

MANCHESTER TOWNSHIP
ADAMS COUNTY
REGULAR AUDIT
FOR YEARS ENDED DECEMBER 31, 2006 AND 2005

BALESTRA, HARR & SCHERER, CPAs, INC.
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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Manchester Township, Adams County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2006. 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 Auditors' 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 Auditors' 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 26, 2009

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**MANCHESTER TOWNSHIP
ADAMS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds - For the Year Ended December 31, 2006	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds - For the Year Ended December 31, 2005	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	23

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Ohio Society of Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying financial statements of Manchester Township, Adams County (the Township) as of and for the years ended December 31, 2006 and 2005. 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 that our audit provides a reasonable basis for our opinion.

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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also to present the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 preceding two paragraphs, the financial statements referred to above for the years ended December, 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also in our opinion, financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2006 and 2005 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 Revised Code Section 118.03, 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 September 30, 2008, 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.


Balestra, Harr & Scherer, CPAs, Inc.

September 30, 2008

Manchester Township
Adams County, Ohio

*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
All Governmental Funds
For the Year Ended December 31, 2006*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent Fund	
Cash Receipts:				
Local Taxes	\$ 13,100	\$ 27,891	\$ -	\$ 40,991
Intergovernmental	1,533	77,644	-	79,177
Licenses, Permits, and Fees	-	-	-	-
Fines, Forfeitures, and Penalties	-	24,097	-	24,097
Interest	887	-	-	887
Other Revenue	-	6,848	-	6,848
Total Cash Receipts	15,520	136,480	-	152,000
Cash Disbursements:				
Current:				
General Government	27,891	55,065	-	82,956
Health	-	26,745	-	26,745
Public Works	-	57,162	-	57,162
Human Services	-	16,469	-	16,469
Capital Outlay	-	18,791	-	18,791
Total Cash Disbursements	27,891	174,232	-	202,123
Total Cash Receipts Over Cash Disbursements	(12,371)	(37,752)	-	(50,123)
Other Financing Receipts and (Disbursements):				
Special Items	1,746	-	-	1,746
Proceeds from Sale of Fixed Assets	-	-	-	-
Other Financing Sources	-	-	-	-
Total Other Financing Receipts/(Disbursements)	1,746	-	-	1,746
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(10,625)	(37,752)	-	(48,377)
Fund Cash Balances, January 1	(113,145)	277,616	11,730	176,201
Fund Cash Balances, December 31	<u>\$ (123,770)</u>	<u>\$ 239,864</u>	<u>\$ 11,730</u>	<u>\$ 127,824</u>

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

Manchester Township
Adams County, Ohio

*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
All Governmental Funds
For the Year Ended December 31, 2005*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent Fund	
Cash Receipts:				
Local taxes	\$ 5,513	\$ 33,779	\$ -	\$ 39,292
Intergovernmental	4,154	79,227	-	83,381
Licenses, Permits, and Fees	-	20,211	-	20,211
Interest	1,177	-	-	1,177
Other Revenue	-	9,525	-	9,525
Total Cash Receipts	10,844	142,742	-	153,586
Cash Disbursements:				
Current:				
General Government	8,356	14,321	-	22,677
Public Works	-	21,327	-	21,327
Health	223	47,983	-	48,206
Capital Outlay	-	19,168	-	19,168
Total Cash Disbursements	8,579	102,799	-	111,378
Total Cash Receipts Over Cash Disbursements	2,265	39,943	-	42,208
Other Financing Receipts and (Disbursements):				
Other Financing Sources	-	388	-	388
Total Other Financing Receipts/(Disbursements)	-	388	-	388
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	2,265	40,331	-	42,596
Fund Cash Balances, January 1	(115,410)	237,285	11,730	133,605
Fund Cash Balances, December 31	<u>\$ (113,145)</u>	<u>\$ 277,616</u>	<u>\$ 11,730</u>	<u>\$ 176,201</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, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Manchester Township (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 government services, including road and bridge maintenance 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 include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

Certificates of deposit are valued at cost. Township funds are maintained in an interest bearing checking account, savings account, and 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 Funds:

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

Cemetery Fund – This fund receives fees from the sale of lots, footers, and burial fees for the purpose of maintaining and operating the Township cemeteries.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**Notes to the Financial Statements
December 31, 2006 and 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Fund Accounting

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund.

Cemetery Bequest Fund- This fund is used to record interest income received on monies donated to the cemetery and is used for the general maintenance of the cemetery.

