



**JIM PETRO**  
**AUDITOR OF STATE**

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STATE OF OHIO

**Manchester Township**  
**Adams County, Ohio**

**Report on Accounting Methods**

Local Government Services Division

**Manchester Township - Adams County**

**Report on Accounting Methods**

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**CERTIFICATION**

In compliance with the requirement set forth in Section 118.10 (A) of the Ohio Revised Code, an assessment of the methods, accuracy and legality of the accounts, records, files, and reports of Manchester Township was conducted. This report on accounting methods states whether the accounting system currently in place fulfills the needs of the Township and whether there are adequate controls in place to assure confidence in the records. Therefore, pursuant to Section 118.10 of the Ohio Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Earl Ruark, Roddy Shane Tolle, and Mark Morgan, Township Trustees; Joseph T. Deters, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Robert A. Taft, Governor; and Thomas W. Johnson, Director of Office of Budget and Management.

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

JIM PETRO  
Auditor of State

December 20, 2002

## **Manchester Township - Adams County**

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#### **PURPOSE**

As required by Section 118.10 (A), Revised Code, the Auditor of State "...shall issue a preliminary report with respect to the methods, accuracy and legality of the accounts, records, files and reports of the municipal corporation county, or township. Such report shall state whether Chapter 117 of the Revised Code and the requirements of the office of the Auditor of State have been complied with..."

Accordingly, this report centers upon the following: (1) whether the current accounting system fulfills the needs of the Township, and (2) whether the current accounting system is in compliance with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing Township personnel and reviewing pertinent accounting, financial, and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of Manchester Township. We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

## **Manchester Township - Adams County**

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#### **The Township and Form of Government**

Manchester Township is located in southeast Ohio, approximately 60 miles east of the City of Cincinnati, in Adams County and has a population of approximately 98. The Township is regulated by Title 5 of the Ohio Revised Code. The decision-making process is directed by a three member Board of Trustees.

The Board of Trustees is the legislative authority of the Township. The Trustees are elected at large to serve a term of four years. The Trustees elect a Chairman to preside over meetings. The Trustees have the power to appoint various Township officials.

The Board of Trustees provides general government services which includes the maintenance of one and half miles of a Township road, presiding over and the enforcement of zoning regulations, and the upkeep of a cemetery. The Board of Trustees also keep records of all property owned by the Township.

The Clerk is elected to a four-year term and serves as the chief fiscal officer of the Township and Clerk of the Board of Trustees. The Clerk attends all Board meetings and keeps a record of all proceedings. In addition, the Clerk keeps statements of all monies received and expended by the Township. The Clerk establishes the accounting procedures for the Township in addition to those established in the Ohio Revised Code and Administrative Rules.

The Township was declared to be in fiscal emergency on September 20, 2002. By statute, a financial planning and supervision commission will oversee the financial operations of the Township until the fiscal emergency is lifted. The commission consists of the Treasurer of State, the Director of Budget and Management, the President of the Township Trustees, and three members appointed by the Governor.

#### **Statutory Requirements**

Section 505.02, Revised Code, requires each township trustee, before entering upon the discharge of his duty, shall give bond to the State for the use of the Township, in the sum of one thousand dollars, conditioned for the faithful performance of his duty as trustee, with at least two sureties, each of whom shall be a resident of the same township with the trustee or a corporate surety authorized to do business in this State. Such bond shall be approved by a judge of the county court or judge of a municipal court having jurisdiction in the township.

Section 507.03, Revised Code, requires the township clerk, before entering upon the discharge of his duties, shall give bond, payable to the board of township trustees, with sureties approved by such board and in such sum as it determines, conditioned for the faithful performance of his duties as clerk. Such bond shall be recorded by the clerk, filed with county treasurer, and carefully preserved.

## Manchester Township - Adams County

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#### Budgetary System

##### Description of an Effective Method of Using the Budgetary System

The legally adopted annual budget plays a unique and central role in determining how much and what type of financial resources shall be raised, and how those financial resources shall be spent. An annually appropriated budget should be adopted for all funds and the amounts appropriated for each fund should not exceed the estimated resources available for the year. The budget should present sufficient information to identify the major sources of revenue and the programs, activities, and major objects of expenditures. The process should encompass current operations and maintenance for the various Township departments, programs offered to its residents, capital acquisition and replacement, and debt retirement. The adopted budget should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for obligation.

**Statutory Requirements** - The budgetary process for the Township is prescribed in Chapter 5705, Revised Code, and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution.

