



**MANCHESTER TOWNSHIP
MORGAN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Manchester Township
Morgan County
6037 N. Blackburn Road
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, 1999 and 1998. 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 generally accepted auditing standards 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.

The basis of accounting prescribed by the Auditor of State requires the Township to report outstanding encumbrances at year end as budgetary expenditures. The Township did not record encumbrances. Accordingly, budgetary expenditures in Note 3 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances at year end.

In our opinion, except for the effects of not recording year end outstanding encumbrances as discussed in the preceding paragraph, 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, 1999 and 1998, 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 May 18, 2001 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.

Jim Petro
Auditor of State

May 18, 2001

**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, 1999**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:				
Local Taxes	\$18,754	\$17,382	\$	\$36,136
Licenses, Permits, and Fees		575		575
Intergovernmental	4,965	59,751		64,716
Earnings on Investments	3,872	1,290		5,162
Other Revenue	3,540	22,185		25,725
	<u>31,131</u>	<u>101,183</u>	<u>0</u>	<u>132,314</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	55,230	117,527		172,757
	<u>55,230</u>	<u>117,527</u>	<u>0</u>	<u>172,757</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	(24,099)	(16,344)	0	(40,443)
Fund Cash Balances, January 1	19,278	112,447	2,000	133,725
Fund Cash Balances, December 31	<u>(\$4,821)</u>	<u>\$96,103</u>	<u>\$2,000</u>	<u>\$93,282</u>

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, 1998**

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Nonexpendible</u> <u>Trust</u>	
Cash Receipts:				
Local Taxes	\$26,961	\$25,218	\$	\$52,179
Licenses, Permits, and Fees		175		175
Intergovernmental	4,642	72,823		77,465
Earnings on Investments	4,592	1,530		6,122
Other Revenue	5,035	201		5,236
Total Cash Receipts	<u>41,230</u>	<u>99,947</u>	<u>0</u>	<u>141,177</u>
Cash Disbursements:				
Current:				
General Government	<u>52,590</u>	<u>157,995</u>		<u>210,585</u>
Total Cash Disbursements	<u>52,590</u>	<u>157,995</u>	<u>0</u>	<u>210,585</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(11,360)</u>	<u>(58,048)</u>	<u>0</u>	<u>(69,408)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		<u>45,000</u>		<u>45,000</u>
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>45,000</u>	<u>0</u>	<u>45,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(11,360)</u>	<u>(13,048)</u>	<u>0</u>	<u>(24,408)</u>
Fund Cash Balances, January 1	<u>30,638</u>	<u>125,495</u>	<u>2,000</u>	<u>158,133</u>
Fund Cash Balances, December 31	<u>\$19,278</u>	<u>\$112,447</u>	<u>\$2,000</u>	<u>\$133,725</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, 1999 AND 1998**

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 and cemetery maintenance. The Township contracts with various local entities to provide fire and ambulance 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. However, all disbursements are classified as being for General Government, rather than in the functional codes prescribed by the Ohio Administrative Code.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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:

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

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (continued)

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

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Fire Fund - This fund receives property tax money to pay for fire fighting services.

FEMA Fund - This fund receives money from the Federal Emergency Mangement Agency to provide flood relief to the Township.

3. Fiduciary Funds (Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. The Township's Cemetery Bequest Fund, a nonexpendable trust fund, uses its revenue to help pay for cemetery maintenance.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand Deposits	\$ <u>93,282</u>	\$ <u>133,725</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,029	\$ 31,131	\$ (14,898)
Special Revenue	<u>80,275</u>	<u>101,183</u>	<u>\$20,908</u>
Total	<u>\$ 126,304</u>	<u>\$ 132,314</u>	<u>\$ 6,010</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 65,210	\$ 55,230	\$ 9,980
Special Revenue	<u>194,364</u>	<u>117,527</u>	<u>76,837</u>
Total	<u>\$ 259,574</u>	<u>\$ 172,757</u>	<u>\$ 86,817</u>

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,627	\$ 41,230	\$ 603
Special Revenue	98,935	144,947	46,012
Total	\$ 139,562	\$ 186,177	\$ 46,615

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 72,582	\$ 52,590	\$ 19,992
Special Revenue	202,158	157,995	44,163
Total	\$ 274,740	\$ 210,585	\$ 64,155

Accountability and Compliance:

In 1998, the Township's Gasoline Tax Fund (Special Revenue) had expenditures which exceeded appropriations. In 1999, the Township's FEMA Fund (Special Revenue) had expenditures which exceeded appropriations.