E. Budgetary Process

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

1. Appropriations

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

A summary of 2006 and 2005 budgetary activity appears in Note 5.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**Notes to the Financial Statements
December 31, 2006 and 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	\$146,132	\$175,201
Certificates of deposit	1,000	1,000
Total deposits	\$147,132	\$176,201

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. 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 2006 and 2005, PERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equal to 13.7% and 13.55%, respectively, of participants' gross salaries. Required contributions for 2006 and 2005 were 3,656 and 4,181, respectively. As of December 31, 2006, the Township had paid 100% of its required contribution for 2006, and 100% of its required contribution for 2005.

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.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**Notes to the Financial Statements
December 31, 2006 and 2005
(Continued)**

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,964	\$17,266	(\$4,698)
Special Revenue	178,495	136,480	(42,015)
Permanent	0	-	0
Total	\$200,459	\$153,746	(\$46,713)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,563	\$27,891	(\$15,328)
Special Revenue	198,788	180,492	18,296
Permanent	0	-	0
Total	\$211,351	\$208,383	\$2,968

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,500	\$10,844	\$3,344
Special Revenue	136,450	143,130	6,680
Permanent	0	-	0
Total	\$143,950	\$153,974	\$10,024

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$11,904	\$8,579	\$3,325
Special Revenue	121,222	108,173	13,049
Permanent	0	-	0
Total	\$133,126	\$116,752	\$16,374

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**Notes to the Financial Statements
December 31, 2006 and 2005
(Continued)**

6. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses.

Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31:

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Member's Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

Complete audited financial statements for The Ohio Government Risk Management Plan can be obtained at the Plan's website, www.ohioplan.org.

Health insurance and dental coverage is also available to employees through a private carrier.

Settled claims have not exceeded coverage in any of the past three years. No significant changes in coverage has occurred from prior years.

7. COMPLIANCE

Contrary to Ohio laws, the Township Trustees or Clerk was not bonded during the audit period.

Contrary to Ohio law, the Township did not certify expenditures prior to making order or contracts.

Contrary to Ohio law, the Township's appropriations were in excess of estimated resources in the General, Road Levy and Permissive Sales Tax funds as of December 31, 2005.

Contrary to Ohio law, the Township's budgetary basis expenditures exceeded appropriations in the General fund as of December 31, 2006.

Contrary to Ohio law, the Township did not maintain an accurate record of all monies received.

Contrary to Federal law, the Township was delinquent in filing IRS Tax Forms 941 for several quarters during the audit period. Furthermore, the Township did not remit payroll withholdings to the appropriate agencies accurately or in a timely manner.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**Notes to the Financial Statements
December 31, 2006 and 2005
(Continued)**

7. COMPLIANCE (Continued)

Contrary to Ohio law the General Fund and Motor Vehicle Gas Tax Funds carried negative fund balances throughout the audit period.

Contrary to Ohio law the General Fund appropriations were in excess of available resources both years of the audit period.

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 of the 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. The Commission approved a financial recovery plan which had been adopted by the Township, and the plan must be updated annually. Since 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. FUND RECLASSIFICATION

As a result of the required fund classifications as described in Auditor of State Technical Bulletin 2005-005, the Township began reporting its nonexpendable trust fund as a permanent fund in 2005. This change resulted in the following changes to fund cash balances as previously stated at December 31, 2004.

	Nonexpendable Trust Fund	Permanent Fund
Fund Balance December 31, 2004	\$ 11,730	\$ -
Elimination of Fund Type	(11,730)	11,730
Fund Balance January 1, 2005	\$ -	\$ 11,730

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**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***

Board of Trustees
Manchester Township
Adams County, Ohio
813 8th 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, 2006 and 2005, and have issued our report thereon dated September 30, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United State 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. These items are identified in the accompanying schedule of findings as items 2006-09 through 2006-15.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe that findings 2006-09 through 2006-15 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 30, 2008.

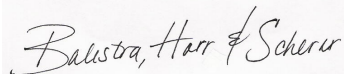
Compliance and Other Matters

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 or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-01 through 2006-08.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 30, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
September 30, 2008

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-01

Material Noncompliance – Payroll Taxes and Filings

Federal income tax regulations require the Township to prepare the IRS Tax Form 941 on a quarterly basis, and to make monthly deposits of Medicare and Income Tax withholdings. Various Ohio Revised Code Sections also require the Township to withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to remit to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions.