**The Tax Budget:** The Board of Trustees shall adopt a tax budget for the period of January 1 to December 31 of the following year consisting of estimated revenues and expenditures for all funds of the Township. Ten days before adoption of the tax budget, it must be filed in the Clerk's office for public inspection. At least one public hearing must be held for discussion of the tax budget. The Board of Trustees must adopt the tax budget by July 15 and submit it to the Adams County Budget Commission by July 20 of each year.

The budget commission examines the tax budget to ascertain that all levies of the Township are properly authorized. The budget commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. On or about October 1, the Board of Trustees must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

**Certificate of Estimated Resources:** The budget commission issues an official certificate of estimated resources on or about September 1, based upon information provided in the tax budget and other information available to the budget commission.

On or about January 1, the Clerk certifies to the budget commission the actual year-end balances of all Township funds. Upon receipt of the information, the budget commission issues an amended official certificate of estimated resources which includes the unencumbered fund balance at December 31. Further amendments may be made during the year if the Clerk determines that the revenue to be collected by the Township will be greater or less than the amount included in the amended certificate.

## Manchester Township - Adams County

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#### **Budgetary System** (Continued)

**Appropriation Resolution:** On or about January 1, the annual appropriation resolution must be enacted by the Board of Trustees. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the Township until April 1. The appropriation resolution, by fund, must be within the estimated resources as certified by the county budget commission. Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services. Any revisions that alter the total of any fund appropriations or alter the levels adopted by the Board of Trustees must be approved by the Board of Trustees. The Township may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

**Encumbrances:** As part of formal budget control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and/or maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

**Administrative Code Requirements** - All local public offices should integrate the budgetary accounts, 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.

The legal level of control is the level at which spending in excess of budgeted amounts would be in violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to the provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in section 5705.38 of the Revised Code. The legal level of control is a discretionary decision to be made by the legislative authority and must meet or exceed the level prescribed in section 5705.38 of the Revised Code.

#### **Method Used by the Township**

The tax budget is prepared by the Clerk based on prior year receipts and expenditures. The Clerk presents the budget to the Board of Trustees for approval and adoption.

The Clerk publishes a notice of a public hearing to be held by the Board of Trustees on the tax budget. The tax budget for the next year is generally adopted by July 15<sup>th</sup>.

The annual appropriation resolution is prepared by the Clerk and reviewed by the Board of Trustees. After amounts are approved by the Board of Trustees, the appropriations are posted to the UAN accounting system.

## Manchester Township - Adams County

### Report on Accounting Methods

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#### Budgetary System (Continued)

#### Auditor of State Comments

- The tax budget for calendar year 2002 was filed late with the Adams County Budget Commission.
- The annual appropriation resolution for 2002 was not filed with the Adams County Budget Commission.
- There is no record of the Township completing the certificate of year-end fund balances for December 31, 2001.
- The Township does not have an amended official certificate of estimated resources for 2002. No evidence exist that this report was completed.
- The account codes (alpha-numeric codes) in the appropriation resolution do not agree with the account codes (numeric account codes) used in the accounting system.
- The budgetary data posted to the accounting system is not accurate. The posting of the budgetary amounts in the accounting system does not agree to the appropriation resolution.
- Comparison of actual revenues and expenditures to the budgetary information is not provided.
- In past years, the Township has not amended the budget due to occurring budgetary violations.



## Manchester Township - Adams County

### Report on Accounting Methods

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#### Chart of Fund and Account Codes

##### Description of an Effective Method of Using the Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund and account codes is necessary to classify and summarize revenue and expenditure transactions. Fund codes should allow for the classification and identification of fund types for the individual funds. Revenue and expenditure codes should allow the transactions to be summarized by major revenue sources or expenditure programs. Major object codes for expenditures should be used consistently throughout the various program and activity codes.

**Statutory Requirements** - The creation of funds is authorized by Section 5705.09, Revised Code. Section 5705.13, Revised Code, allows for the creation of reserve funds for budget stabilization, self-insurance reserves, retrospective workers' compensation reserves, accumulated sick and vacation leave reserves, and a reserve for the acquisition, construction, or improvement of fixed assets. Additional funds may be established under Section 5705.12, Revised Code, with the written approval of the Auditor of State or as provided for in State law.

**Administrative Code Requirements** - Section 117-7-01 of the Ohio Administrative Code requires funds to be established by each township based on statutory requirements and accounting needs. Section 117-7-01 of the Ohio Administrative Code also states that when not authorized or required by statute, the establishment of a new fund requires prior written Auditor of State approval under section 5705.12 of the Revised Code. Receipts are to be classified by fund and source. Expenditures/disbursements for governmental funds are to be classified by fund, program and/or object code. Disbursements from proprietary and similar trust funds are to be classified by object. Suggested receipt sources and expenditure programs and objects are provided in the Administrative Code.