During 1998, an amended certificate of estimated resources in the Gasoline Tax Fund was not adopted by the Board of Trustees although an increased amended certificate could have been obtained which would have enabled the Township to legally adopt additional appropriations.

Prior certification of Township funds was not obtained for all expenditures made during 1998 and 1999.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
General Obligation Loan	\$22,534	6.5%

This general obligation note was issued to finance the purchase of a new grader to be used for Township road maintenance.

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

Year ending December 31:	General Obligation Notes
2000	13,532
2001	10,472
Total	\$24,004

6. RETIREMENT SYSTEMS

The Township's employees, as well as elected officials, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% for 1999 and 1998, of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township also provides health and life insurance to its officials and full-time employees through a private carrier.

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

Manchester Township
Morgan County
6037 N. Blackburn Road
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, 1999 and 1998, and have issued our report thereon dated May 18, 2001, wherein we noted the Township did not record encumbrances in its budgetary presentation. We conducted our audit in accordance with generally accepted auditing standards 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 1999-41058-001 through 1999-41058-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 judgement, 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 1999-41058-001, 1999-41058-004 and 1999-41058-006 through 1999-41058-013.

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 over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1999-41058-006 through 1999-41058-008 and items 1999-41058-010 through 1999-41058-013 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 May 18, 2001.

This report is intended 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.

Jim Petro
Auditor of State

May 18, 2001

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41058-001

Noncompliance Citation and Reportable Condition

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 - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- 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.

The Township's fiscal officer did not certify funds during the audit period. As a result, certain purchase commitments incurred in one fiscal period were improperly charged against the subsequent fiscal period's appropriations. Without these certifications, the management of 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 1999-41058-002

Noncompliance Citation

Ohio Rev. Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 1998, expenditures exceeded appropriations in the Gasoline Tax Fund by \$22,560 and by \$2,475 in the FEMA Fund during fiscal year 1999.

We recommend the Clerk deny payments exceeding appropriations. The Board of Trustees should review the appropriation balances each month and approve appropriation amendments, as needed, prior to expending funds in excess of existing appropriations.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-41058-003

Noncompliance Citation

Ohio Rev. Code § 5705.10 states, in part, that money paid into a fund must be used only 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, 1999, the Township's General Fund had a negative fund cash balance of \$4,821.

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 1999-41058-004

Noncompliance Citation and Reportable Condition

Ohio Rev. Code Section 507.04 requires that each Township Clerk keep a complete and accurate record of the proceedings of the Board of Trustees at all its meetings, and of all its accounts and transactions.

The minute record of the Township was vague and/or silent concerning certain required budgetary actions and other business. In addition, minutes were not provided for the February, June or July meetings of 1999.

This resulted in a lack of supporting documentation for the Board's actions.

We recommend the Clerk take necessary care in the preparation of the minutes and the Board carefully review the minutes to help ensure they are complete and accurate. Minutes should be kept in a permanent bound book to avoid misplacing or losing them.

FINDING NUMBER 1999-41058-005

Noncompliance Citation

Ohio Rev. Code § 5705.36 requires that an increased amended certificate be obtained from the Budget Commission if the legislative authority intends to appropriate and expend excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.

The Township expended funds in excess of the Amended Official Amount Available for Expenditure and Balances in 1999 and 1998 as certified to the County Auditor and did not obtain increased amended certificates accordingly.

We recommend the Township obtain an Amended Certificate of Estimated Resources from the County Auditor when the Township intends to appropriate amounts in excess of the Official Amount Available for Expenditure and Balances for that year.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-41058-006

Noncompliance Citation and Material Weakness

Ohio Admin. Code § 117-3-9 prescribed the method by which the receipts ledger should be maintained.

A receipts ledger was not accurately maintained by the Township. As a result, there was no method established whereby Township Trustees and the Clerk could compare budgeted receipts to actual receipts and file any amended certificates of estimated resources when needed.

