



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Manchester Township
Morgan County
6037 N Blackburn Rd
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the accompanying financial statements of Manchester Township, Morgan County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Manchester Township, Morgan County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

July 10, 2002

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Local Taxes	\$18,637	\$15,922	\$	\$34,559
Intergovernmental	7,298	54,443		61,741
Licenses, Permits, and Fees		400		400
Earnings on Investments	1,802	1,625	106	3,533
Other Revenue	2,830	125		2,955
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	30,567	72,515	106	103,188
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
General Government	21,523	2,000		23,523
Public Safety		4,369		4,369
Public Works		61,400		61,400
Health		2,682		2,682
Human Services	5,455			5,455
Conservation - Recreation		1,835		1,835
Debt Service:				
Redemption of Principal		7,472		7,472
Interest and Fiscal Charges		528		528
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	26,978	80,286	0	107,264
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	3,589	(7,771)	106	(4,076)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over/(Under) Cash Disbursements	3,589	(7,771)	106	(4,076)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	(3,502)	66,958	2,115	65,571
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$87	\$59,187	\$2,221	\$61,495
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Local Taxes	\$16,496	\$15,212	\$	\$31,708
Intergovernmental	5,246	54,853		60,099
Licenses, Permits, and Fees		200		200
Earnings on Investments	1,113	2,611	115	3,839
Other Revenue	6,250	66		6,316
	<u>29,105</u>	<u>72,942</u>	<u>115</u>	<u>102,162</u>
Cash Disbursements:				
Current:				
General Government	24,386			24,386
Public Safety		5,062		5,062
Public Works		65,292		65,292
Health		3,554		3,554
Human Services	7,780			7,780
Conservation - Recreation		2,642		2,642
Debt Service:				
Redemption of Principal		12,419		12,419
Interest and Fiscal Charges		738		738
Capital Outlay		8,000		8,000
	<u>32,166</u>	<u>97,707</u>	<u>0</u>	<u>129,873</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,061)</u>	<u>(24,765)</u>	<u>115</u>	<u>(27,711)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(3,061)	(24,765)	115	(27,711)
Fund Cash Balances, January 1 (Restated, Note 8)	<u>(441)</u>	<u>91,723</u>	<u>2,000</u>	<u>93,282</u>
Fund Cash Balances, December 31	<u>(\$3,502)</u>	<u>\$66,958</u>	<u>\$2,115</u>	<u>\$65,571</u>

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

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Manchester Township, Morgan County, (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 governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Reinersville Volunteer Fire Department to provide fire services.

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.

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

C. Fund Accounting

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

1. General Fund

The General Fund 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 construct, maintain and repair Township roads.

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Cemetery Levy Fund - This fund receives property tax money at the rate of .5 mill for each one dollar of valuation for the purpose of maintenance of the Township cemeteries.

Recreation Levy Fund - This fund receives property tax money at the rate of .5 mill for each one dollar of valuation for recreation purposes.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Levy Fund - This fund receives property tax money at the rate of 1 mill for each one dollar of valuation for the purpose of fire protection.

3. Fiduciary Fund (Trust Fund)

These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Township had the following significant nonexpendable trust fund:

John W. Phillis Cemetery Bequest Fund - This nonexpendable trust fund receives interest earned on principal amount of \$2,000. The use of the interest earnings is restricted to upkeep of the Phillis family grave sites at Reinersville Cemetery.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting as required by Ohio Law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment 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:

	2001	2000
Demand deposits	<u>\$61,495</u>	<u>\$65,571</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity (prior to the adjustments discussed in Note 8) for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,063	\$30,567	(\$496)
Special Revenue	76,545	72,515	(4,030)
Fiduciary	90	106	16
Total	\$107,698	\$103,188	(\$4,510)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,439	\$26,978	(\$4,539)
Special Revenue	140,811	80,286	60,525
Fiduciary	2,000	0	2,000
Total	\$165,250	\$107,264	\$57,986