##### **Method Used by the Township**

The Township utilizes a numeric chart of accounts required by the Uniform Accounting Network (UAN). The funds used by the Township includes a general fund, gas tax fund, motor vehicle license tax fund, cemetery fund, fema fund, and bequest funds.

##### **Auditor of State Comments**

- The Clerk does not use receipt or expenditure object codes for similar transactions in the various funds of the Township.
- Account codes that accurately classify transactions are not always used.
- Appropriation amounts are classified using an alpha/numeric account code structure where as the accounting system uses a numeric account code structure.

## Manchester Township - Adams County

### Report on Accounting Methods

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#### Accounting Ledgers

##### Description of an Effective Method of Using Accounting Ledgers

The accounting ledgers of the Township should allow for ongoing and timely information on estimated and actual revenues, expenditures and encumbrances, comparison of expenditures to the appropriation authority, available cash balances for each fund, and the total treasury balance. The information captured for each transaction should allow the transaction to be tracked throughout the ledgers and back to the document that originated the transaction.

**Statutory Requirements** - Section 507.04, Revised Code, provides, a person who is the township clerk should keep any accurate record of the proceedings of the board of township trustees at all its meetings, and of all its accounts and transactions, including the acceptance of the bonds of township officers.

**Administrative Code Requirements** - Ohio Administrative Code Section 117-2-02(A) requires 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, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code Section 117-2-03.

Section 117-2-02(D) of the Ohio Administrative Code states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

**Cash Journal** - The cash journal is the book of original entry for recording all cash revenues and expenditures processed in the Clerk's office. The cash journal presents revenues deposited to and warrants drawn against the Township treasury and the fund to which the revenues and warrants were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in-orders and warrants. The related pay-in-order or warrant number, account codes, and date are also recorded for each transaction. At the end of each month, month-to-date totals and year-to-date totals are recorded.

**Receipt Ledger** - The receipt ledger is used to summarize revenues by fund and account. In addition, the estimated revenue and uncollected balance is presented for each source of revenue. Estimated revenues are recorded from the detail used in the preparation of the tax budget and are adjusted for any amendments to the certificate of estimated resources. Revenue transactions are posted from the cash journal based on the account code. A balance reflecting the estimated amount remaining to be received is maintained. At the end of each month, month-to-date totals and year-to-date totals are recorded.

## Manchester Township - Adams County

### Report on Accounting Methods

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#### Accounting Ledgers (Continued)

Appropriation Ledger - The appropriation ledger is used to summarize appropriations, expenditures and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the township, identifies the warrant/check issued for the payment of the obligation, and records any necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the township to keep its expenditures and encumbrances within the amounts appropriated by the board of trustees. The unencumbered appropriation balance provides information on the amount available for obligation. At the end of each month, month-to-date totals and year-to-date totals are recorded.

#### Method Used by the Township

The Township uses the Uniform Accounting Network to generate the cash journal, receipt and appropriation ledgers. Cash disbursements to vendors are manually prepared and are posted into the system as memo expenditures. Entries are posted to the system from source documents by the Township Clerk. Once the cash transactions are recorded in the cash journal to the respective account codes, the system automatically posts the transactions to the respective ledgers. The Clerk manually keeps a running balance of all fund balances on a separate piece of paper for each month.

#### Auditor of State Comments

The following deficiencies were found with the process of recording transactions by the Clerk.

- Transactions are written by hand and posted to the accounting system anywhere from one to several months later.
- Checks are manually written and posted as memo expenditures in the accounting system with no corresponding check number.

## Manchester Township - Adams County

### Report on Accounting Methods

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#### Revenue Transactions

##### Description of an Effective Method for Recording Revenues

The receipting process should allow for the consistent classification and identification of each revenue item. All revenues should be promptly recorded, safeguarded and deposited at least daily. The receipt or pay-in-order form should be a multi-part form that is pre-numbered and consecutive. The form should bear the name of the entity and reflect the date received, the payee, amount, the purpose or nature of the revenue, account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the revenue receipt and filed numerically or by payee. All receipts or pay-in-orders should be recorded in the cash journal and receipt ledger in a timely manner.

**Statutory Requirements** - Section 9.38, Revised Code, provides, a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the Township or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

**Administrative Code Requirements** - Section 117-2-02(D)(1) of the Ohio Administrative Code requires the date, amount, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the receipt transactions to be recorded in the Cash Journal. Section 117-2-02(D)(2) of the Ohio Administrative Code requires the amount, date, name of the payor, purpose, receipt number, and other information required for the transactions be recorded in the receipts ledger.

