

Manchester Township

Adams County

Regular Audit

January 1, 2003 Through December 31, 2004

Fiscal Years Audited Under GAGAS: 2004 & 2003

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Manchester Township  
813 8th Street  
Manchester, Ohio 45144

We have reviewed the *Independent Auditor's Report* of Manchester Township, Adams County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 Auditor's 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 Auditor's 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 black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 6, 2006

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**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

Manchester Township  
Adams County  
813 8<sup>th</sup> Street  
Manchester, Ohio 45144

We have audited the accompanying financial statements of the Manchester Township, Adams County, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to 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 that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, the government 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards require 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 are materially misstated under 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Government as of December 31, 2004, or its changes in financial positions of the year then ended.

Also, 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion & Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion & 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.

The accompanying financial statements have been prepared assuming the Township will continue as a going concern. As discussed in Note 8 to the financial statements, the Township's negative General Fund balance and recurring losses raise substantial doubt about its ability to continue as a going concern. Also, the Auditor of State has determined, under the criteria of Ohio Rev. Code Section 118.03, that the Township is in a state of Fiscal Emergency. 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 October 20, 2005 on our consideration of the Government'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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.



Balestra, Harr & Scherer, CPAs, Inc.

October 20, 2005

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND NON-EXPENDABLE TRUST FUND  
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>Debt Service</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$16,493	\$35,420	\$0	\$0	\$51,913
Intergovernmental	3,689	75,034	0	0	78,723
Licenses, Permits, and Fees	0	24,639	0	0	24,639
Fines, Forfeitures, and Penalties	0	30	0	0	30
Interest	857	0	0	13	870
Other Revenue	1,683	0	0	0	1,683
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	22,722	135,123	0	13	157,858
<b>Cash Disbursements:</b>					
Current:					
General Government	18,753	5,157	0	0	23,910
Public Works	13,161	11,798	0	0	24,959
Health	462	60,475	0	0	60,937
Capital Outlay	0	25,207	0	0	25,207
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	32,376	102,637	0	0	135,013
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under)Cash Disbursements	(9,654)	32,486	0	13	22,845
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	0	2,531	230	0	2,761
Transfers-Out	(2,761)	0	0	0	(2,761)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(2,761)	2,531	230	0	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(12,415)	35,017	230	13	22,845
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	(102,994)	202,268	(230)	11,717	110,761
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>(115,409)</b>	<b>\$237,285</b>	<b>\$0</b>	<b>\$11,730</b>	<b>\$133,606</b>
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*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 NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$13,997	\$27,796	\$0	\$0	\$41,793
Intergovernmental	3,694	46,369	0	0	50,063
Licenses, Permits, and Fees	0	29,000	0	0	29,000
Interest	529	0	0	0	529
Other Revenue	88	626	0	0	714
Total Cash Receipts	<u>18,308</u>	<u>103,791</u>	<u>0</u>	<u>0</u>	<u>122,099</u>
<b>Cash Disbursements:</b>					
General Government	14,332	1,662			15,994
Public Works	8,904	15,895	0	0	24,799
Health	0	51,694	0	0	51,694
Other	0	1,346	0	0	1,346
Capital Outlay	0	1,108	0	0	1,108
Total Cash Disbursements	<u>23,236</u>	<u>71,705</u>	<u>0</u>	<u>0</u>	<u>94,941</u>
Total Cash Receipts Over/(Under)Cash Disbursements	<u>(4,928)</u>	<u>32,086</u>	<u>0</u>	<u>0</u>	<u>27,158</u>
Fund Cash Balances, January 1	<u>(98,066)</u>	<u>170,182</u>	<u>(230)</u>	<u>11,717</u>	<u>83,603</u>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$102,994)</u></b>	<b><u>\$202,268</u></b>	<b><u>(\$230)</u></b>	<b><u>\$11,717</u></b>	<b><u>\$110,761</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$3,514</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,514</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, 2004 AND 2003  
(Continued)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Manchester Township, Lawrence 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 and a publicly elected Clerk. The Township provides general governmental services, including road and bridge maintenance and fire protection.

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

**C. Cash Deposits**

Certificate of deposits are valued at cost. Township funds are maintained in an interest bearing checking account, savings accounts, and a certificate of deposit with a local commercial bank.

**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 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 Fund:

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

*Cemetery Fund*- This Fund receives tax money and fees from the sale of lots for the purpose of maintaining and operating the Township cemetery.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**3. Debt Service Fund**

The debt service fund is used to accumulate resources for the payment of loan and note indebtedness.