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,957	\$29,105	(\$7,852)
Special Revenue	76,364	72,942	(3,422)
Fiduciary	90	115	25
Total	\$113,411	\$102,162	(\$11,249)

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,885	\$32,166	\$8,719
Special Revenue	162,718	97,707	65,011
Fiduciary	2,090	2,090	2,090
Total	\$205,693	\$129,873	\$75,820

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Accountability and Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$8,477 for the year ended December 31, 2001. Also, contrary to Ohio law, the General Fund, at December 31, 2001 and 2000 had a deficit fund balance of \$16,505 and \$16,156, respectively. In addition, the Township did not use the encumbrance method of accounting during 2001 or 2000.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the 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 payments, 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.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Promissory Note - Grader	\$2,644	variable

The promissory note was issued to finance the purchase of a new grader to be used for Township road maintenance. During the audit period, the variable interest ranged from 4% to 7.5%. The note is secured by the grader.

Amortization of the above debt, including interest, is scheduled as follows:

	Promissory Note - Grader
Year ending December 31: 2002	\$2,670

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

The Township's officials and employee belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for the periods January 1, 2001 through December 31, 2001 and January 1, 2000 through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participant's gross salaries. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Business auto;
- Public officials liability; and
- Inland marine.

8. GOING CONCERN CONSIDERATIONS AND RELATED ADJUSTMENTS

The Township's General Fund had a negative cash balance at December 31, 1999 and throughout 2000 and 2001. This condition gave rise to consideration of the Township's ability to continue as a going concern and the likelihood of the Township being declared in a state of fiscal emergency. During 2002, Township management and representatives from the Auditor of State reviewed expenditures made during 1999, 2000, and 2001 and determined that expenditures were made from the General Fund which could have been allocated to other funds. The re-allocation of expenditures had the following effect on fund balances:

Fund Type	Ending Balance December 31, 1999	Restatement	Restated Balance December 31, 1999
General Fund	(\$4,821)	\$4,380	(\$441)
Special Revenue Fund	96,103	(4,380)	91,723

The following events contributed to this condition:

- High health insurance costs;
- Significant audit and consultation fees as a result of poor bookkeeping practices (The Township's books were determined to be unauditible and reconstruction fees were incurred as well as audit fees.);
- An analysis of work performed by each Trustee was not performed and used as a basis from which to allocate each Trustee's salary and fringe benefits;
- Interest earnings have slowly declined over the past four years;
- Property taxes and intergovernmental revenues have not kept pace with increasing costs;
- Accurate financial records were not maintained to enable Township management to make informed decisions concerning the use of limited Township resources.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. GOING CONCERN CONSIDERATIONS AND RELATED ADJUSTMENTS (Continued)

Township management has formulated a plan to mitigate the conditions and events which led to the deficit fund balances. Management's plans include allocating trustee salary and fringe benefits to various special revenue funds in proportion to the work being performed by each Trustee. In addition, the management intends to implement internal controls over the accounting and budgetary processes as recommended by the Auditor of State in the Schedule of Findings.

The adjustments noted above were posted to the Township's books on July 10, 2002 and are reflected in the accompanying financial statements. The budgetary information presented in Note 3 and the citations and recommendations reported in the Schedule of Findings are based on financial transactions as they occurred prior to adjustments.



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OFFICE OF THE AUDITOR

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743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Manchester Township
Morgan County
6037 N Blackburn Rd
McConnelsville Ohio, 43756

To the Board of Trustees:

We have audited the accompanying financial statements of Manchester Township, Morgan County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 10, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-41058-001 through 2001-41058-010. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 10, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-41058-005 through 2001-41058-008 and 2001-41058-011 through 2001-41058-015.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 10, 2002.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

July 10, 2002

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-41058-001

Finding for Recovery Repaid Under Audit

Ohio Revised Code Section 507.09 prescribes the salary amounts for Township Clerks. For the term served from April 1, 1996 through March 31, 2000, Darlene Cain, Manchester Township Clerk should have been paid \$7,000 a year, or \$583.33 per month. For the term commencing on April 1, 2000, Darlene Cain should have been paid \$8,169 a year, or \$680.75 per month. Darlene Cain was compensated \$680.75 per month for the period January 2000 through March 2000. As a result, Darlene Cain was overcompensated \$292.26.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code §117.28, a finding for recovery is hereby issued against Darlene Cain, Manchester Township Clerk, and her surety, the Personal Service Insurance Company, jointly and severally, in the amount of \$292.26, in favor of Manchester Township, Morgan County.