##### Method Used by the Township

The Township receives the majority of its revenue from the State and County Auditors and the Cemetery Sexton. All receipts are deposited in the Township's checking account. For monies received by the Clerk, the Clerk completes a deposit slip and takes the deposit to the bank. If the deposit is not made on the same day, the receipts are placed in a locked desk drawer in the Clerk's office and deposited before the end of the next business day. Deposit slips are made in duplicate and include the date, bank account number, the amount and a brief description. For all cemetery funds, the Cemetery Sexton writes a receipt in the receipt book and prepares the deposit slip and deposits the receipts into the Township's checking account daily. Deposit slips are made in duplicate and include the date, bank account number, the amount and a brief description. The Cemetery Sexton then remits the duplicate deposit slip to the Township Clerk. In both cases, the bank stamps the deposit slip verifying that the deposit was made.

## **Manchester Township - Adams County**

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#### **Revenue Transactions** (Continued)

The Clerk keeps all transactions for each month in an individual folder. Before the information is entered into the accounting system, the Clerk compares the monthly transactions in the folder to the corresponding monthly bank statements. The Clerk then codes and records the deposits into the accounting system.

#### **Auditor of State Comments**

- Property Tax Settlements are not posted at gross and the auditor and treasurer fees are not recorded as expenditures.
- Receipts are not posted to the cash journal in a timely manner.
- Interest revenue is not recorded to those funds required to receive a prorated share of the revenue.
- The clerk does not use a receipt book.
- The Board of Trustees has not adopted a policy for depositing money in accordance to Section 9.38 of the Ohio Revised Code.

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#### Purchasing Process

##### Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchasing process should be integrated with the budget and the accounting system. The process should include an indication of need and selection of the vendor with the best price as well as authorization of the purchase by an appropriate individual. In addition, authorization must include the fiscal officer's certification of the availability of funds and that the amount has been appropriated and is free from previously encumbered obligations. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against an appropriation line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**Statutory Requirements** – Section 507.11, Revised Code, provides, the Board of Township Trustees may, by resolution, authorize Township Officers and employees to incur obligations of seven hundred fifty dollars or less on behalf of the Township. The obligations incurred on behalf of the Township by a Township Officer or employee acting pursuant to any such resolution shall be subsequently approved by the adoption of a formal resolution of the Board of Township Trustees. Several State laws govern the purchasing process. The requirements are as follows:

**Certification of the Fiscal Officer** - Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs to be signed only by the subdivision's fiscal officer. Additionally, the subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose over a three month period, not extending beyond the end of the fiscal year. A general certification of up to \$5,000 may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring items.

**“Super” Blanket Certification of the Availability of Funds:** The super blanket certification permits the fiscal officer to certify amounts greater than \$5,000. The certification is authorized to be outstanding for any period up to the end of the fiscal year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained by the fiscal officer. Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney-at-law, physician, professional engineer, construction project manager, consultant, surveyor, or appraiser by or on behalf of the subdivision; fuel oil, gasoline, food items, roadway materials and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

## Manchester Township - Adams County

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#### Purchasing Process (Continued)

**Then and Now Certification** - It is intended that the Clerk's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such a contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. The Board of Trustees has thirty days from receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the Township. The Township Clerk may approve payment of amounts less than \$1,000 without Trustee approval.

**Authority to Contract** - Township contracts are made by the Township Trustees and executed in the name of the Township by Clerk, except as otherwise specified by statute.

**Bidding** - All contracts calling for expenditures in excess of \$15,000 shall be in writing and made to the lowest and best bidder. Ohio Revised Code Section 5549.21 requires that bids be opened and publicly read by the Clerk at the time, date, and place specified in the advertisement for bids.

The following are exempt from competitive bidding:

- The purchase of used equipment and supplies at a public auction or at a sale where bids are required by all parties wishing to purchase;
- Purchases from other political subdivisions and agencies;
- Goods purchased through the Department of Transportation or under contract through a regional planning commission;
- Purchases from non-profit organizations that are funded by the federal government;
- Purchases from the non-profit organizations that serve people with severe handicaps;
- Participation in contracts entered into by the department of administrative services;
- Personal services of a specialized nature;
- Goods and services when only one source is available;
- Work to be done or for the purchase of supplies and materials in any department of the Township if a real and present emergency exists;
- Purchases from other political subdivision and agencies; and,
- Goods purchased under the State Cooperative Purchasing Program.