The Township was delinquent in filing IRS Tax Forms 941 for 2006, and 2005. Furthermore, the Township did not remit payroll withholdings to the appropriate agencies accurately or in a timely manner nor were withholding authorization forms on file.

Failure to file the required forms with the appropriate taxing agencies resulted in non-compliance with federal income tax requirements, and has resulted in unnecessary interest and penalties for which the Township is liable. The Township has also fallen behind in paying withholdings and matching requirements to the Ohio Public Employees Retirement System (OPERS), resulting in noncompliance with the Ohio Revised Code.

The Township should develop and implement procedures to ensure that all required tax deposits are made and the appropriate tax forms are prepared accurately and completely, and are submitted in accordance with applicable requirements. The Township should contact all taxing authorities (federal, state and local), as well as the Ohio Public Employees Retirement System, and obtain documentation to determine what forms have been submitted, those that remain unsubmitted, whether balances are still owed to these agencies, and to settle these liabilities to ensure accounts are up to date. We also recommend that the Township contact the Internal Revenue Service (IRS) taxpayer advocate services to determine whether the IRS can waive any of the penalties and interest incurred by the Township.

Client Response:

This problem has been resolved for the current year.

Finding 2006-02

Material Noncompliance – Expenditure Certification

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding 2006-02 (Continued)

Material Noncompliance – Expenditure Certification (Continued)

Amounts of less than \$100 for counties or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Other exceptions to this basic requirement include:

1. Continuing Contracts to be Performed in Whole or in Part in an Ensuing Fiscal Year.
2. Per Unit Contracts.
3. Contract or Lease Running Beyond the Termination of the Fiscal Year Made.

During testing of non-payroll disbursements we identified several instances where goods or services were ordered prior to purchase orders being certified by the Clerk.

Client Response:

This has been corrected in the current year.

Finding 2006-03

Material Noncompliance – Public Official’s Bonds

Ohio Revised Code Sections 505.02, 3929.17, 507.04(A), and 505.03 requires Township Trustees to be bonded \$1,000 given to the State of Ohio for the use of the Township. The Bond should be signed by at least two sureties, who shall reside in the same township with the trustee or a corporate surety authorized to do business in the State of Ohio. The Bond is to be filed with the Township Clerk.

Ohio Revised Code Sections 507.03, 3929.17, 507.02, 507.021(C) require the Township Fiscal Officer to be bonded in such sums as the Board of Trustees shall determine, but not less than \$1,000. The Clerk’s bond should be filed with the County Treasurer.

Bonds for the Township Trustees or the Clerk were not evident during the period under audit.

Client Response:

The matter has been corrected for the Clerk and working on correcting for the Trustees.

Finding 2006-04

Material Noncompliance – Significant Negative Fund Balances

Ohio Revised Code Section 5705.10 provides that all money paid into a fund must be used for purposes for which that fund was established. Negative fund balances indicate that money from one fund was used to cover the expenses of another fund.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding 2006-04 (Continued)

Material Noncompliance – Significant Negative Fund Balances (Continued)

The Township had significant negative fund balances as follows:

2006:
General Fund – (\$104,462)
Motor Vehicle Tax Fund (\$3,005)

2005:
General Fund - (\$113,145)
Motor Vehicle Tax Fund (\$3,396)

The Township should monitor fund balances to ensure funds are used solely for their intended purposes.

Client Response:

The Township is working with the Auditor of State's Local Government Services Division to resolve in this issue. The Clerk expects the issue to be resolved in three to four years.

Finding Number 2006-05

Material Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is 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.

Appropriations were in excess of estimated resources plus unencumbered beginning balances (available resources) in the following funds at 12/31/06:

- General Fund (1000) - \$12,563

Appropriations were in excess of estimated resources plus unencumbered beginning fund balance at 12/31/05 for the following funds:

- General Fund (1000) - \$11,904

Appropriations in excess of estimated resources could result in overspending, leading to negative fund balances.

The Township should ensure appropriations and estimated resources are monitored, and that revisions are made as necessary.

Client Response:

This problem has been corrected for the current year.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-06

Material Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.36 provides in part that total appropriations from each fund shall not exceed the total available resources.

Appropriations were in excess of actual revenues plus unencumbered beginning balances (available resources) in the following funds at 12/31/06:

- General Fund (1000) - \$12,563

Appropriations were in excess of available resources at 12/31/05 for the following funds:

- General Fund (1000) - \$8,579

Appropriations in excess of estimated resources could result in overspending, leading to negative fund balances.

