

**MANCHESTER TOWNSHIP  
MORGAN COUNTY  
Regular Audit  
December 31, 2005 and 2004**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Manchester Township  
6037 North Blackburn Road  
McConnelsville, Ohio 43756

We have reviewed the *Independent Accountants' Report* of Manchester Township, Morgan County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Manchester Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

October 11, 2007

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**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

August 31, 2007

Manchester Township  
Morgan County  
6037 North Blackburn Road  
McConnelsville, Ohio

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, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying 2005 and 2004 financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code 117-2-02 (A) requires governments to classify receipts and disbursement transactions.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately beginning in 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004 or their changes in financial position for the year then ended.

Also in our opinion, except for the omission of receipt and disbursement classification, the financial statements referred to above present fairly, in all material aspects, the combined fund balances of Manchester Township, Morgan County, as of December 31, 2005 and 2004, and its combined unclassified cash receipts and unclassified disbursements for the years then ended on the accounting basis described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**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, 2005**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
<b>Cash Receipts:</b>				
Cash Receipts	\$ 20,832	\$ 117,973	\$ 63	\$ 138,868
Total Cash Receipts	<u>20,832</u>	<u>\$117,973</u>	<u>63</u>	<u>138,868</u>
<b>Cash Disbursements:</b>				
Cash Disbursements	17,609	102,723	-	120,332
Total Cash Disbursements	<u>17,609</u>	<u>102,723</u>	<u>-</u>	<u>120,332</u>
Total Cash Receipts Over/(Under) Disbursements	3,223	15,250	63	18,536
Fund Cash Balances, January 1	<u>1,069</u>	<u>40,360</u>	<u>2,457</u>	<u>43,886</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 4,292</b></u>	<u><b>\$ 55,610</b></u>	<u><b>\$ 2,520</b></u>	<u><b>\$ 62,422</b></u>

**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, 2004**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
<b>Cash Receipts:</b>				
Cash Receipts	\$ 20,987	\$ 87,482	\$ 120	\$ 108,589
Total Cash Receipts	<u>20,987</u>	<u>87,482</u>	<u>120</u>	<u>108,589</u>
<b>Cash Disbursements:</b>				
Cash Disbursements	<u>19,427</u>	<u>83,241</u>	<u>-</u>	<u>102,668</u>
Total Cash Disbursements	<u>19,427</u>	<u>83,241</u>	<u>-</u>	<u>102,668</u>
Total Cash Receipts Over/(Under) Disbursements	1,560	4,241	120	5,921
Fund Cash Balances, January 1	<u>(491)</u>	<u>36,119</u>	<u>2,337</u>	<u>37,965</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ 1,069</u></u></b>	<b><u><u>\$ 40,360</u></u></b>	<b><u><u>\$ 2,457</u></u></b>	<b><u><u>\$ 43,886</u></u></b>

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Manchester Township, Morgan County (The Township), as a body corporate and politic. A publicly elected three member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Reinersville Volunteer Fire Department to provide fire services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Township did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from requirements of Ohio Administrative Code Section 117-2-02(A) and Ohio Administrative Code Section 117-5. These Ohio Administrative Code Sections require classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds 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 Fund:

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

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**3. Fiduciary Funds**

These funds account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Fund:

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

**D. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried forward, and need not be reapportioned. The Township did not use the encumbrance method of accounting as required by Ohio Law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. EQUITY IN POOLED CASH**

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

	2005	2004
Demand deposits	\$ 62,422	\$ 43,886

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

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,696	\$20,832	(\$1,864)
Special Revenue	71,200	117,973	46,773
Fiduciary	125	63	(62)
Total	\$94,021	\$138,868	\$44,847

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,252	\$17,609	\$4,643
Special Revenue	106,934	102,723	4,211
Fiduciary	125	0	125
Total	\$129,311	\$120,332	\$8,979

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,720	\$20,987	(\$5,733)
Special Revenue	68,840	87,482	18,642
Fiduciary	125	120	(5)
Total	\$95,685	\$108,589	\$12,904

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (CONTINUED)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$26,229	\$19,427	\$6,802
Special Revenue	114,365	83,241	31,124
Fiduciary	125	0	125
Total	\$140,719	\$102,668	\$38,051

**Accountability and Compliance**

Contrary to ORC Section 5705.10, the township had a cash deficit balance in the General Fund.

Contrary to ORC Section 5705.36, the township had several funds in which budgeted receipts varied from actual receipts.

Contrary to ORC Section 5705.39, the township had several funds in which total appropriations exceeded estimated resources.

Contrary to ORC Section 5705.41 (B), during 2005 the actual expenditures exceeded appropriations in the Gasoline Tax Fund by \$9,241 and the Cemetery Fund by \$2,045.

Contrary to ORC Section 5705.41 (D), the township did not use purchase orders.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. 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 amount are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. DEBT**

During 2003, the Township purchased a truck and took out a note payable in the amount of \$14,035. The agreement was for monthly payments of \$363.41 at an interest rate of 4.75%. In 2004, the Township purchased a Backhoe and took out a note payable in the amount of \$12,800. The agreement was for monthly payments of \$241.55 at an interest rate of 4.999%. The debt is secured by the truck and backhoe.