**Administrative Code Requirements** - Section 117-2-02(C) (2) of the Ohio Administrative Code states, "purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by Section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the fiscal officer's certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services are made."

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#### Purchasing Process (Continued)

##### Method Used by the Township

All expenditures over \$100 must first be approved by the Trustees. Once the approval is given, the expenditure is made and the invoice is given to the Clerk. The Clerk then prepares the purchase order. For any expenditure under \$100, the employees can make the expenditure without Trustee approval. The vendors for these small expenditures send the Township all invoices at the end of the month. The Clerk receives the invoices and reviews them for accuracy and validity. Once the expenditures are verified as correct, the Clerk then prepares the purchase order.

##### Auditor of State Comments

- The Township does not use purchase orders or certify available funds prior to incurring the obligations; however, a purchase order is prepared at the time a check is prepared.
- The purchase orders are not signed by the Trustees or the Clerk.
- The Board of Trustees has not adopted a policy by resolution for employees to incur obligations not exceed the limit set in Section 507.11, Revised Code.
- The Clerk cannot attest to the availability of appropriations because the Township records are not kept up to date.



## Manchester Township - Adams County

### Report on Accounting Methods

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#### Cash Expenditures

##### Description of an Effective Method for Cash Expenditures

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the Township. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and account codes, and should include a copy of the purchase order, invoice, and receiving report or a signed billing slip. A check should only be prepared when it is supported by a completed voucher, the appropriate vendor information (I.R.S. Form 1099 data), a properly executed certification by the Clerk and the existence of adequate cash in the fund to pay the obligation. All checks should be signed by the Clerk and recorded in the cash journal and appropriation ledger. Vouchers should be filed numerically or by vendor.

**Statutory Requirements** - State law places the following requirements on the expenditure of funds:

Warrants - Expenditures may only be made by a proper warrant drawn against an appropriate fund. The warrant must show upon its face the appropriation from which the expenditure is made and the fund on which it is drawn.

Restrictions - Money is drawn from the Township treasury only for appropriations enacted by the Township Trustees. Appropriations from each fund may be used only for the purposes of such fund.

Certification - Each contract or order must be certified as to the availability of funds and a proper appropriation. If no certificate is furnished as required, upon receipt by the Township of a certificate of the Clerk stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the Township may authorize the drawing of a warrant in payment of amounts due upon such contract. The resolution must be passed within thirty days from the receipt of such certificate. If the amount involved is less than one thousand dollars, the Clerk may authorize it to be paid without Trustee approval, if the expenditure is otherwise valid.

## Manchester Township - Adams County

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#### Cash Expenditures (Continued)

**Administrative Code Requirements** - Section 117-2-02(C) (3) of the Ohio Administrative Code states “vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information.”

#### **Method Used by the Township**

The Clerk receives invoices in the mail, from employees, and from the cemetery caretakers. A purchase order, voucher, and check are prepared and presented to the Trustee’s for final review. The checks are signed by the Trustees and Clerk and delivered to the vendors. For any expenditure under \$100, the employees can make the expenditure without Trustee approval. The vendors for these small expenditures do not send the Township the invoices until the end of the month. Once the Clerk receives the invoices, they are reviewed for accuracy and validity. When the expenditures are verified as correct, the Clerk then prepares the purchase order and check. The invoices, purchase order, and check are all presented to the Trustees for approval. Once the Trustees approve the expenditures, the checks are signed by the Trustees and Clerk and delivered to the vendors. All checks are manually prepared and are entered into the accounting system as memo entries at a later date. All expenditure documentation is filed by the Clerk by month.

#### **Auditor of State Comments**

- The purchase of goods and services is not authorized in advance or documented by the use of a purchase order.
- The Clerk does not sign all of the checks issued.
- Checks are not entered in the accounting system in a timely manner.
- The vouchers do not include the appropriation account code from which the check is drawn.
- Expenditures are not always paid out of the appropriate funds.
- For each check issued, some supporting documentation could not be found. Also, some documentation existed in the monthly folder with no copy of an attached voucher or check.
- There is no consistency in filing supporting documentation by month. All documentation is placed into a monthly folder in no orderly fashion.
- A Then and Now certification for expenditures is not completed when appropriate.

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### Report on Accounting Methods

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#### Payroll Processing

##### Description of an Effective Method of Payroll Processing

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period. Standard deductions such as pension, Medicare, and Federal and State taxes should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the Township should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain relevant employee information and any other information required by Federal and/or State laws.

