and remittances during 2008 and was current as of December 31.2008.

Client Response:

The new fiscal officer did not take office until April 1, 2008 once the problem was discovered these taxes were paid.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS END DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Ineffective controls over the Township's Disbursement Cycle.	No	Re-issued as part of finding number 2008-10
2004-002	Citation 5705.41(D) – Prior certification of disbursements.	No	Re-issued finding number 2008-02
2004-003	Material citation for accounting records.	No	Issued similar citation. Finding number 2008-08.
2004-004	Citation 5705.10 – Negative fund balances.	No	Re-issued finding number 2008-03.
2004-005	Citation 5705.39 – Appropriations exceeded estimated resources.	No	Re-issued finding number 2008-04.
2004-006	Reportable condition – cemetery receipts.	No	Re-issued finding number 2008-12.
2004-007	Material weakness – monitoring controls.	No	Re-issued finding number 2008-11.
2004-008	Material weakness – payroll controls.	No	Re-issued finding number 2008-15.



Mary Taylor, CPA
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
JANUARY 12, 2010**