

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

AUDIT REPORT

JANUARY 1, 2006 – DECEMBER 31, 2007

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Manchester Township, Morgan County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2006 through December 31, 2007. 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

November 19, 2008

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**MANCHESTER TOWNSHIP
MORGAN COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Manchester Township, Morgan County as of and for the years ended December 31, 2007 and 2006. 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.

The accompanying 2007 and 2006 financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code 117-2-02 (A) requires governments to classify receipts and disbursements

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

Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ending December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Manchester Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended..

Also, in our opinion, except for the omission of receipt and disbursement classification, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Manchester Township, Morgan County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2008, on our consideration of Manchester Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
October 13, 2008

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Cash Receipts	\$ 25,406	\$ 119,103	\$ 110	\$ 144,619
Total Cash Receipts	<u>25,406</u>	<u>119,103</u>	<u>110</u>	<u>144,619</u>
Cash Disbursements:				
Cash Disbursements	<u>17,637</u>	<u>91,661</u>	-	<u>109,298</u>
Total Cash Disbursements	<u>17,637</u>	<u>91,661</u>	<u>-</u>	<u>109,298</u>
Total Cash Receipts Over/(Under) Cash Disbursements	7,769	27,442	110	35,321
Fund Cash Balances, January 1	<u>10,838</u>	<u>86,322</u>	<u>2,594</u>	<u>99,754</u>
Fund Cash Balances, December 31	<u><u>\$ 18,607</u></u>	<u><u>\$ 113,764</u></u>	<u><u>\$ 2,704</u></u>	<u><u>\$ 135,075</u></u>

See notes to financial statements.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Cash Receipts	\$ 23,128	\$ 113,899	\$ 74	\$ 137,101
Total Cash Receipts	<u>23,128</u>	<u>113,899</u>	<u>74</u>	<u>137,101</u>
Cash Disbursements:				
Cash Disbursements	16,582	83,187	-	99,769
Total Cash Disbursements	<u>16,582</u>	<u>83,187</u>	<u>-</u>	<u>99,769</u>
Total Cash Receipts Over/(Under) Cash Disbursements	6,546	30,712	74	37,332
Fund Cash Balances, January 1	<u>4,292</u>	<u>55,610</u>	<u>2,520</u>	<u>62,422</u>
Fund Cash Balances, December 31	<u><u>\$ 10,838</u></u>	<u><u>\$ 86,322</u></u>	<u><u>\$ 2,594</u></u>	<u><u>\$ 99,754</u></u>

See notes to financial statements.

**MANCHESTER TOWNSHIP
MORGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Township of Manchester, Morgan County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and a publicly elected Fiscal Officer. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Reinersville Voluntary Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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

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 cash 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 expenditures when a commitment is made (i.e., when an encumbrance is approved.)

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

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

C. Cash and Investments

The certificate of deposit is valued at cost. All other funds is maintained in an interest-bearing checking account.

D. Fund Accounting

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

**MANCHESTER TOWNSHIP
MORGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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 receipts for constructing, maintaining and repairing Township roads and bridges.

Fire Levy Fund – This fund receives property tax money for the fire protection of the Township.

Fiduciary Funds (Permanent Fund)

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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.

**MANCHESTER TOWNSHIP
MORGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated in the subsequent year. The Township did not use the encumbrance method of accounting as required by Ohio law.

A Summary of 2007 and 2006 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 in 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

2. EQUITY IN POOLED CASH

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

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 135,075	\$ 99,754
	<u>\$ 135,075</u>	<u>\$ 99,754</u>

Deposits:

Deposits are either 1) insured by the Federal Depository Insurance Corporation or 2) collateralized by the financial institution's public entity deposit pool.

