



**Auditor of State
Betty Montgomery**

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Nonexpendable Trust Fund – For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Nonexpendable Trust Fund – For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	19

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Manchester Township
Adams County
813 8th Street
Manchester, Ohio 45144

To the Board of Trustees:

We have audited the accompanying financial statements of Manchester Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming the Township will continue as a going concern. As discussed in Note 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 24, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 24, 2003

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:					
Local Taxes	\$12,336	\$32,893	\$0	\$0	\$45,229
Intergovernmental	4,529	57,620			62,149
Licenses, Permits, and Fees		16,472			16,472
Interest		533		182	715
Other Revenue	477	14,467		20	14,964
Total Cash Receipts	<u>17,342</u>	<u>121,985</u>	<u>0</u>	<u>202</u>	<u>139,529</u>
Cash Disbursements:					
Current:					
General Government	18,183				18,183
Public Safety	14,503				14,503
Public Works		40,381			40,381
Health	543	31,445			31,988
Total Cash Disbursements	<u>33,229</u>	<u>71,826</u>	<u>0</u>	<u>0</u>	<u>105,055</u>
Total Receipts Over/(Under) Disbursements	<u>(15,887)</u>	<u>50,159</u>	<u>0</u>	<u>202</u>	<u>34,474</u>
Fund Cash Balances, January 1	<u>(82,179)</u>	<u>120,023</u>	<u>(230)</u>	<u>11,514</u>	<u>49,128</u>
Fund Cash Balances, December 31	<u>(\$98,066)</u>	<u>\$170,182</u>	<u>(\$230)</u>	<u>\$11,716</u>	<u>\$83,602</u>
Reserve for Encumbrances, December 31	<u>\$242</u>	<u>\$299</u>	<u>\$0</u>	<u>\$0</u>	<u>\$541</u>

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

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:					
Local Taxes	\$13,980	\$9,245	\$0	\$0	\$23,225
Intergovernmental	5,257	51,852			57,109
Licenses, Permits, and Fees		15,523			15,523
Interest		255		155	410
Other Revenue	4,362	7,027		3,000	14,389
Total Cash Receipts	<u>23,599</u>	<u>83,902</u>	<u>0</u>	<u>3,155</u>	<u>110,656</u>
Cash Disbursements:					
Current:					
General Government	31,947	15,750			47,697
Public Safety	1,295				1,295
Public Works		5,931			5,931
Health		20,150			20,150
Total Cash Disbursements	<u>33,242</u>	<u>41,831</u>	<u>0</u>	<u>0</u>	<u>75,073</u>
Total Receipts Over/(Under) Disbursements	<u>(9,643)</u>	<u>42,071</u>	<u>0</u>	<u>3,155</u>	<u>35,583</u>
Fund Cash Balances, January 1	<u>(72,536)</u>	<u>77,952</u>	<u>(230)</u>	<u>8,359</u>	<u>13,545</u>
Fund Cash Balances, December 31	<u>(\$82,179)</u>	<u>\$120,023</u>	<u>(\$230)</u>	<u>\$11,514</u>	<u>\$49,128</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Manchester Township, Adams County, Ohio (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 road and cemetery maintenance.

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

B. Basis of Accounting

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

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

C. Cash Deposits

Certificates of deposit 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 deposits that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

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

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Debt Service 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 fund (except the non-expendable trust fund) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

The Township certified incorrect amounts available for expenditures in each fund to the County Auditor for January 1, 2001 and 2002.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. However, unencumbered purchase commitments were not material to the financial statements at December 31, 2002 or 2001. A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH DEPOSITS

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

	2002	2001
Demand deposits	\$72,435	\$38,065
Savings accounts	10,167	10,063
Certificates of deposit	1,000	1,000
Total deposits and investments	\$83,602	\$49,128

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,725	\$17,342	(\$7,383)
Special Revenue	86,111	121,985	35,874
Total	\$110,836	\$139,327	\$28,491

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$31,174	\$33,471	(\$2,297)
Special Revenue	80,448	72,125	8,323
Total	\$111,622	\$105,596	\$6,026

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,300	\$23,599	\$2,299
Special Revenue	84,300	83,902	(398)
Total	\$105,600	\$107,501	\$1,901

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,851	\$33,242	(\$17,391)
Special Revenue	76,259	41,831	34,428
Total	\$92,110	\$75,073	\$17,037

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$17,391 for the year ended December 31, 2001, and by \$2,297 and \$2,169 in the General and Miscellaneous Special Revenue Funds, respectively, for the year ended December 31, 2002. Additionally, contrary to Ohio law, the General, Cemetery, and Debt Service Funds had deficit fund balances of \$82,179, \$6,682, and \$230, respectively, at December 31, 2001. The General, Miscellaneous Special Revenue, and Debt Service Funds had deficit fund balances of \$98,066, \$531, and \$230, respectively, at December 31, 2002.

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.

6. RETIREMENT SYSTEM

The Township's 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.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEM (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

7. 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.