##### Statutory Requirements - The following State statutes apply:

Section 505.24, Revised Code, requires by unanimous vote, a board of Township Trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. If the office of trustee is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a Trustee if the Trustee were paid on a per diem basis as specified in this division, and shall be paid from the Township General Fund or from other Township funds in such proportions as the Board may specify by resolution. A Board of Township Trustees that has adopted a salary method of compensation may return to a method of compensation on a per diem basis as specified in this division by a majority vote. Any change in the method of compensation shall be effective on the first day of January of the year following the year during which the Board has voted to change the method of compensation.

Section 507.09, Revised Code, requires the compensation of the Township Clerk shall be paid in equal monthly payments. If the office of clerk is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. In calendar year 2002, except in Townships having a budget of more than six million dollars, the compensation determined under division (D) (3) of this section increased by three per cent; in Townships having a budget of more than six million but not more than ten million dollars, nineteen thousand eight hundred ten dollars; and in Townships having a budget of more than ten million dollars, twenty thousand nine hundred dollars.

## Manchester Township - Adams County

### Report on Accounting Methods

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#### Payroll Processing (Continued)

##### Method Used by the Township

The Board of Trustees approves all new employees and the contracting of cemetery caretakers. There are five regular employees at the Township. Pay rates are set by the Ohio Revised Code or by board resolution.

The Clerk calculates the payroll for five regular employees which are the three Trustees, Clerk, and the Cemetery Sexton. The Township utilizes contracted caretakers for the cemetery, which are not employees of the Township. All employees receive their pay on a monthly basis, paid on the second Tuesday of each month. The contracted caretakers only receive pay for the time worked. Time cards are only used for the cemetery caretakers in order to maintain a record of hours worked. No time cards are used for the other employees since they are all salary employees. The Clerk keeps a record of one employee in the payroll register which is the Cemetery Sexton. The Clerk prepares a W-2 for each employee and a 1099 for the contracted caretakers.

The Trustees are paid eighty percent from the general fund and twenty percent from the gas tax fund based on a Board resolution passed in 2001. Employees of the Township do not receive vacation leave.

The Township pays its share to the Public Employees Retirement System quarterly and the employees' share is paid monthly. All other withholdings are paid quarterly when the IRS quarterly payments are made.

##### Auditor of State Comments

- There are no existing resolutions addressing the Township employees. The only resolution existing is the resolution involving the Board of Trustees' compensation.
- There is no formal method adopted by the Trustees for the payment of compensation.
- There is no payroll register for all employees which show the gross pay and all deductions.
- The Clerk does not consistently follow the proper procedures of completing a voucher and obtaining appropriate signatures on the payroll vouchers and checks.
- The payroll of the Trustees was not changed to the funds stated in the board resolution.
- The Clerk has not post an adjustment to 2001 for the Trustees payroll split between the general and gas tax funds.
- The Township should review the definition of an employee under the Internal Revenue Code regulations.

## Manchester Township - Adams County

### Report on Accounting Methods

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#### **Debt Administration**

##### **Description of an Effective Method of Debt Administration**

The issuance of debt is strictly controlled by State statute. A resolution authorizing the issuance of debt should be prepared by legal counsel and passed by the Board of Trustees. The statute authorizing the issuance should be identified in the resolution as well as the purpose of the debt, the maturity, the lender, interest rate, and the source of revenue to be used for repayment.

Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing resolution. Money to be used for debt payment may be receipted into a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

**Statutory Requirements** - Statutory guidelines regarding the issuance of debt are found in Chapters 133, 505 and certain other sections of the Revised Code. The Statutory requirements vary depending on the nature of the debt being issued.

##### **Method Used by the Township**

The Township had no outstanding long-term debt obligations.

## **Manchester Township - Adams County**

### **Report on Accounting Methods**

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#### **Inventory of Fixed Assets and Supplies**

##### **Description of an Effective Method for the Inventory of Fixed Assets**

Fixed assets of the Township should be adequately safeguarded against loss or theft. An inventory describing each item, cost, serial and/or model numbers, location, and date of purchase should be maintained by the Trustees. The inventory should be updated periodically for purchases and disposals. Verification of the listed assets should be performed at least annually. The disposal of an asset should be properly authorized by the Board of Trustees.

**Statutory Requirements** - Section 505.04, Revised Code, states, “The Board of Trustees shall make an inventory on the second Monday of January, each year, of all the materials, machinery, tools, and other Township supplies in its possession. Such inventory shall be a public record and shall be made in duplicate, one copy of which shall be filed with the Clerk of the board and one copy with the County Engineer.