**4. Fiduciary Funds (Nonexpendable 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-two separate savings accounts and a certificate of deposit left to the Township by individuals for the care of cemeteries.

**E. Budgetary Process**

The Ohio Revised Code requires that each 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.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

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

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2004	2003
Demand deposits	\$133,606	\$110,761

**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, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$141,590	\$22,722	(\$118,868)
Special Revenue	112,087	137,654	25,567
Debt Service	230	230	0
Total	\$253,907	\$160,606	(\$93,301)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,287	\$35,137	\$2,150
Special Revenue	96,118	102,637	(6,519)
Total	\$133,405	\$137,774	(\$4,369)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,951	\$18,308	\$357
Special Revenue	103,109	103,791	682
Total	\$121,060	\$122,099	\$1,039

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**BUDGETARY ACTIVITIES (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,787	\$23,236	\$13,551
Special Revenue	149,091	71,705	73,386
Total	\$185,878	\$94,941	\$86,937

Contrary to Ohio Revised Code 5705.10, the General, Miscellaneous Special Revenue, Motor Vehicle License and Debt Service had deficit fund balances respectively, at December 31, 2003 and 2004.

Contrary to Ohio Revised Code 57.41(d), the Township did not properly certify availability of funds at December 31, 2003 and 2004.

Contrary to Ohio Revised Code 5705.35, the Township had appropriations greater than estimated resources in several funds at December 31, 2003 and 2004.

Contrary to Ohio Administrative Code, section 117-2-02, the Township failed to maintain sufficient accounting records to report its transactions.

**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.

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 elected officials and employees 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. For 2004 and 2003, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2004. The Township has paid all contributions required through December 31, 2004.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. RISK POOL MEMBERSHIP**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 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 coverage, 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. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) 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 the Trustees and the Cemetery Sexton through a private carrier.

There have been no significant change in coverage from prior years. The Township has not had any claims that exceeded coverage.

**7. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**8. FISCAL EMERGENCY DETERMINATION/GOING CONCERN**

The Auditor of State of Ohio declared Manchester Township to be in state of fiscal emergency on September 20, 2002, in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the President of the Trustees, the County Auditor, three local financial business professionals and two representatives from the State of Ohio. This Commission approved a financial recovery plan which had been adopted by the Township, and the plan must be updated annually. Once the plan has been adopted, the Township's discretion is limited in that all financial activity of the Township must be in accordance with the plan.

**9. SUBSEQUENT EVENTS**

The Township placed a one mill five year general purposes levy before voters in May 2005 which failed and placed a second two mill five year general purposes levy before voters in May of 2006 which failed.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Manchester Township  
Adams County  
813 8<sup>th</sup> Street  
Manchester, Ohio 45144

We have audited the financial statements of Manchester Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 20, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribed or permits rather than accounting principals generally accepted in the United States of America and which that the Township is experiencing significant financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items 2004-001 and 2004-006 through 2004-008.

A material weakness is a reportable 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 caused by error or fraud 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 that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2004-007 to be a material weaknesses.

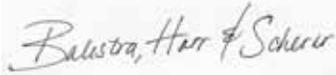
### **Compliance and Other Matters**

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2004-002 through 2004-005.

We noted certain matters that we reported to management of the Township in a separate letter dated October 20, 2005.

Manchester Township  
Adams County  
Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With  
*Government Auditing Standards*

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

October 20, 2005

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

**FINDING NUMBER 2004-001**

**Reportable Condition – Disbursements**

We noted the following weaknesses in the controls over Township disbursements:

1. Supporting documentation, such as an invoice, was not always attached to the voucher. This could result in disbursements being made for unallowable purposes or for goods or services which were not received by the Township.
2. There is no documentation on invoices that a review was performed by individuals who received the goods or services to determine that amounts billed were for items actually received by the Township.
3. Disbursements were not consistently certified as available for expenditure in advance of purchase commitments being made.

Lack of an effective control system over the Township's expenditures could result in overspending of funds or unauthorized or inaccurate expenditures occurring. We recommend that the Township implement the following procedures:

1. Purchase commitments should be certified as available for expenditure by the Township Clerk, prior to the commitment being made. This can be done with purchase orders on the UAN system.
2. Disbursements should not be made without supporting documentation, such as an invoice.
3. Invoices should be reviewed and signed by the individual(s) who receives the goods or services as evidence that the disbursement is being made for goods or services received by the Township.

