



**MANCHESTER TOWNSHIP
ADAMS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Manchester Township
Adams County
207 E. Ninth Street
Manchester, Ohio 45144

To the Board of Trustees:

We have audited the accompanying financial statements of Manchester Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2000 and 1999, and its combined cash receipts and unclassified disbursements for the years then ended on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming the Township will continue as a going concern. As discussed in Note 9 to the financial statements, the Township's negative fund balances raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 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 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 16, 2001

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

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

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Nonexpendable Trust	
Cash Receipts:					
Local Taxes	\$14,970	\$1,228	\$8,636		\$24,834
Intergovernmental	8,128	53,435	1,247		62,810
Licenses, Permits, and Fees		20,728			20,728
Earnings on Investments	209			\$210	419
Other Revenue	9	4,100			4,109
Total Cash Receipts	23,316	79,491	9,883	210	112,900
Cash Disbursements:					
Unclassified Expenditures	60,213	47,082	9,926		117,221
Total Cash Disbursements	60,213	47,082	9,926		117,221
Total Receipts Over/(Under) Disbursements	(36,897)	32,409	(43)	210	(4,321)
Other Financing Receipts/(Disbursements):					
Other Financing Sources	244				244
Other Financing Uses		(13)			(13)
Total Other Financing Receipts/(Disbursements)	244	(13)			231
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(36,653)	32,396	(43)	210	(4,090)
Fund Cash Balances, January 1	(35,883)	45,556	(187)	8,149	17,635
Fund Cash Balances, December 31	(\$72,536)	\$77,952	(\$230)	\$8,359	\$13,545
Reserve for Encumbrances, December 31	\$3,618	\$1,535	\$47		\$5,200

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

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Nonexpendable Trust	
Cash Receipts:					
Local Taxes	\$13,740	\$1,953	\$8,227		\$23,920
Intergovernmental	6,884	47,632	1,218		55,734
Licenses, Permits, and Fees		18,636			18,636
Earnings on Investments	247			\$209	456
Other Revenue	138	7,298			7,436
Total Cash Receipts	21,009	75,519	9,445	209	106,182
Cash Disbursements:					
Unclassified Expenditures	60,163	39,457	9,632		109,252
Total Cash Disbursements	60,163	39,457	9,632		109,252
Total Receipts Over/(Under) Disbursements	(39,154)	36,062	(187)	209	(3,070)
Other Financing Receipts/(Disbursements):					
Transfers-In		2,000			2,000
Transfers-Out	(2,000)				(2,000)
Other Financing Sources	1,626				1,626
Other Financing Uses		(1,341)			(1,341)
Total Other Financing Receipts/(Disbursements)	(374)	659			285
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(39,528)	36,721	(187)	209	(2,785)
Fund Cash Balances, January 1	3,645	8,835		7,940	20,420
Fund Cash Balances, December 31	<u>(\$35,883)</u>	<u>\$45,556</u>	<u>(\$187)</u>	<u>\$8,149</u>	<u>\$17,635</u>
Reserve for Encumbrances, December 31	<u>\$198</u>	<u>\$81</u>			<u>\$279</u>

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

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Manchester Township, Adams 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 cemetery maintenance.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements present unclassified disbursements which is a departure from the financial statement presentation prescribed by the Auditor of State in the Ohio Administrative Code, Section 117-2. Additionally, adequate financial records were not maintained as required in the Ohio Administrative Code, Section 117-2.

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

C. Cash and Deposits

Township funds are deposited in a "NOW" checking account with a local commercial bank. The Township has a certificate of deposit and savings accounts as deposits for the Cemetery Bequest Fund. The Township pools its cash to capture the highest rate of return.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Cemetery Fund - This fund receives tax money, and fees from the sale of lots for the purpose of maintaining, grooming and operating of Township cemeteries.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Debt Service Funds

The Debt Service Fund is used to accumulate resources for the payment of loan and note indebtedness.