8. FISCAL EMERGENCY DETERMINATION/GOING CONCERN

In 2002, the Auditor of State's Office declared that a fiscal emergency exists at the Township due to the existence of conditions as defined in Sections 118.03 (A)(5), 118.03(A)(6), and 118.03(B) of the Revised Code. These conditions were as follows:

- The Township had negative fund balances in the General Fund of \$98,066 and \$82,179 at December 31, 2002 and 2001, respectively.
- Cash disbursements exceeded cash receipts in the Township's General Fund by \$15,887 and \$9,643 for the years ended December 31, 2002 and 2001, respectively.

The Local Government Services Division of the Auditor of State's Office is currently assisting the Clerk in posting the Township's financial transactions and in reconciling their accounts.

The Performance Audit Division of the Auditor of State's Office is currently conducting a performance audit of the Township.

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Auditor of State Betty Montgomery

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

Manchester Township
Adams County
813 8th Street
Manchester, Ohio 45144

To the Board of Trustees:

We have audited the accompanying financial statements of Manchester Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated October 24, 2003, which emphasized 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 24, 2003.

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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 through 2002-004 and 2002-006 through 2002-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-003, 2002-004, and 2002-007 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated October 24, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 24, 2003

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Material Noncompliance/Reportable Condition - Minutes

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

The Township minutes lacked approval of all bills, monthly bank reconciliations, financial and budgetary reports, budgetary documents, and employee pay rates, as well as, signatures of the Clerk and Board Chair. The minutes were kept in a manila folder and were not bound.

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

We recommend the Clerk maintain a bound and up-to-date minute record, which documents the performance of monitoring controls by the Trustees and monthly financial and budget to actual reports.

FINDING NUMBER 2002-002

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 subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

- 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 2002-002
(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 2002-003

Material Noncompliance/Material Weakness - 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. There were numerous mispostings of receipts and disbursements. Several disbursements were not posted at all to the UAN system.
2. Monthly bank reconciliations were not accurate. Reconciliations on the UAN system indicated significant amounts in "other adjusting factors" which were not supported or explained.
3. Standard receipts printed off the system did not include detailed descriptions nor did they include the signature of the Clerk.
4. 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.
5. 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 2001 and there were numerous audit adjustments posted for 2002. 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 sparingly.

**FINDING NUMBER 2002-003
 (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 2002-004

Material Noncompliance/Material Weakness - 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:

Date	Fund	Balance
December 31, 2002	General	(\$98,066)
	Misc. Special Revenue	(\$531)
	Debt Service	(\$230)
December 31, 2001	General	(\$82,179)
	Cemetery	(\$6,682)
	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 2002-005

Material Noncompliance - Expenditures over Appropriations

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

Year	Fund	Appropriation Authority	Budgetary Expenditures	Variance
2002	General	\$31,174	\$33,471	(\$2,297)
	Misc. Special Revenue	\$0	\$2,169	(\$2,169)
2001	General	\$15,851	\$33,242	(\$17,391)

The Clerk should deny payment requests exceeding appropriations. The Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2002-006

Reportable Condition - Cemetery Receipts

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

1. Cemetery receipts collected by the Sexton were not reconciled monthly to the Township'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.

We recommend the following controls 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 2002-007

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. We recommend that the Township Clerk 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 2002-008

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. This resulted in the gross wages reported on the W-2 for one employee being understated in 2002 and 2001, by \$420 and \$2,748, respectively
3. Time sheets were not utilized consistently for hourly employees. When utilized, the time sheets were not signed as approved by the appropriate supervisor. This could result in employees being paid incorrect amounts.
4. 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. Time sheets should be used for all hourly employees to document hours worked. Time sheets should be signed by the appropriate supervisor to ensure that wages paid are for actual hours worked.
4. The Township should reconcile between amounts withheld from employees and amounts remitted to the appropriate agencies for 2002 and 2001.
5. The Township should contact the Internal Revenue Service regarding the discrepancy noted on the 2002 and 2001 W-2's, noted above.

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

FINDING NUMBER 2002-009

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.

**MANCHESTER TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40401-001	ORC Section 507.04, all officials actions of the Board not included in the minutes.	No	Repeated as Finding Number 2002-001
2000-40401-002	OAC Section 117-2-02 not maintaining a proper accounting system.	No	Repeated as Finding Number 2002-003
2000-40401-003	ORC Section 5705.10, negative fund balances.	No	Repeated as Finding Number 2002-004
2000-40401-004	ORC 5705.41(B) expenditures exceeded appropriations.	No	Repeated as Finding Number 2002-005
2000-40401-005	ORC 5705.41(D) not properly certifying funds as available for expenditure.	No	Repeated as Finding Number 2002-002
2000-40401-006	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.
2000-40401-007	Internal control deficiencies in cemetery operations.	No	Repeated as Finding Number 2002-006

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MANCHESTER TOWNSHIP

ADAMS TOWNSHIP

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
DECEMBER 2, 2003**