**FINDING NUMBER 2004-002**

**Material Noncompliance/Reportable Condition – Prior Certification of Disbursements**

Ohio Rev. Code, Section 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 subdivisions 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:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officers 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.
- B. If the amount involved is less than \$1,000 dollars (which was changed to \$3,000, effective April 7, 2003), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

**FINDING NUMBER 2004-002  
(Continued)**

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 95% of the disbursements tested for the audit period. This resulted from the Township not obtaining approved purchase orders prior to purchase commitment, using blanket purchase orders which were not properly certified by the Clerk, and blanket purchase orders which were not canceled after three months. Failure to properly 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.

**FINDING NUMBER 2004-003**

**Material Noncompliance - Accounting and Reporting Records**

Ohio Admin. Code, Section 117-2-02, requires that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions. The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements, including completeness and accuracy. The Township utilizes the Uniform Accounting Network (UAN) system for townships; however, during our review, we noted the following discrepancies:

1. Monthly bank reconciliations were not accurate. Reconciliations on the UAN system indicated significant amounts in "other adjusting factors" which were not supported or explained.
2. Standard receipts printed off the system did not include detailed descriptions nor did they include the signature of the Clerk.
3. UAN system for the Township did not reflect check numbers accurately for disbursements. Checks were written manually and posted to the system as memorandum expenditures.
4. Budgetary information, such as estimated receipts and appropriations, were not properly integrated into the accounting system.

As a result of the Township's failure to record and report its transactions properly, the Township's accounting records were reconstructed for 2003 and 2004 and there were numerous audit adjustments posted for 2004 and 2003 by Local Government Services. Additional costs were incurred by the Township for accounting services rendered by the Office of the Auditor of State to prepare accurate financial statements for 2002 and 2001, and to prepare accurate bank reconciliations as of December 31, 2002 and 2001. We recommend the following:

1. Due care should be exercised when posting receipts and disbursements to the accounting system. The chart of accounts in the UAN system should be utilized properly.
2. Proper monthly bank reconciliations should be performed. Each reconciling item should be identified and properly supported. The "other adjusting factors" option in the UAN system should be utilized

**FINDING NUMBER 2004-003  
 (Continued)**

3. Receipts printed from the UAN system should include detailed descriptions and should be signed by the Clerk.
4. Disbursements should be processed using the UAN system procedures and manual checks and memorandum expenditures should be utilized on a limited basis.
5. Budgetary information, such as estimated receipts and appropriations, should be properly posted into the UAN system to provide for monitoring of the Township's budget.

**FINDING NUMBER 2004-004**

**Material Noncompliance - Negative Fund Balances**

Ohio Rev. Code, Section 5705.10, provides that all money paid into a fund must be used only for purposes for which the fund was established. As a result, negative fund balances indicate that money from one fund was used to cover the expenses of another fund. The Township had significant negative fund balances in various funds, as follows:

<b>Date</b>	<b>Fund</b>	<b>Balance</b>
December 31, 2003	General	(\$102,994)
	Misc. Special Revenue	(\$531)
	Motor Vehicle License	(\$2,172)
	Debt Service	(\$230)
December 31, 2004	General	(\$115,409)
	Debt Service	(\$230)

We recommend that the Township monitor their fund balances to ensure that funds are used solely for their intended purpose and to prevent negative fund balances.

**FINDING NUMBER 2004-005**

**Material Noncompliance - Expenditures over Appropriations**

Ohio Rev. Code, Section 5705.39, states that total appropriations from each fund shall not exceed the total estimated revenue. Appropriations exceeded estimated resources in the following funds and fiscal years:

<b>Year</b>	<b>Fund</b>	<b>Estimated Resources</b>	<b>Appropriation Authority</b>	<b>Variance</b>
2004	Road and Bridge	0	\$6,500	(\$6,500)
	Cemetery	\$35,511	\$63,039	(\$27,528)
2003	General	\$17,951	\$36,787	(\$18,836)
	Motor Vehicle License	\$500	\$16,681	(\$16,181)
	Gasoline Tax	\$50,000	\$56,017	(\$6,017)
	Cemetery	\$52,609	\$63,560	(\$10,951)
	Miscellaneous Special	0	\$12,833	(\$12,833)

The Clerk may request the Board of Trustees to amend the certificate of estimated resources when deemed appropriate.