4. Fiduciary Funds (Non-expendable Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township has a non-expendable trust fund that receives interest from twenty-one separate savings accounts and a certificate of deposit left to the Township by individuals for the care of cemeteries. The savings accounts signatory is the Township Clerk and the signature card specifics that "interest only is to be paid to the Manchester Township Trustees." There is no will or trust agreement for these savings accounts or certificate of deposit; however, they have always been carried on the financial statements as a non-expendable trust.

E. Budgetary Process

The Ohio Revised Code requires that each fund, (except nonexpendable trust fund) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

The Township certified incorrect amounts available for expenditures in each fund to the County Auditor for January 1, 2000 and 2001.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 over and need not to be reappropriated. The Township did not encumber all commitments required by Ohio law. However, a review was performed to determine the amount of additional encumbrances outstanding at year-end which were not recorded. These additional encumbrances were added to the financial statements as reserves. A summary of 2000 and 1999 budgetary activity appears in Note 3.

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 AND DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Savings accounts	\$6,983	\$6,940
Demand deposits	5,562	9,695
Certificate of deposit	<u>1,000</u>	<u>1,000</u>
Total deposits	<u>\$13,545</u>	<u>\$17,635</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,166	\$23,560	\$394
Special Revenue	76,885	79,491	2,606
Debt Service	<u>9,266</u>	<u>9,883</u>	<u>617</u>
Total	<u>\$109,317</u>	<u>\$112,934</u>	<u>\$3,617</u>

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,325	\$63,831	(\$26,506)
Special Revenue	83,978	48,630	35,348
Debt Service	9,265	9,973	(708)
Total	<u>\$130,568</u>	<u>\$122,434</u>	<u>\$8,134</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,166	\$22,635	(\$532)
Special Revenue	82,816	77,519	(5,297)
Debt Service	9,444	9,445	1
Total	<u>\$115,426</u>	<u>\$109,599</u>	<u>(\$5,828)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,531	\$62,361	(\$37,830)
Special Revenue	81,540	40,879	40,661
Debt Service	8,732	9,632	(\$900)
Total	<u>\$114,803</u>	<u>\$112,872</u>	<u>\$1,931</u>

Expenditures exceeded appropriations in the following funds:

	<u>2000</u>	<u>1999</u>
General Fund	\$26,506	\$37,830
Cemetery Fund	6,089	3,377
Debt Service Fund	708	900

4. PROPERTY TAX

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

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX (Continued)

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

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

5. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries in 1999 and an amount equal to 10.84% in 2000.

6. RISK MANAGEMENT

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Township also provides health and life insurance to Trustees and Cemetery Sexton through a private carrier.

7. RELATED PARTY TRANSACTIONS

A Township trustee's wife is receiving money for allowing the Township to dump excess Cemetery dirt onto the Trustee's property. Also, the Township paid for work to be done with the dirt on the Trustee's property. The Township paid the Trustee's wife \$300 for the ability to dump dirt on the Trustee's property, in addition to, a total of \$695 for work performed on the land to spread the dirt. Furthermore, the Township is continuing to pay \$75 a month for the ability to dump the excess Cemetery dirt on the Trustee's property.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

8. COMPLIANCE

The Township's minutes did not contain all official actions, including approval of all bills, monthly bank reconciliations, financial and budgetary reports, budgetary documents, and employee pay rates, as well as, signatures of the Clerk and Board Chair. Also, minutes were not maintained from February 2000 to October 2000.

The disbursements presented on the financial statements are unclassified. This presentation is a material departure from the presentation prescribed by the Auditor of State in Sections 117-2-02 through 117-2-03 of the Ohio Administrative Code. Those Sections of the Ohio Administrative Code require classifying expenditures by object.