**Administrative Code Requirements** - Section 117-2-02(iii)(c) of the Ohio Administrative Code, requires that all local public offices should maintain fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Fixed assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

##### **Method Used by the Township**

The Trustees keep records of all property owned by the Township. One of the Trustees prepared an inventory listing of all Township’s assets. The listing contains a description of the item along with the price paid. The inventory list is sent to the County Engineer and they enter the information on a disk. A copy of the disk and the hard copy of the inventory list are then sent to the Township Clerk to file. Verification of the listed assets is performed annually by one of the Trustees.

The Township has two buildings in which assets are maintained. The assets are safeguarded against loss and theft by an alarm system and all fixed assets are insured. An update for all assets is done regularly for any additions and disposals. All disposals of assets must have authorization from all three Trustees. When the Township has an auction to sell assets, an ad is placed in a public newspaper. Once the assets are sold, they are deleted from the inventory and all signatures from the Trustees are obtained. Money from the sale is given to the Clerk. The last time the Township had a public auction was in May, 2001.

##### **Auditor of State Comments**

- The inventory list should consist of serial and/or model numbers and the location of the inventory item.

## Manchester Township - Adams County

### Report on Accounting Methods

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#### Cash Management and Investing

##### Description of an Effective Method of Cash Management and Investing

Cash received by the Township should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Idle cash should be invested in interest bearing accounts, certificates of deposit, STAR Ohio, and/or other investments as authorized by State statutes. Investment transactions should be conducted in accordance with the policies adopted by the Board of Trustees. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes.

A reconciliation between the bank and cash journal should be completed for all accounts on a monthly basis. The reconciliation should be completed immediately after the books are closed for the month and upon receipt of the bank statement. Reconciling items should be specifically identified and listed.

**Statutory Requirements** - Section 135.14(O)(1), Revised Code, states, "Except as otherwise provided in divisions (O)(2) and (3) of this section, no treasurer or governing board shall make an investment or deposit under this section, unless there is on file with the Auditor of State a written investment policy approved by the treasurer or governing board. The policy shall require that all entities conducting investment business with the treasurer or governing board shall sign the investment policy of that subdivision.

Section 135.14(O)(2), Revised Code, states, "if a written investment policy described in division (O)(1) of this section is not filed on behalf of the subdivision with the Auditor of State, the treasurer or governing board of that subdivision shall invest the subdivision's interim monies only in interim deposits pursuant to division (B)(3) of this section, no-load money market mutual funds pursuant to division (B)(5) of this section, or the Ohio subdivision's fund pursuant to division (B)(6) of this section."

Section 135.14(O)(3), Revised Code, states, "Divisions (O)(1) and (2) of this section do not apply to a treasurer or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the treasurer or governing board certifies, on a form prescribed by the Auditor of State, that the treasurer or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code."

Section 135.22, Revised Code, requires the Township Clerk to attend annual training programs of continuing education for treasurers provided by the Treasurer of State.

## Manchester Township - Adams County

### Report on Accounting Methods

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#### **Cash Management and Investing** (Continued)

Section 517.16, Revised Code, states, “The board of township trustees shall invest the permanent cemetery fund, in its name as such board, in interest-bearing securities, with interest payable annually or semiannually, and with the principal payable as it becomes due, to the township clerk, shall change the investment as the interest of the trust demands, and collect the interest dividends or other income as it becomes due and payable. From such income the board shall first pay the cost and expense connected with the trust, and the balance shall be expended, under its direction, in the proper care and beautification of the designated burial lot, and shall draw warrants on the clerk to pay therefore, which warrants shall be paid only from such income funds. Such gift, devise, or bequest and the income therefrom is exempt from taxation, the same as other cemetery property.

Section 517.17, Revised Code, states, “The township clerk shall keep an accurate and separate account of investments mentioned in sections 517.15 and 517.16 of the Revised Code, the income therefrom, and of all disbursements thereof, which shall be open to inspection at all reasonable times, and shall be approved by the board at each annual meeting. All moneys, securities, and other property as provided by such sections shall remain in the custody of the clerk and his successors in office, and he and his sureties shall be liable upon the official bond for their safekeeping and proper accounting, as for the other moneys, securities, and other property, coming into his hands as such clerk belonging to the township. For any purpose connected with such trust, the board and its successors may commence any action in any court, or make any defense therein necessary to the execution of the trust.

Section 5705.131, Revised Code, states, “A taxing authority of a subdivision may establish a nonexpendable trust fund for the purpose of receiving donations or contributions that the donor or contributor requires to be maintained intact. The principal of such fund may be invested, and the investment earnings on the principal shall be credited to the fund. The principal of the fund, and any additions to principal arising from sources other than the reinvestment of investment earnings arising from the fund, shall not be considered part of the unencumbered balance or revenue of the subdivision under division (A) of section 5705.35 or division (A)(1) of section 5705.36 of the Revised Code. Only investment earnings arising from investment of the principal or investment of such additions to principal may be considered an unencumbered balance or revenue of the subdivision under that division.