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Backhoe	\$10,121	4.99%
Truck	\$6,304	4.75%

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

Year ending December 31:	<u>Promissory Notes</u>
2006	\$ 7,260
2007	5,079
2008	2,899
2009	<u>2,174</u>
Total	<u>\$ 17,411.</u>

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement Systems (OPERS). OPERS is cost-sharing, multiple employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2005, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**7. RISK MANAGEMENT**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stoploss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

***Perry & Associates***  
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

August 31, 2007

Manchester Township  
Morgan County  
6037 North Blackburn Road  
McConnelsville, OH 43756

To the Board of Trustees:

We have audited the financial statements of **Manchester Township, Morgan County, Ohio** (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 31, 2007, which was qualified since the Township did not classify receipts and disbursements in its financial statements. We also noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. We noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2005-001, 2005-002, 2005-006 and 2005-009 through 2005-012.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider reportable conditions 2005-001, 2005-002 and 2005-006 above to be material weaknesses.

Manchester Township  
Morgan County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-008.

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

Respectively Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation and Material Weakness**

**Ohio Revised Code § 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-001 (Continued)**

**Ohio Revised Code § 5705.41(D)(1) (Continued)**

The Township did not properly certify the availability of funds prior to purchase commitment for 100% of the expenditures tested during 2005 and 100% of the expenditures tested during 2004 and there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-002**

**Noncompliance Citation and Material Weakness**

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

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

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

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

**Management's Response** – We did not receive a response from officials to this finding.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-002 (Continued)**

**Ohio Admin. Code §117-2-02(A) (Continued)**

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

The following conditions were noted:

1.The cash journal reflected numerous receipt and disbursement transactions which were not posted in chronological sequence in the cashbook. Disbursements were not posted to the codes as reflected on the vouchers approved by the Board of Trustees. Numerous disbursement transactions were not posted to the cashbook correctly. Budgeted receipt amounts posted to the receipts ledger did not correspond to the amounts on the certificate of estimated resources obtained from the County Budget Commission. Budgeted expenditures (appropriations) were not posted to the appropriations ledger consistently. In some instances, appropriation measures were not entered into the appropriations ledger at all and, in other instances, the amounts reflected on appropriation measures did not correspond to those entered into the appropriations ledger.

As a result, the Township did not maintain an accounting system and accounting records sufficient to enable the Township to report its transactions and prepare accurate financial statements for 2005 and 2004. There was no method established whereby the Board of Trustees and the Clerk could accurately compare budgeted to actual receipts and file any amended certificates of estimated resources when needed. Disbursements were made without being appropriated and there was no method established whereby Township management could monitor the types of expenditures being made and the year-to-date expenditures made for any particular expenditure function.

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

We recommend that the Township monitor fund balances to ensure that money from one fund is not used to pay obligations of another fund.

**Management's Response** – We did not receive a response from officials to this finding.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-003**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.10** states that money paid into any fund shall be used only for the purposes for which such a fund was established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At January 1, 2004, the Township's General Fund had a negative balance of \$491.

**Management's Response** – We did not receive a response from officials to this finding.

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**FINDING NUMBER 2005-004**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

During 2005, actual disbursements exceeded appropriations in the Gasoline Tax fund by \$9,241 and the Cemetery Levy Fund by \$2,045.

We recommend the Township Clerk modify appropriations with the Board of Township Trustees and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Township Clerk should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-005**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.39** provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The appropriations exceeded that total estimated revenue in certain funds for both 2005 and 2004. Unfavorable variances were noted for the Gasoline Tax Fund (\$11,159), and the Road and Bridge Fund (\$284) for 2005 and the Motor Vehicle License Fund (\$2,997), Gasoline Tax Fund (\$1,689), Cemetery Levy Fund (\$2,206), Recreation Fund (\$224) and the Fire Levy Fund (\$83) for 2004.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-005 (Continued)**

**Noncompliance Citation (Continued)**

**Ohio Rev. Code § 5705.39 (Continued)**

The Township should obtain a certificate from the County Auditor stating that the total appropriations do not exceed the total estimated resources whenever an amendment is made to the original appropriation measure.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-006**

**Noncompliance Citation and Material Weakness**

**Ohio Admin. Code Section 117-2-01(A)** provides all public offices are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for the respective public offices in certain categories. Ohio Admin. Code Section 117-2-02(B)(1) requires the government's internal control to reasonably assure that recorded transactions have occurred and are not fictitious. That included maintaining sufficient documentation for all transactions.

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

1. The Township did not consistently provide source documents to support disbursements, increasing the risk for the existence assertion.
2. All checks were not accounted for, increasing the risk for the completeness assertion.
3. Payroll withholding taxes were not always remitted to the applicable agencies within a reasonable time.
4. 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, increasing risk for the existence assertion.
5. Deposits were not made in a timely manner, increasing the risk of safeguarding of assets.
6. Bank reconciliations were not consistently or accurately completed, increasing the risk of the valuation assertion.