On April 4, 2002, Darlene Cain, Manchester Township Clerk, paid \$292.26 to Manchester Township for the purpose of repaying the above referenced finding.

FINDING NUMBER 2001-41058-002

Finding for Adjustment

Article XII, Section 5a, Ohio Constitution and Ohio Rev. Code § 5705.10 and 5705.131 require interest earned to be credited to the General Fund, with the following exceptions: A) Interest earned on money derived from a motor vehicle license or fuel tax must follow the principle; and B) Interest earned on money derived from a nonexpendable trust fund must follow the principle.

Interest earned on motor vehicle license, fuel tax and the principal of the nonexpendable trust fund was not properly allocated to the Motor Vehicle License, Gasoline Tax and Cemetery Bequest Funds.

As a result of the foregoing facts, a finding for adjustment is issued against the General Fund in the amount of \$4,151, in favor of the Motor Vehicle License, Gas Tax, and Cemetery Bequest Funds, in the amounts of \$1,580, \$2,365, and \$206, respectively.

This adjustment, with which management agrees, has been posted to the Township's books and is reflected in the accompanying financial statements. We recommend the Township Clerk allocate future interest earned on all investments to the appropriate funds, by utilizing a reasonable allocation method.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-41058-003

Finding for Adjustment

Ohio Rev. Code § 5705.10 states that money paid into a fund may only be used for the purpose for which the fund is established. As the Township Clerk's duties are administrative in nature, and the Gas Tax Fund may not be used to pay for general administrative services, the Township Clerk's salary and benefits should therefore be paid from the Township's General Fund. During 2001, the Township paid \$470 of the employer's share of the Township Clerk's PERS benefits from the Gas Tax Fund.

As a result of the foregoing facts, a finding for adjustment in the amount of \$470 is issued against the General Fund in favor of the Gas Tax Fund.

This adjustment, with which management agrees, has been posted to the Township's books and is reflected in the accompanying financial statements. We recommend the Township Clerk pay all of her future salary and benefits from the Township's General Fund.

FINDING NUMBER 2001-41058-004

Finding for Adjustment

Ohio Rev. Code § 505.24 states the amount of the annual salary approved by the Board of Trustees shall be no more than the maximum amount that could be received annually by a Board of Trustee if the Board of Trustee were paid on a per diem basis as specified in this division, and shall be paid only from the township General Fund or from such funds in proportions as the board may specify by resolution. The Township had not adopted a resolution in either year authorizing the amounts of salaries and fringe benefits to be paid from each fund. On June 27, 2001, the Township passed a resolution authorizing 20% of the Board of Trustees' salaries and benefits to be paid from the General Fund with 80% to be paid from the Motor Vehicle License Tax Fund, Gas Tax Fund, and Road and Bridge Fund. Despite this resolution, the Board of Trustees' combined annual salaries and fringe benefits for 2001 were paid 45% from the Motor Vehicle License Tax Fund and 55% from the Gasoline Tax Fund. In 2000, the Board of Trustees' combined annual salaries and fringe benefits were paid 25% from the General Fund and 75% from the Gas Tax Fund.