**MANCHESTER TOWNSHIP
MORGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2007 and 2006 was as follows:

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 20,821	\$ 25,406	\$ 4,585
Special Revenue	101,041	119,103	18,062
Fiduciary	<u>130</u>	<u>110</u>	<u>(20)</u>
Total	<u>\$ 121,992</u>	<u>\$ 144,619</u>	<u>\$ 22,627</u>

2007 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 30,393	\$ 17,637	\$ 12,756
Special Revenue	189,746	91,661	98,085
Fiduciary	<u>400</u>	<u>-</u>	<u>400</u>
Total	<u>\$ 220,539</u>	<u>\$ 109,298</u>	<u>\$ 111,241</u>

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 23,614	\$ 23,128	\$ (486)
Special Revenue	77,816	113,899	36,083
Fiduciary	<u>161</u>	<u>74</u>	<u>(87)</u>
Total	<u>\$ 101,591</u>	<u>\$ 137,101</u>	<u>\$ 35,510</u>

2006 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 27,969	\$ 16,582	\$ 11,387
Special Revenue	132,088	83,187	48,901
Fiduciary	<u>2,600</u>	<u>-</u>	<u>2,600</u>
Total	<u>\$ 162,657</u>	<u>\$ 99,769</u>	<u>\$ 62,888</u>

**MANCHESTER TOWNSHIP
MORGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (continued)

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

Contrary to ORC Section 5705.39, the Township had several funds in 2006 in which total appropriations exceeded estimated resources.

Contrary to ORC Section 5705.41(B), during 2006 the actual expenditures exceeded appropriations in the Fire Levy Fund by \$2,458.

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. RETIREMENT SYSTEMS

The Township's Trustees, Clerk and other employees of the Township belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement health care, 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 2007 and 2006, members of PERS contributed 9.5% and 9.0% of their gross salaries, respectively. The Township contributed an amount equal to 13.85% and 13.70% of participants' gross salaries, respectively. The Township has paid all contributions required through December 31, 2007.

**MANCHESTER TOWNSHIP
MORGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest rate
Promissory Note – Backhoe	\$ 4,847	4.75%
Promissory Note - Tractor	14,325	7.70%
Total	\$ 19,172	

A promissory note was issued to finance the purchase of a backhoe in 2004 for \$12,800. The Township makes monthly payments. The note is collateralized by the backhoe.

A promissory note was issued to finance the purchase of a tractor in 2007 for \$14,325. The Township makes monthly payments. The note is collateralized by the tractor.

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

Year Ended December 31	Backhoe	Tractor
2008	\$ 2,899	\$ 3,461
2009	2,174	3,461
2010	-	3,461
2011	-	3,461
2012	-	3,461
Total	\$ 5,073	\$ 17,305

**MANCHESTER TOWNSHIP
MORGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, The Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**MANCHESTER TOWNSHIP
MORGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

7. RISK MANAGEMENT(Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006, the latest information available.

	2007	2006
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained Earnings	\$ 29,852,866	\$ 29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Townships's share of these unpaid claims collectible in future years is approximately \$7,310. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph.

Based on discussion with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for the past two years are as follows:

Contributions to OTARMA	
2006	\$5,463
2007	3,655

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

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

We have audited the financial statements of Manchester Township, Morgan County as of and for the years ended December 31, 2007 and 2006 and have issued our report thereon dated October 13, 2008, which was qualified since the Township did not classify receipts and disbursements in its financial statements. We also noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manchester 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 was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and that we consider to be material weaknesses.

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 to be significant deficiencies in internal control.

Finding numbers 2007-01, 2007-02, 2007-05 and 2007-08 in the Schedule of Findings are considered to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the Township's internal control. We believe that Findings 2007-01, 2007-02 and 2007-05 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manchester Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as items 2007-01 through 2007-07.

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

This report is intended for the information of the Township's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
October 13, 2008

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2007-01

Noncompliance Citation/Significant Deficiency/Material Weakness

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

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

Then and Now Certificates - If the fiscal officer can certify that both at the time the contractor order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 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.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 100% of the expenditures tested in 2007 and 2006, respectively. Failure to certify the availability of funds can result in overspending funds and negative cash fund balances.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2007-01 (Continued)

Noncompliance Citation/Significant Deficiency/Material Weakness (Continued)

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

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Township Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response: We did not receive a response from Officials to this finding.

FINDING 2007-02

Noncompliance Citation/Significant Deficiency/Material Weakness

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

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

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

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

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2007-02 (Continued)

Noncompliance Citation/Significant Deficiency/Material Weakness

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

The following conditions were noted:

It appears that all transaction were posted to the cash journal but then some transactions were not then posted in the separate receipts ledger and appropriation ledger. Budgeted receipt amounts posted to the receipts ledger did not correspond to the amounts on the certificate of estimated resources obtained from the County Budget Commission.