The Township should ensure appropriations and estimated resources are monitored, and that revisions are made as necessary.

Client Response:

This problem has been corrected for the current year.

Finding Number 2006-07

Material Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township had expenditures plus outstanding encumbrances were in excess of appropriations in the general fund by \$15,328 at 12/31/06.

Expenditures in excess of appropriations could result in negative fund balances and overspending.

The Township should ensure that annual appropriations are passed timely, appropriations and expenditures are monitored, and that revisions are made as necessary.

Client Response:

This Problem has been corrected in the current year.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-08

Material Noncompliance – Inaccurate Accounting Records

Ohio Revised Code Section 733.28 provides that the Township clerk shall keep the books of the Township, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, Ohio Administrative Code Section 117-2-02(A) states that all public offices are required to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the administrative code.

The Township clerk did not maintain an accurate record of all monies received. The accounting records of the Township were incomplete and inaccurate.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Township funds, reduces the Trustees' ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Township's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as to ensure that all recorded transactions have been deposited with the financial institution. Failure to timely and accurately remit payroll withholdings to the appropriate agencies can cause the Township to be liable for penalties and interest. Failure to properly certify budgetary documents can result in overspending funds and negative cash balances.

The Township should implement procedures to ensure that receipts are accurately and completely stated, and to ensure that the accounting records of the Township are accurate and complete. The Township should also implement procedures to ensure that payroll withholdings withheld are timely and accurately remitted to the appropriate agencies. The Township should also ensure that all budgetary documents are properly certified.

Client Response

This has been corrected in the current year.

Finding 2006-09

Material Weakness – Monthly Bank Reconciliations

Accurate monthly reconciliations of the ending bank account balance to the Township's ending book balance were not performed each month during the audit period by the Clerk. Additionally, old outstanding checks greater than one year old were being carried on the township's reconciliation.

This resulted in inaccurate book balances and cumbersome reconciliation procedures.

As a result, we make the following recommendations:

- We recommend that accurate reconciliations of the Township's bank accounts be performed by the Clerk on a monthly basis. Any reconciling items should be documented and investigated to prevent unsupported adjustments from being recorded.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding 2006-09 (Continued)

Material Weakness – Monthly Bank Reconciliations (Continued)

- We recommend the Township Clerk maintain accurate listing of outstanding checks and deposits and follow up on items which have been outstanding for an extended period of time to ensure that proper credit is given to the Township for outstanding deposits and outstanding checks are voided and paid into the Township's unclaimed monies fund in accordance with Auditor of State Bulletin 96-013 or reissued.
- We recommend that monthly bank reconciliations be reviewed and approved by the Board of Trustees as part of their monthly Board Meetings and signed or initialed by the Board President indicating Board review and approval.
- We recommend interest should be posted monthly based on amounts indicated on the bank statements and checks be issued in a manner to agree to the amount posted to the accounting system.

Client Response:

The Clerk has responded that accurate, monthly reconciliations of the ending bank account balance to the District's ending book balance are now being performed.

Finding 2006-10

Material Weakness – Controls over Financial Reporting

The District failed to record interest earned on the principal balance in its cemetery bequest fund, gas tax fund, and motor vehicle license fund in 2006 and 2005, however the amount of interest calculated was immaterial, therefore the financial statements were not adjusted. Further, the district required several adjustments and reclassifications to properly reflect cash receipts and cash disbursements.

The accompanying financial statements were adjusted to reflect adjustments to the following line items:

- Property and other local taxes
- Intergovernmental revenue
- Miscellaneous revenue
- Special Items
- Proceeds from the sale of assets

The aforementioned errors were the result of a lack of internal controls over financial reporting.

The Township should implement application and monitoring controls to ensure that financial statement balances are accurately and completely stated.

Client Response:

The Clerk will correct this issue.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding 2006-11

Material Weakness – Controls over Accounting and Reporting

The Township has experienced several accounting and reporting issues as evidenced by the number of report findings, including the delay in the completion of the 2006 and 2005 financial statements.

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and schedules used to make these management decisions.

There was an obvious lack of controls over the financial accounting process, which need to be addressed promptly.

Failure to implement controls over the financial accounting process has resulted in the Township's records being inaccurate. Furthermore, the Township has been delinquent in filing tax returns, and payroll withholdings have not been accurately and timely remitted to the appropriate agencies. The Clerk also failed to certify all appropriate budgetary documents with the County Auditor. The Clerk also failed to provide necessary contract information and documentation, making it impossible to determine that the Township was compliant with certain sections of the Ohio Revised Code.