The allocation of Board of Trustees' salaries and fringe benefits for 2001 and 2000 was not proportionate to the administrative duties actually performed by the Board of Trustees. After bringing this to the Board of Trustee's attention, the Board of Trustees passed a retroactive resolution on July 10, 2002 addressing the proportions from which the total compensation (salaries and fringe benefits) of the Board of Trustees should have been paid. The following proportions were approved for 2001: 5% General Fund, 40% Motor Vehicle License Tax Fund, 40% Gasoline Tax Fund, 10% Cemetery Fund, and 5% Recreation Fund. The following proportions were approved for 2000: 5% General Fund, 5% Motor Vehicle License Tax Fund, 75% Gasoline Tax Fund, 5% Road and Bridge Fund, 5% Cemetery Fund, and 5% Recreation Fund.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-41058-004 (Continued)

Finding for Adjustment (Continued)

In accordance with the foregoing facts, a finding for adjustment is hereby issued in the following proportions:

Fund	Against	In Favor
General		(\$8,599.00)
Motor Vehicle License	\$288.00	
Gasoline Tax		(\$3,275.00)
Road and Bridge	\$2,055.00	
Cemetery	\$5,669.00	
Recreation	\$3,862.00	
	\$11,874.00	(\$11,874.00)

As of the date of this report, Township management was in agreement with the aforementioned adjustment. The adjustment has been posted to the Township's records and is reflected in the accompanying financial statements.

We recommend the Township adopt a formal resolution at the organizational meeting each year addressing the allocation of total compensation. Each resolution should address the appropriate proportions and funds from which the salaries and fringe benefits are to be paid. Benefits such as health insurance and the employer's portion of retirement and Medicare should be paid out of the same funds, and in the same proportions, as the salaries.

FINDING NUMBER 2001-41058-005

Noncompliance Citation and Material Weakness

Ohio Rev. Code §5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. 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 the certification is being completed, 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 Board of Trustees may 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 Township.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-41058-005(Continued)

Noncompliance Citation and Material Weakness (Continued)

The Township's fiscal officer did not certify funds during the audit period. Without these certifications, the Township lost budgetary control over expenditures and, as disclosed in Note 3 to the financial statements, this condition allowed noncompliance with Ohio Rev. Code §5705.41 (B) to occur.

We recommend the Township's management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

FINDING NUMBER 2001-41058-006

Noncompliance Citation and Material Weakness

Ohio Admin. Code §117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code §117-2-02(C)(1) provides that all public offices should integrate the budgetary account, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. Ohio Admin. Code Section 117-2-02(C)(2) provides that purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation accounts as required by 5705.41(D) of the Revised Code.

Ohio Admin. Code §117-2-02(D)(1) provides that a cash journal, which typically contains the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction, should be used.

Ohio Admin. Code §117-2-02(D)(2) provides that a receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses, should be used. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

Ohio Admin. Code §117-2-02(D)(3), provides that an appropriation ledger, which may assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution should be used. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-41058-006 (Continued)

Noncompliance Citation and Material Weakness (Continued)

The following conditions were noted:

1. The cash journal reflected numerous receipt and disbursement transactions which were not posted in chronological sequence in the cashbook. Disbursements were not posted to the codes as reflected on the vouchers approved by the Board of Trustees.
2. Numerous receipt transactions were posted to the cashbook, but were not posted to the receipts ledger.
3. Numerous disbursement transactions were posted to the cashbook, but were not posted to the appropriations ledger.
4. Budgeted receipt amounts posted to the receipts ledger did not correspond to the amounts on the certificate of estimated resources obtained from the County Budget Commission.
5. Budgeted expenditures (appropriations) were not posted to the appropriations ledger consistently. In some instances, appropriation measures were not entered into the appropriations ledger at all and, in other instances, the amounts reflected on appropriation measures did not correspond to those entered into the appropriations ledger.
6. The encumbrance system of accounting was not utilized.
7. The ledgers contained an inordinate number of transactions where white-out had been used or transactions had been struck out by writing over them.