As a result, the Township did not maintain an accounting system and accounting records sufficient to enable the Township to report its transactions and prepare accurate financial statements for 2007 and 2006. There was no method established whereby the Board of Trustees and Fiscal Officer could accurately prepare budgeted to actual receipts and file any amended certificates of estimated resources when needed. Disbursements were made without being appropriated.

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

Client Response: We did not receive a response from Officials to this finding.

FINDING 2007-03

Noncompliance Citation

Ohio Revised Code Section 5705.51(B) states that no subdivision or taxing unit shall make any expenditure on money unless the same has been properly appropriated.

During 2006, the Fire Levy Fund had expenditures greater than appropriation by \$2,458.

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

Client Response: We did not receive a response from Officials to this finding.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2007-04

Noncompliance

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

In 2006, appropriations exceeded estimated resources by \$63 and in the Gasoline Tax Fund by \$1,721.

We recommend the Township review appropriations throughout the year and adjust when necessary and obtain a certificate from the County Auditor stating that appropriations do not exceed estimated resources.

Client Response: We did not receive a response from Officials to this finding.

FINDING 2007-05

Noncompliance/Significant Deficiency/Material Weakness

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

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

1. The Township did not consistently provide source documents to support disbursements, increasing the risk for the existence assertion.
2. Copies of quarterly or monthly returns completed for remittance of withholdings were not always attached to the pay voucher or maintained on file by the Township, increasing risk for the existence assertion.
3. Bank Reconciliations were not consistently or accurately completed, increasing the risk of the valuation assertion.

We recommend the following:

1. No expenditure should be authorized unless a supporting invoice is attached, the fund is properly appropriated and encumbered, and the vendor, amount and date agree to invoice.
2. Taxes, retirement contributions, and other withholdings should be remitted to the applicable agency promptly at the end of each month or quarter depending on the requirements of the individual agency.
3. We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Trustees for review and use in managing the Township

Client Response: We did not receive a response from Officials to this finding.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2007-06

Noncompliance Citation

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

During 2007 and 2006, the Township did not obtain a reduced or increased amended certificate for several funds when the actual receipts were greater or less than budgeted receipts.

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

Client Response: We did not receive a response from Officials to this finding.

FINDING 2007-07

Noncompliance Citation

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

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

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

Client Response: We did not receive a response from Officials to this finding.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING 2007-08

Significant Deficiency

The Township had numerous outstanding checks over one year old at December 31, 2007. Long outstanding checks can result in a cumbersome bank reconciliation.

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

Client Response: We did not receive a response from Officials to this finding.

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	ORC 5705.41(D) Expenditures without certification of fiscal officer	No	Not Corrected: Finding will be repeated as Finding Number 2007-01
2005-002	Ohio Admin. Code 117-2-02(A) Not keeping a sufficient accounting system	No	Not Corrected: Finding will be repeated as Finding Number 2007-02
2005-003	ORC 5705.10 - Negative Fund Balances	Yes	Finding No Longer Valid
2005-004	ORC 5705.41(B) Expenditures exceeding appropriations	No	Not Corrected: Finding will be repeated as Finding Number 2007-03
2005-005	ORC 5705.39 Appropriations exceeding Estimated resources	No	Not Corrected: Finding will be repeated as Finding Number 2007-04
2005-006	Ohio Admin. Code 117-2-01(A) System of Internal Control	No	Partially Corrected: Finding will be repeated as Finding Number 2007-05
2005-007	ORC 5705.36 Amending certificates of estimated resources	No	Not Corrected: Finding will be repeated as Finding Number 2007-06
2005-008	ORC 117.38 Filing complete financial statements	No	Not Corrected: Finding will be repeated as Finding Number 2007-07
2005-009	Oustanding Checks	No	Not Corrected: Finding will be repeated as Finding Number 2007-08
2005-010	Timely Depositing	Yes	Finding No Longer Valid

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007**

2005-011	Dual Signatures on checks	Yes	Finding No Longer Valid
2005-012	Check Sequence	Yes	Finding No Longer Valid



Mary Taylor, CPA
Auditor of State

MANCHESTER TOWNSHP

MORGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 2, 2008**