Although the aforementioned Ohio Administrative Code Section has been repealed effective January 1, 2001, we recommend budgeted and actual receipts be posted to the receipts ledger as recommended in Ohio Admin. Code Section 117-2-02(D)(2) (effective July 1, 2000), to provide useful monthly budget vs. actual comparisons to assist management in monitoring Township operations.

FINDING NUMBER 1999-41058-007

Noncompliance Citation and Material Weakness

Ohio Admin. Code Section 117-3-10 required that when money was received by a Township, a pay-in-order was to be executed. The pay-in-order was to be made in duplicate with the original given to the person making payment after all information had been entered in the spaces provided. The duplicate was to remain in the binding and be used as a posting source to the cash journal.

Pay-in-orders were not consistently issued by the Clerk for all amounts received by the Township. As a result, source documentation was not available in some instances to indicate to which account code the revenue should be posted.

Although the aforementioned Ohio Administrative Code Section has been repealed effective January 1, 2001, we recommend the Township Clerk issue pay-in orders in the form and manner previously required by Ohio Admin. Code Section 117-3-10.

FINDING NUMBER 1999-41058-008

Noncompliance Citation and Material Weakness

Ohio Admin. Code Section 117-3-11 prescribed the method by which the appropriations ledger was to be maintained.

Appropriations were not posted to an appropriation ledger consistently. We noted legally adopted appropriations which were not entered into the appropriations ledger and also appropriations entered into the appropriations ledger that were not legally adopted by the Board of Trustees. Also, not all expenditure transactions were entered into the appropriations ledger. As a result, some expenditures were made without the benefit of legally adopted appropriations 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. Additionally, due to this condition, it was not practicable for us to determine the correct classification of expenditures and, therefore, all expenditures were classified into the General Government line item.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-41058-008 (Continued)

Noncompliance Citation and Material Weakness (Continued)

Ohio Admin. Code Section 117-3-11 (Continued)

Although the aforementioned Ohio Administrative Code Section has been repealed effective January 1, 2001, we recommend the Clerk post appropriation amounts to the appropriations ledger, once appropriations are adopted by Township and certified by the Budget Commission. Comparisons of budgeted (appropriated) expenditures to actual expenditures should then be presented to management as a tool to manage the Township. Guidance for maintaining the appropriations ledger is now included in Ohio Admin. Code Section 117-2-02(D)(3), which became effective July 1, 2000.

FINDING NUMBER 1999-41058-009

Reportable Condition

Numerous instances were noted where significant amounts of Township monies were held by the Clerk in excess of a month. In two instances, checks in the amount \$1,482 and \$944 were received in September 1998 and not deposited at all. As a result, monies were not adequately safeguarded and, in certain instances, checks received by the Township were not honored by the Township's financial institution due to the time elapsed from the issue date and date of deposit. Untimely depositing resulted in the Township not earning interest on those monies and also increases the likelihood of loss or theft.

We recommend that monies received by the Township be deposited on a timely basis.

FINDING NUMBER 1999-41058-010

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) Time cards were not signed to indicate approval by supervisory personnel.
- 3) Payroll ledgers did not contain check numbers.
- 4) Withholdings were not always remitted to the applicable agencies within a reasonable time.
- 5) 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 (State Taxes).

These conditions could result in employees being compensated incorrectly, late penalties, interest and fees being incurred by the Township, and could allow errors in withholdings being remitted to occur and remain undetected.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-41058-010 (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 acknowledgment forms, and evaluations.
- 2) All payments to employees should be supported by employee time sheets and should be reviewed and approved by supervisory personnel.
- 3) Payroll ledgers should include the check number of each check issued.
- 4) 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.
- 5) 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.

FINDING NUMBER 1999-41058-011

Material Weakness

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

- 1) Numerous instances were noted where invoices were not attached to vouchers or on file to support the disbursement made.
- 2) Three instances were noted in which no vouchers were available to support checks issued.
- 3) Certain check numbers were missing indicating these checks were never issued and "voided".
- 4) One instance was noted where checks were issued out of sequence.
- 5) Evidence was not attached to invoices indicating invoices had been recalculated to ensure accuracy.
- 6) One instance was noted where there were two vouchers, each with valid invoices, but only one check was issued.
- 7) Four instances were noted in which the voucher amount did not agree to the check and/or cashbook amount.