As a result, the Township did not maintain an accounting system and accounting records sufficient to enable the Township to report its transactions and prepare accurate financial statements for 2000 and 2001. There was no method established whereby the Board of Trustees and the Township Clerk could accurately compare budgeted to actual receipts and file any amended certificates of estimated resources when needed. Disbursements were made without being appropriated and there was no method established whereby Township management could monitor the types of expenditures being made and the year-to-date expenditures made for any particular expenditure function.

We recommend the Township Clerk maintain an accounting system and accounting records as set forth in Ohio Admin. Code §117-2-02.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-41058-007

Noncompliance Citation and Material Weakness

Ohio Rev. Code §5705.40 provides that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

The appropriations as approved by the Board of Trustees did not agree to the appropriations entered into the appropriations ledger. The following schedules compare approved appropriations to those posted to the appropriations ledger.

December 31, 2001:

Fund	Appropriations posted to the accounting system	Approved Appropriations	Variance
General	\$22,365	\$22,439	\$74
Cemetery Fund	\$24,530	\$25,031	\$501
Non-Exp Trust	\$0	\$2,000	\$2,000

December 31, 2000:

Fund	Appropriations posted to the accounting system	Approved Appropriations	Variance
General	\$40,785	\$40,885	\$100
MVL Fund	\$0	\$19,219	\$19,219
Road & Bridge	\$0	\$3,058	\$3,058
Cemetery Fund	\$24,436	\$24,786	\$350
Recreation Fund	\$18,456	\$18,546	\$90
FEMA Fund	\$0	\$2,000	\$2,000
Non-Exp Trust	\$0	\$2,000	\$2,000

Appropriations as reported have been adjusted to reflect only those appropriations adopted by the Board of Trustees, as noted in the Board of Trustee's minutes.

We recommend the Board of Trustess approve all appropriation amendments and note the approval in the Board of Trustee's minutes, the Township Clerk file all appropriation amendments with the County Auditor in order to receive certification from the County Auditor that appropriations do not exceed estimated resources, and the Township Clerk post appropriation amendments to the accounting system only after both the Board of Trustees and the County Auditor have approved and certified the amendments.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-41058-008

Noncompliance Citation and Material Weakness

Ohio Rev. Code §5705.10 states, in part, that money paid into a fund must be used for the purposes for which said fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2000, the Township's General Fund had a negative fund balance of \$16,157. At December 31, 2001, the Township's General Fund had a negative fund balance of \$16,506. The Township also operated throughout 2000 and 2001 with a General Fund negative fund balance. These conditions resulted in the Township re-allocating various expenditures as discussed in Note 8 to the financial statements.

We recommend the Township use money paid into a fund only for the allowed purposes of that fund. When cash flow problems arise, monies should be advanced as directed in Auditor of State Bulletin 97-003.

FINDING NUMBER 2001-41058-009

Noncompliance Citation

Ohio Rev. Code §5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

During 2001, the General Fund had expenditures which exceeded appropriations by \$8,477. This noncompliance was a result of inadequate accounting and budgetary controls.

We recommend the Board of Trustees and Township Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations. After obtaining Board of Trustees approval for appropriations, a certification should be obtained from the County Budget Commission that appropriations do not exceed the estimated resources. The Township Clerk and the Board of Trustees should not make any expenditure until appropriations are available.

FINDING NUMBER 2001-41058-010

Noncompliance Citation

Ohio Rev. Code §5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the budget commission and the budget commission shall certify an amended certificate reflecting the deficiency.

During 2000, the Township's actual revenues of \$29,105 in the General Fund were less than budgeted revenues of \$36,957. Actual resources were not sufficient to cover appropriations. A reduced amended certificate was not obtained by the fiscal officer. As a result, the Township had a deficit fund balance of \$16,157 in the General Fund.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-41058-010 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code §5705.36(A)(4) (Continued)

We recommend that when actual revenues are significantly less than budgeted revenues, the Township Clerk obtain a decreased amended certificate. The Township should monitor budgeted versus actual revenues on a monthly basis to determine if an amended certificate should be obtained from the County Auditor.