#### **Method Used by the Township**

The Township has a \$1,000 Certificate of Deposit held at First State Bank. This certificate of deposit earns interest and renews annually with the interest income being deposited into the General Fund.



## Manchester Township - Adams County

### Report on Accounting Methods

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#### **Cash Management and Investing** (Continued)

The Township has a bequest fund that is used to account for donations provided by individuals that is to be used for maintaining the cemetery. The cemetery bequest fund is accounted for separately. The bequest money is not invested but rather kept in individual bank accounts for the Township. A letter is given to the Clerk asking that the money the Township receives be set up to establish a bequest burial fund for a particular individual. The Clerk takes the money to the bank and the bank establishes a separate account in the name of the individual and in the name of the Township. The interest generated from those bank accounts accumulates within that particular bank account.

#### **Auditor of State Comments**

- The Township has not reconciled the cash journal to monthly bank statements since the 1999–2000 audit. This reconciliation was completed by the Auditor of State’s office. Reconciliations have been attempted since; however, the Clerk has not been able to reconcile the records and undocumented adjustments exist.
- The Clerk should deposit the investment income from the certificate of deposit into the fund that the investment was purchased from.
- The Clerk does not maintain a list of the original principal amounts for each bequest fund.
- The Clerk needs to review the statutory accounting requirements relating to the bequest funds for compliance.

## Manchester Township - Adams County

### Report on Accounting Methods

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#### **Financial Reporting**

##### **Description of an Effective Method of Financial Reporting**

The Clerk should periodically provide the Trustees with year-to-date revenues, expenditures, outstanding encumbrances, and available fund balances for each fund of the Township. In addition, information concerning the estimated and actual revenues, appropriations and expenditures plus encumbrances should be presented for the Trustees' review. On an annual basis, the Clerk should prepare and publish combining and combined fund type financial statements, a comparison of budgeted versus actual information, a summary of debt activity for the year, and the outstanding principal balance on all debt obligations.

**Statutory Requirements** - Section 117.38, Revised Code, requires that the annual financial report be filed with the Auditor of State within sixty days after the close of the fiscal year for reports prepared on the cash basis of accounting. At the time that the report is filed, a notice should be published in the local newspaper that the report is completed and available at the office of the fiscal officer.

**Administrative Code Requirements** - Ohio Administrative Code Section 117-02-03(C) requires that local public offices that use the "Uniform Accounting Network" shall file their annual financial report in accordance with the guidelines established by the "Uniform Accounting Network".

##### **Auditor of State Comments**

- To ensure accountability and to strengthen internal accounting controls, officials should periodically review the records, (i.e., reconciliations, etc.), to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes, and documents should be initialed by the reviewer.
- Monthly financial reports are not provided to the Trustees on a timely basis.
- An Annual Financial Report has not been filed with the Auditor of State.

## **Manchester Township - Adams County**

### **Report on Accounting Methods**

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#### **Recording Official Proceedings**

##### **Description of an Effective Method of Recording Official Proceedings**

The Township Board minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Board's decisions. A resolution should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of a resolution, the yeas and nays should be entered into the minutes and the resolution should be signed by the presiding officer and the Clerk. All Board minutes and resolutions should be maintained as a permanent record of the Township.

**Statutory Requirements** - Section 507.04, Revised Code, requires that the Township Clerk shall keep an accurate record of the proceedings of the Board of Township Trustees at all its meetings, and of all its accounts and transactions, including the acceptance of the bonds of Township officers.

##### **Method Used by the Township**

The Clerk records the minutes for the Board of Trustees' meeting in short hand. The minutes are then typed and a copy is given to the Trustees before the next meeting.

##### **Auditor of State Comments**

- All annual financial data, including budgets, appropriations, required reports, etc., were not made a permanent part of the minute records. Also, the minutes are not completed on a timely basis and are not signed by the presiding officer and the clerk.

## **Manchester Township - Adams County**

### **Report on Accounting Methods**

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#### **Conclusion**

The methods as described by the Township and included in this report are based on our inquiries, review of records, and discussions with Township personnel.

It is our opinion that the current accounting process of Manchester Township is inadequate to fulfill the financial reporting needs of the Township. In addition, the current accounting process is not in compliance with Section 117 of the Ohio Revised Code and the requirements of the Auditor of State as noted in this report.

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**MANCHESTER TOWNSHIP**

**ADAMS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 10, 2003**