The former Clerk was overpaid \$292. In May of 1996, Ohio Rev. Code § 507.09 was modified by the General Assembly to provide salary increases to township clerks. However, township clerks then in office were prohibited from receiving the increases during that term. This raise became effective when the Clerk started a new term of April 1, 2000. The former Clerk took the raise as of January 1, 2000.

8. SUBSEQUENT EVENTS/ FISCAL WATCH DETERMINATION

The Township is experiencing financial difficulties. As of December 31, 2000 the following funds have deficit balances:

General Fund	\$ (72,536)
Motor Vehicle License Fund	(419)
Cemetery Fund	(14,226)
Debt Service	(230)

These negative cash balances were covered by balances in other funds.

The Auditor of State, Local Government Services Division (LGS) was contacted by the Township regarding their financial difficulties, and LGS is currently performing a fiscal analysis under the criteria established in the Ohio Revised Code, Chapter 118.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Manchester Township
Adams County
207 E. Ninth Street
Manchester, Ohio 45144

To the Board of Trustees:

We have audited the accompanying financial statements of Manchester Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 16, 2001, in which we noted the Township was experiencing significant fiscal difficulties. 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 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 2000-40401-001 through 2000-40401-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 16, 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Manchester 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 2000-40401-001, 2000-40401-005 and 2000-40401-007.

A material weakness is a condition in which the design or operation of one or more of their 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 considerations of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are a material weakness.

Manchester Township
Adams County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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 Manchester Township in a separate letter dated May 16, 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 16, 2001

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40401-001

Material Noncompliance/Reportable Condition - Minutes

Ohio Rev. Code, § 507.04, requires minutes to contain all official actions, including budgetary documents and amounts. Manchester Township did not include all official business within their minutes.

The Township lacked approval of all bills, monthly bank reconciliations, financial and budgetary reports, budgetary documents, and employee pay rates, as well as, signatures of the Clerk and Board Chair. Also, minutes were not maintained from February 2000 to October 2000.

Without the detail of official actions in the minutes, the Township does not have a complete written record of the transactions of each meeting to reference back to when problems or questions arise or evidence of monitoring controls over the financial reporting of the Township.

We recommend the Clerk maintain complete and up-to-date minutes on record, including approval of monitoring controls by the Trustees, which includes monthly financial and budget to actual reports.

FINDING NUMBER 2000-40401-002

Material Noncompliance - Accounting and Reporting records

Ohio Admin. Code, § 117-2-02, states that a township shall maintain an accounting system and accounting records sufficient to enable the township to record and report its transactions and various forms to be used in connection with the journals and ledgers for the financial operations of the township. During our review, we noted the following discrepancies:

1. Standard receipts printed off the system did not include detailed descriptions nor did they include signature of the Clerk.
2. Receipts and disbursements had numerous mis-postings and mis-classifications.
3. Several receipts and disbursements were not reported on the system or reported and mistakenly taken off the system.
4. UAN system for the Township had a different check number than the actual check numbers. The actual check number were marked through and rewritten with the system check number on it.
5. Purchase orders were printed off the UAN system but were not signed or utilized.

We recommend that due care be exercised by the Township when posting receipts and disbursements to the system. Mis-classifications and mis-postings of receipts and disbursements along with disbursements and receipts not reported on the system or taken off incorrectly, resulted in audit adjustments to correct the financial statements. The Township should maintain standard receipts provided by the UAN system with detailed descriptions, supporting documentation and the signature of the Clerk. This will assist with proper posting. Check numbers should not be changed. This resulted in disbursements not being reported on the system. Furthermore, we recommend that the Township utilize the purchase orders on the UAN system to

**FINDING NUMBER 2000-40401-002
 (Continued)**

properly certify and encumber expenditures. The UAN system offers solutions to the above discrepancies, however, due to numerous postings errors and possibly a lack of training the UAN system was not properly maintained.