These conditions weaken the internal control structure and could allow errors to occur and not be detected in a timely manner.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-006 (Continued)**

**Ohio Admin. Code Section 117-2-01(A) (Continued)**

We recommend the Township implement internal control procedures to reduce the risk of errors occurring and not being detected in a timely manner. Some of the internal procedures we would recommend from our testing include:

1. No expenditure should be authorized unless a supporting invoice is attached, the fund are properly appropriated and encumbered, and the vendor, amount and date agree to the invoice.
2. The Clerk should properly account for and keep on file all cancelled or voided checks, including a description of the reason for voiding a check.
3. Personnel files should be established and maintained for each employee and should contain pertinent information including , but not limited to, tax withholding forms, retirement forms, voluntary deduction forms, approved pay rate information, approved employee contracts, policy acknowledgement forms, and evaluations.
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. We recommend the Clerk prepare detailed bank reconciliations that include all bank account balanced being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Board for the Board's review and use in managing the Township.
6. Deposits should be made in a timely manner. These deposits should be safeguarded until the deposit is made.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-007**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.36** allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

During 2005 and 2004, the Township did not obtain a reduced or increased amended certificate for several funds when the actual receipts were greater or less than the budgeted receipts.

The Township should perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

**Management's Response** – We did not receive a response from officials to this finding.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-008**

**Noncompliance Citation**

**Ohio Rev. Code Section 117.38** states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Township filed the Annual Financial Report with the Auditor of State's office but the amounts in the Comparison of Budgeted and Actual Receipts of the report did not agree with the amounts on the Township's accounting system.

We recommend the Annual Financial Report be compiled from the Township's accounting system and be reconciled.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-009**

**Reportable Condition**

**Outstanding Checks**

The Township had numerous outstanding checks over one year old at December 31, 2005. Long outstanding checks can result in a cumbersome bank reconciliation.

We recommend all checks outstanding for more than one year be voided, a stop payment made at the bank if cost effective, and funds handled in accordance with Management Advisory Services Bulletin Number 91-11.

**Management's Response** – We did not receive a response from officials to this finding.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-0010**

**Reportable Condition**

**Timely Depositing**

The Township does not have a control procedure for timely depositing of monies received by the Clerk. Public monies received by the Township Clerk should be deposited in the Township depository within the first business day of the week following the date of collection.

We noted several instances in which receipts were not deposited in a timely manner.

We recommend the Township adopt a procedure to ensure timely depositing of public monies collected.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2005-0011**

**Reportable Condition**

**Dual Signatures on Checks**

During our high dollar test, we noticed numerous checks without the required signatures.

No money belonging to a township may be paid out except upon an order signed personally by at least two trustees and countersigned by the clerk.

Lack of trustees' signatures eliminates a significant control point. In addition, lack of trustees' signatures could result in the Township making inappropriate disbursements for goods or services that are not for a proper public purpose.

We recommend that no payment be made from the Township that is not supported by an approved voucher package and that no check be written without at least two trustees' signatures.

**Management's Response** – We did not receive a response from officials to this finding.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-012**

**Reportable Condition**

**Check Sequence**

The checks entered in the system by the Clerk did not match the cancelled check. Frequently in both 2005 and 2004 the check sequences listed in the system were incorrect.

This could allow errors and or irregularities to go undetected. This could also result in a cumbersome bank reconciliation since the information in the system does not agree to the cancelled check and the bank statement. This resulted in additional audit time spent to ensure all checks were accounted for.

We recommend the Clerk take the steps necessary to ensure information entered into the system is accurate. Information entered in the system should agree to the checks written. We recommend the Clerk issue checks in numerical order. Finally, we recommend the Clerk ensure all checks written are entered in the system. When the Clerk finds it necessary to reissue a check, the clerk should properly void the original check in the system and enter the new check into the system.

**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Revise Code 505.24 – Trustee Compensation Amounts	Yes	
2003-002	Ohio Revised code 505.24 – Funds Trustees Paid From	Yes	
2003-003	Ohio Revised Code 5705.41(D) – Expenditures without fiscal officer’s certification	No	Not Corrected, reissued as finding 2005-001
2003-004	Ohio Revised Code Section 117-2-02(A) –Not keeping efficient accounting system and records	No	Not Corrected, reissued as finding 2005-002
2003-005	Ohio Revised Code Section 5705.10 – Negative Fund Balance	No	Partially Corrected, reissued as finding 2005-003
2003-006	Ohio Revised Code 5705.41 (B) – Expenditures exceeding appropriations	No	Not Corrected, reissued as finding 2005-004
2003-007	Ohio Revised Code 5705.39 – Fund appropriations exceeding resources.	No	Not Corrected, reissued as finding 2005-005
2003-008	Ohio Admin. Code Section 117-2-01(A) – System of Internal Control	No	Not Corrected, reissued as finding 2005-006



Mary Taylor, CPA  
Auditor of State

**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  
NOVEMBER 8, 2007**