These conditions did not allow for proper documentation of certain disbursements and resulted in overpayments being made to some vendors. These conditions could also result in payments being made for goods not received, unauthorized payments being made, and errors or irregularities occurring and remaining undetected.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-41058-011 (Continued)

Material Weakness (Continued)

We recommend the following:

- 1) Vouchers should not be approved unless invoices are attached.
- 2) A disbursement should not be made unless it is supported by a voucher.
- 3) The Clerk should properly account for and keep on file all cancelled or voided checks.
- 4) Checks should be issued in numerical order.
- 5) Invoices should be recalculated by the Clerk and a calculator tape should be attached to the invoice as evidence this procedure was performed.
- 6) The Clerk should make certain that only one voucher exists for each disbursement. This will help eliminate possible duplicate payments.
- 7) The Clerk should make certain that amounts per the voucher agree to the cashbook and to the actual check.

FINDING NUMBER 1999-41058-012

Material Weakness

The small size of the Township's staff did not allow for an adequate segregation of duties; the Clerk performed all accounting functions. It is therefore important that 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 Trustees approved all vouchers for payment, there was no documentation of the extent to which Trustees reviewed financial information to monitor the financial activity of the Township.

Without formally reviewing financial reports and records, the Board may not be fully aware of the financial status of the Township, condition of the 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. This would have resulted in a more timely and less costly audit.

We recommend the Clerk prepare monthly financial reports which include budget vs. actual information for expenditures and disbursements, as well as reconciliations and fund balances. The Board should formally review and approve said reports, with their approval noted in the minutes. In addition, we recommend the Board periodically review the books and ledgers of the Township to ensure they are posted up to date and are in balance. Furthermore, the Board should verify that all budgetary measures requiring adoption by the Board are indeed adopted by the Board and subsequently entered in the Township's ledgers.

FINDING NUMBER 1999-41058-013

Material Weakness

Our review of Township records disclosed a number of weaknesses and resulted in the Township being declared unauditible. The Clerk did not prepare a monthly bank reconciliation which included total fund balances being reconciled to total deposits, detailing outstanding checks and any other reconciling items. In addition, the activity recorded in the Township's receipts ledger and appropriations ledger was not reconciled to the activity recorded in the Township's cashbook.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-41058-013 (Continued)

Material Weakness (Continued)

Due to the lack of reconciliations, numerous errors occurred which remained undetected and/or uncorrected. After granting the Clerk considerable time in which to bring the records into an auditable status, we attempted to proceed with the Township's audit. Since reconciliation problems still existed, we performed detailed reconciliations for each month in order to gain assurances over the Township's financial activity. The Township incurred considerable fees for this service which could have been avoided. Adjustments with which the Township Clerk agrees have been made to the cashbook.

We recommend the Clerk prepare detailed bank reconciliations that include all accounts being reconciled to total fund balance. Copies of bank reconciliations should be presented to the Board for the Board's review and use in managing the Township. The Clerk should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1999 AND 1998**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</u>
1997-41058-001	The Township did not comply with Ohio Rev. Code Section 5705.41(D) concerning obtaining the Clerk's certification of the availability of unencumbered appropriations prior to ordering any expenditure of Township funds.	No.	Not Corrected - The Township did not utilize the encumbrance method of accounting and the Clerk's certification was not obtained prior to incurring Township obligations. This is cited again in this report.
1997-41058-002	The Township did not comply with Ohio Administrative Code Sections 117-3-09 and 117-3-11 concerning properly maintaining the receipts ledger and appropriations ledger.	No.	Not Corrected - The Township did not maintain these ledgers correctly and the finding is repeated in this report.
1997-41058-003	The Township did not comply with Ohio Administrative Code Section 117-3-08 concerning properly maintaining the cash journal.	Yes.	However, other recommendations concerning reconciling the amounts posted in the cash journal to the receipts ledger and appropriations ledger still apply and have been included in this report.
1997-41058-004	The Township did not comply with Ohio Rev. Code Section 135.18 concerning the collateralization of deposits at financial institutions.	Yes.	Fully Corrected.
1997-41058-005	The Township Trustees did not monitor the financial activity of the Township and document their review of the various monthly Township reports.	No.	Not Corrected. This finding is repeated in this report.



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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
JULY 26, 2001**