FINDING NUMBER 2000-40401-003

Material Noncompliance - Revenue posted according to purpose and negative fund balance

Ohio Rev. Code, § 5705.10, requires that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. The Township posted Cemetery and Debt Service tax monies to the General Fund throughout the audit period, contrary to this Section. Adjustments have been made to the financial statements to properly posts these receipts into the proper funds.

As a result of this and numerous expenditure posting errors, the General, Motor Vehicle, Cemetery and Debt Service funds all have negative fund balances of \$72,536, \$419, \$14,226 and \$230 respectively, which indicates that money from one fund was used to cover the expenses of another fund.

FINDING NUMBER 2000-40401-004

Material Noncompliance - Expenditures over Appropriations

Ohio Rev. Code, § 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following funds and fiscal years:

2000

Fund	Appropriations	Actual Expenditures	Variance
General	37,325	63,831	26,506
Cemetery	34,146	40,235	6,089
Debt Service	9,265	9,973	708

1999

Fund	Appropriations	Actual Expenditures	Variance
General	24,531	62,361	37,830
Cemetery	31,278	34,655	3,377
Debt Service	8,732	9,632	900

FINDING NUMBER 2000-40401-005

Material Noncompliance/Reportable Condition - Encumbrances

Ohio Rev. Code, § 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees 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.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for all commitments throughout the year and at year-end. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Township obtain approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

Furthermore, Ohio Rev. Code § 5705.36, requires the fiscal officer to certify to the County Auditor on or about January 1 the amount available for expenditures in each fund in the budget, with year-end balances. Due to not certifying all year-end commitments, incorrect amounts were certified to the County Auditor for January 1, 2000 and 2001.

FINDING NUMBER 2000-40401-006

Material Noncompliance - Finding for Recovery

Ohio Rev. Code, § 507.09, sets the clerk's compensation based upon the township's budget. In May of 1996, Ohio Rev. Code, § 507.09, was modified by the General Assembly to provide salary increases to township clerks. However, township clerks then in office were prohibited from receiving the increases during that term. This raise became effective when the Clerk started a new term of April 1, 2000. However, the former Clerk took the raise as of January 2000 instead of April of 2000. Therefore, she was overpaid \$292.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Pat Lewis, former Township Clerk, and the Ohio Government Risk Management Plan, her bonding company, jointly and severally and in favor of the Manchester Township General Fund, in the amount of two hundred ninety-two dollars.

FINDING NUMBER 2000-40401-007

Reportable Condition - Cemetery Receipts

During our review of cemetery receipts, the following internal control deficiencies were noted:

1. Cemetery receipts collected by the Sexton were not reconciled monthly to the Township Clerk/Treasurer's books. By not performing reconciliations between the two records, it allows for the potential of receipts not being deposited or booked on the system.
2. The Cemetery Sexton did not always include a detailed explanation of the receipts received for cemetery fees or the amount received. Without a clear explanation of the reason for the fee or the amount charged to that customer, it is hard to determine the reasonableness of the amount charged.
3. It was noted that one burial permit out of a sample of 40 was not on file with the Township.
4. The Cemetery Sexton was taking grave opening and closing fees as direct payment for his services, since the Board of Trustees approved the Sexton to take the whole amount as payment for his services. The receipts should run through the Township as fees collected. Cemetery receipts and disbursements on the financial statements are understated because of this. However, the effect on fund balance is zero because there would be a disbursement to the Sexton for the same amount as the receipt.

We recommend the following controls be implemented:

1. The Township Clerk/Treasurer and Sexton reconcile all cemetery receipts monthly and have the Board of Trustees approve the reconciliation in the minutes.
2. The Cemetery Sexton include a detailed explanation of the transaction and place the dollar amount received, indicating cash or check, on the duplicate receipt.
3. Burial permits for all opening and closings of graves be on file with the Township.
4. The Township no longer allows the Cemetery Sexton to take grave opening and closings fees as direct payment for his services. The Township started correctly receipting opening and closing receipts in March 1999.



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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
JUNE 7, 2001**