**FINDING NUMBER 2004-006**

**Reportable Condition - Cemetery Receipts**

The following internal control deficiencies were noted in the Cemetery Receipts:

1. Cemetery receipts collected by the Sexton were not reconciled monthly to the Township's accounting records. By not reconciling between the Cemetery Sexton's records and the Township's accounting records, receipts could be misposted or unaccounted for in the Township's UAN system.
2. The Cemetery Sexton did not always include a detailed explanation of receipts on the duplicate receipt for cemetery fees or the amount received. Without a clear explanation of the type of receipt or the amount charged to the customer, it is difficult to determine the reasonableness of the amount charged.
3. The Clerk posted monthly cemetery receipts dated the same day of the month, instead of the actual date of the transaction.

The following controls should be implemented:

1. The Township Clerk and the Cemetery Sexton reconcile all cemetery receipts monthly and have the Board of Trustees approve the reconciliation in the minutes.
2. The Cemetery Sexton should include on the duplicate receipt a detailed explanation on of each transaction, including the payee, date, amount received, cash or check, work performed or cemetery lot number purchased.
3. Receipts posted to the UAN system should be posted using the date of the actual transaction

**FINDING NUMBER 2004-007**

**Material Weakness – Monitoring Controls**

Monitoring controls over the Township's financial activity have not been placed in operation. The Board of Trustees is not receiving and reviewing monthly financial reports to monitor the financial activity of the Township. Failure to monitor the Township's activity lead to noncompliance with the Township's annual budget, expenditures in excess of available funds, and out-of-balance conditions going undetected. The Township Clerk should present monthly financial reports to the Township Trustees to provide for monitoring of financial activity. Monthly financial reports should contain, at minimum, monthly bank reconciliations, budget versus actual receipts and disbursements, and monthly fund balances. Monthly financial reports should be signed by the Trustees and documented in the minutes as evidence of review and acceptance.

**FINDING NUMBER 2004-008**

**Reportable Condition – Payroll**

The following deficiencies were noted in the Township's payroll:

1. The Township maintains personnel records, but they are incomplete. The employees personnel files did not contain hiring authorization, position and authorized rate, department/fund to which salary will be charged, and withholdings authorization. This could result in unauthorized rate of pay, incorrect withholdings from an employee's gross pay, incorrect withholdings remittances, or improper fund posting.
2. Payroll ledgers were not maintained for Township officials or employees. Without the use of a payroll ledger, errors and omissions could result when calculating gross pay and deductions, when making remittances to various agencies and when preparing W-2's.
3. Payroll withholdings and remittances were documented randomly on payroll vouchers; however, without a payroll ledger, there was no documentation that amounts withheld and amounts remitted to the appropriate agencies were reconciled. This does not provide for documentation that actual amounts withheld and the employer's share were appropriately remitted.

We recommend the following:

1. The Township should maintain personnel records which document hiring authorization, position and authorized pay rate, department/fund to which salary will be charged, and withholdings authorization.
2. The Township should maintain a payroll ledger which documents gross pay, withholdings, and net pay.
3. The Township should reconcile between amounts withheld from employees and amounts remitted to the appropriate agencies for 2004 and 2003.

The Township should consider utilizing the payroll function in the UAN system, which facilitates many of these procedures.

The Township did not provide a response to Findings Number 2004-01 through 2004-08 for inclusion in the report.

**MANCHESTER TOWNSHIP ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	ORC 507.04, all officials actions of the Board not included in the minutes.	Yes	
2002-002	ORC 5705.41(D), not properly certifying funds as available for expenditure.	No	Repeated as Finding Number 2004-002
2002-003	ORC 117-2-02, regarding accounting and reporting records	No	Repeated as Finding Number 2004-003
2002-004	ORC 5705.10, negative fund balances.	No	Repeated as Finding Number 2004-004
2002-005	ORC 5705.41B, Expenditures over Appropriations	Yes	
2002-006	Internal control deficiencies in cemetery operations.	No	Repeated as Finding Number 2004-006
2002-007	Internal control deficiencies regarding monitoring controls over the Township's financial activity have not been place in operation.	No	Repeated as Finding Number 2004-007
2002-008	Reportable condition regarding payroll	No	Repeated as Finding Number 2004-008
2002-009	Reportable condition – Disbursements	No	Repeated as Finding Number 2004-001
2000-006	ORC 117.28, Finding for Recovery totaling \$292 against the former clerk for overpayment of her salary.	No	As of the date of this report, \$70 has been repaid, \$222 is still owed.



**Auditor of State  
Betty Montgomery**

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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  
OCTOBER 19, 2006**