FINDING NUMBER 2001-41058-011

Material Weakness

The Township Clerk did not make deposits in a timely manner. Numerous instances were noted where significant amounts of Township monies were held by the Township Clerk in excess of a month. During 2000, there were checks in the amounts of \$940, \$200, \$1,159, and \$145 which were not deposited for periods ranging from 30 to 45 days from the day of receipt.

Township monies are more likely to be misplaced or stolen and the Township does not earn interest when monies are not deposited in a timely manner. During 2001, a check issued for \$1,009 from the State of Ohio for Homestead and Rollback Taxes was void due to the time limit for depositing the check expiring. When monies are not receipted and recorded, Township cash receipts are understated and may not be reported in the proper year.

We recommend monies be deposited and recorded in a timely manner. The Township Clerk should take the necessary steps to request the State of Ohio to re-issue the check for \$1,009.

FINDING NUMBER 2001-41058-012

Material Weakness

The Township Clerk did not prepare accurate monthly reconciliations of bank balances to book balances. Outstanding checks, deposits in transit and other reconciling items were not detailed to enable a proper reconciliation to be performed. In addition, the cashbook was not posted according to the account codes on Board of Trustee approved vouchers and the Township's receipts and appropriations ledgers were not reconciled to the activity recorded in the Township's cashbook. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. The extensive problems with these reconciliations resulted in the need for the Township to obtain from the Auditor of State detailed reconciliations for each month and a reconstruction of the cash book for the entire audit period. The Township incurred considerable fees for this service which could have been avoided.

We recommend the Township Clerk prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Board of Trustees for the Board of Trustee's review and use in managing the Township. The Township Clerk should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook. Expenditures should be posted to those account codes as recorded on the Board of Trustees approved vouchers.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-41058-013

Material Weakness

The small size of the Township's staff did not allow for an adequate segregation of duties; the Township Clerk performed all accounting functions. It is therefore important the Board of Trustees function as a finance and Audit Committee to monitor financial activity closely and to follow up on any audit findings. While the Board of Trustees approved all vouchers for payment and signed all checks which were issued, there was no documentation of the extent to which Board of Trustees reviewed financial information to monitor the financial activity of the Township.

Without formally reviewing financial reports and records, the Board of Trustees may not be fully aware of the financial status of the Township, condition of financial records, or the untimely performance of budgetary requirements. Had proper monitoring controls been established, many of the conditions reported herein could have been prevented or detected in a timely manner.

We recommend the Township Clerk prepare monthly financial reports which include budget vs. actual information for expenditures and disbursements, as well as reconciliations and fund balances. The Board of Trustees should formally review and approve these monthly reports, and note the Board of Trustee's approval in the Board of Trustee's minutes. Monthly financial reports should be signed by the Board of Trustee members to indicate each member's review and approval. In addition, we recommend the Board of Trustees periodically review the Township's books to ensure they are posted up to date and are in balance. Furthermore, the Board of Trustees should verify that all budgetary measures requiring adoption by the Board of Trustees are indeed adopted by the Board of Trustees in a timely manner and subsequently posted to the Township's ledgers.

FINDING NUMBER 2001-41058-014

Material Weakness

During our review of the Township's payroll system, we noted the following conditions:

1. Personnel files were not established for each employee.
2. Withholdings were not always remitted to the applicable agencies within a reasonable time.
3. Copies of quarterly or monthly returns completed for remittance of withholdings were not always attached to the pay voucher or maintained on file by the Township. The yearly remittance of state and federal taxes contained no reconciliation between the quarterly returns filed and the amount paid.
4. Individual subcontractors were included in the payroll ledgers.