The Township should take the following steps in addressing these issues:

- Designate the Clerk and Trustees as having the primary responsibility of ensuring that all audit findings are properly addressed in a timely manner.
- Organize and hold monthly meetings to discuss and develop an action plan to address all audit findings, monitor progress on the action plan, and review specific action taken for each of the findings.
- Have the Clerk, in conjunction with the Trustees, develop a monthly, quarterly, and annual check sheet to document key actions performed which are an integral part of the financial accounting and reporting process. The check sheet(s) should include such items as monthly bank reconciliations, monthly financial reports, including a monthly review of budget and actual information and determination of whether budgetary documents require amendments, submission of various tax remittances for federal, state, and local governments, filing of appropriate forms for federal, state, and local governments, reconciliation of tax remittances with the appropriate tax forms, and any other key items. The check sheet should be prepared by the Clerk and approved by the Trustees.
- The Clerk should go over the check sheet at the monthly meetings, and it should be approved by the Trustees.

Client Response:

The Clerk is working with the Trustees to correct this problem.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-12

Material Weakness – Monitoring Control System

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions, investigate underlying causes, and take corrective action.

Monitoring controls should assist management in detecting material misstatements in the financial or other information presented. Such controls may include, but are not limited to, the following reviews by the Council:

- Monthly review of budget and actual activity including required submission of budgetary reports;
- Monthly review of unusual or significant items on the bank-to-book reconciliation, such as long outstanding checks or deposits;
- Planning for adequate segregation of duties or compensating controls;
- Ensuring the accounting records are properly designed.

The Township has not implemented an effective monitoring control system which would assist management in detecting material misstatements in financial or other information.

Failure to properly monitor the Township's financial activities has resulted in the Township's records being inaccurate. Monthly bank reconciliations were not timely performed or reviewed by Trustees during the audit period. Furthermore, the Township has been delinquent in filing tax returns, and payroll withholdings have not been accurately and timely remitted to the appropriate agencies. The Clerk also failed to certify all appropriate budgetary documents with the County Auditor. Failure to develop and implement a monitoring control system could also result in misappropriation of the Township's assets.

The Township should develop and implement a monitoring control system to prevent material misstatements or misappropriation of assets from occurring.

Client Response:

The Clerk is working with the Trustees to correct this problem.

Finding Number 2006-13

Material Weakness – Cemetery Receipts

While testing revenues received into the Cemetery fund we noted the following internal control weaknesses: Receipts collected by the Sexton were not reconciled to the Township's accounting records. The Sexton did not always include a detailed description of the cemetery fee or amount received in his subsidiary ledgers. Further, we noted that cemetery transactions were only posted to the Township financial system monthly. Also, the Township was not able to provide us the deed book to support plots sold during the audit period.

We make the following recommendations regarding cemetery receipts. The Township Trustees should adopt a schedule of fees for cemetery related charges. The Sexton should properly document all details of cemetery transactions in the subsidiary ledger including the purpose of the transaction, date and amount. Cemetery receipts should be reconciled to the UAN system monthly and any discrepancies should be investigated and explained.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-13 (Continued)

Material Weakness – Cemetery Receipts (Continued)

Cemetery collections should be posted to the UAN system daily. And finally, the Township should locate and maintain the cemetery deed book.

Client Response:

The Clerk is working with the Trustees to correct this problem.

Finding Number 2006-14

Material Weakness – Disbursement Controls

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.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number 2006-15

Material Weakness – Payroll Cycle

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 2006 and 2005.

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

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS END DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Ineffective controls over the Township's Disbursement Cycle.	No	Re-issued finding number 2006-14
2004-002	Citation 5705.41(D) – Prior certification of disbursements.	No	Re-issued finding number 2006-02
2004-003	Material citation for accounting records.	No	Issued similar citation. Finding number 2006-08.
2004-004	Citation 5705.10 – Negative fund balances.	No	Re-issued finding number 2006-04.
2004-005	Citation 5705.39 – Appropriations exceeded estimated resources.	No	Re-issued finding number 2006-05.
2004-006	Reportable condition – cemetery receipts.	No	Re-issued finding number 2006-13.
2004-007	Material weakness – monitoring controls.	No	Re-issued finding number 2006-12.
2004-008	Material weakness – payroll controls.	No	Re-issued finding number 2006-15.



Mary Taylor, CPA
Auditor of State

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
MARCH 10, 2009**