These conditions could result in employees being compensated incorrectly, and did result in late penalties and interest being incurred by the Township. Other errors or irregularities could occur and remain undetected.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-41058-014 (Continued)

Material Weakness (Continued)

We recommend the following:

1. Personnel files should be established and maintained for each employee and should contain pertinent information including, but not limited to, tax withholding forms, retirement forms, voluntary deduction forms, approved pay rate information, approved employee contracts, policy acknowledgement forms, and evaluations.
2. Taxes, retirement contributions, and other withholdings should be remitted to the applicable agency promptly at the end of each month or quarter depending on the requirements of the individual agency. Each remittance should contain a reconciliation between what is remitted to the specific agency and what is due from the Township.
3. Copies of all monthly and quarterly reports for transmittal of withholdings to each agency should be attached to the pay voucher or maintained on file by the Township. The payroll ledger should indicate the amounts remitted to each agency, the check number, and the check date.
4. Contractors should not be included in the payroll ledgers, but should be considered for potential issuance of 1099's.

FINDING NUMBER 2001-41058-015

Material Weakness

During our review of the Township's disbursement system, we noted the following conditions:

- A. Several disbursements were noted where invoices were not attached to vouchers or on file to support the disbursement made.
- B. Four instances were noted in which no vouchers were available to support checks issued.
- C. Certain check numbers were missing indicating these checks were never issued and were "voided". However, not all voided checks were maintained on file by the Township Clerk.
- D. Checks were issued out of sequence in various instances.
- E. Evidence was not attached to invoices indicating invoices had been recalculated to ensure accuracy.
- F. The check amount did not agree with the amount entered in the cashbook or on the voucher in two instances.

These conditions did not allow for proper documentation of certain disbursements and resulted in overpayments to some vendors. These conditions could allow errors or irregularities to occur and remain undetected.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-41058-015(Continued)

Material Weakness (Continued)

We recommend the Township implement the following procedures to ensure proper disbursement of public funds:

- A. No expenditure should be authorized unless a supporting invoice is attached, the funds are properly appropriated and encumbered, and the vendor, amount and date agree to the invoice.
- B. A disbursement should not be made unless it is supported by a properly completed voucher.
- C. Invoices should be recalculated to ensure accuracy. Evidence of this recalculation and explanations for any differences should be documented on the invoice.
- D. The Township Clerk should properly account for and keep on file all cancelled or voided checks, including a description of the cause.
- E. All checks should be issued in sequential order and posted to the cashbook and appropriation ledger accordingly.
- F. The Township Clerk should make certain the amount of the voucher agrees to the entry in the cash journal and on the check.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-41058-001	Ohio Rev. Code §5705.41(D) failure to certify funds	No	Not corrected; reissued as Finding 2001-41058-005.
1999-41058-002	Ohio Rev. Code §5705.41(B) expenditures exceeding appropriations	No	Not corrected; reissued as Finding 2001-41058-009.
1999-41058-003	Ohio Rev. Code §5705.10 negative fund balance in General Fund	No	Not corrected; reissued as finding 2001-41058-008.
1999-41058-004	Ohio Rev. Code §507.04 record of proceedings (minutes)	Yes	Corrected.
1999-41058-005	Ohio Rev. Code §5705.36 amended certificate of estimated resources	No	Not corrected; reissued as finding 2001-41058-010.
1999-41058-006	Ohio Admin. Code §117-3-9 receipts ledger	No	Not corrected; reissued as finding 2001-41058-006.
1999-41058-007	Ohio Admin Code §117-3-10 pay-in-orders to be executed	Yes	Corrected.
1999-41058-008	Ohio Admin Code §117-3-11 appropriations ledger	No	Not corrected; reissued as finding 2001-41058-006.
1999-41058-009	Untimely Depositing	No	Not corrected; reissued as finding 2001-41058-010.
1999-41058-010	Payroll System	No	Not corrected; reissued as finding 2001-41058- 013.
1999-41058-011	Disbursements System	No	Not corrected; reissued as finding 2001-41058-014
1999-41058-012	Financial Monitoring of Management	No	Not corrected; reissued as finding 2001-41058-012.
1999-41058-013	Reconciliations	No	Not corrected; reissued as finding 2001-41058-011.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MANCHESTER TOWNSHIP

MORGAN 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 17, 2002**