



**Auditor of State
Betty Montgomery**

HIGHLAND TOWNSHIP
MUSKINGUM COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Highland Township
Muskingum County
6310 Friendship Drive
New Concord, Ohio 43762-9708

To the Board of Trustees:

We have audited the accompanying financial statements of Highland Township, Muskingum 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 of Highland Township, Muskingum County, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 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.

Highland Township
Muskingum County
Independent Accountants' Report
Page 2

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

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

Betty Montgomery
Auditor of State

March 4, 2003

HIGHLAND TOWNSHIP
MUSKINGUM COUNTY

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$14,532	\$12,793	\$15,891	\$43,216
Intergovernmental	24,545	65,771		90,316
Licenses, Permits, and Fees		1,725		1,725
Earnings on Investments	210	108		318
Other Revenue	651	900		1,551
Total Cash Receipts	39,938	81,297	15,891	137,126
Cash Disbursements:				
Current:				
General Government	31,755			31,755
Public Safety		8,749		8,749
Public Works	1,536	78,091		79,627
Health	191	1,867		2,058
Debt Service:				
Redemption of Principal			13,300	13,300
Interest and Fiscal Charges			2,591	2,591
Capital Outlay	56	600		656
Total Cash Disbursements	33,538	89,307	15,891	138,736
Total Cash Receipts Over/(Under) Cash Disbursements	6,400	(8,010)	0	(1,610)
Fund Cash Balances, January 1	395	18,775	0	19,170
Fund Cash Balances, December 31	\$6,795	\$10,765	\$0	\$17,560

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

HIGHLAND TOWNSHIP
MUSKINGUM COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
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>	
Cash Receipts:				
Local Taxes	\$15,041	\$13,126	\$16,418	\$44,585
Intergovernmental	27,722	62,695		90,417
Licenses, Permits, and Fees		1,390		1,390
Earnings on Investments	228	470		698
Other Revenue	584	40		624
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	43,575	77,721	16,418	137,714
Cash Disbursements:				
Current:				
General Government	48,444			48,444
Public Safety		8,833		8,833
Public Works	1,489	74,018	210	75,717
Health	916	2,481		3,397
Debt Service:				
Redemption of Principal			13,300	13,300
Interest and Fiscal Charges			2,932	2,932
Capital Outlay	2,412			2,412
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	53,261	85,332	16,442	155,035
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(9,686)	(7,611)	(24)	(17,321)
Other Financing Receipts and (Disbursements):				
Transfers-In		235		235
Transfers-Out			(235)	(235)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	235	(235)	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(9,686)	(7,376)	(259)	(17,321)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	10,081	26,151	259	36,491
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$395	\$18,775	\$0	\$19,170

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

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Highland Township, Muskingum 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 bridge maintenance and cemetery maintenance. The Township contracts with the Village of New Concord and Village of Adamsville Fire Departments to provide fire and ambulance services.

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. 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:

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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money to pay for maintaining and repairing Township roads.

Fire Levy Fund - This fund receives property tax money to pay for the Township's fire protection and emergency services.

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Funds

Note Retirement (Dump Truck) Fund – This fund is used to accumulate resources for the payment of debt related to the purchase of a dump truck.

Note Retirement (Road Grader) Fund – This fund is used to accumulate resources for the payment of debt related to the purchase of a road grader used in the maintenance of Township roads.

D. 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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

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

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$17,560	\$19,170

Deposits: Deposits were insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,454	\$39,938	\$1,484
Special Revenue	79,804	81,297	1,493
Debt Service	15,891	15,891	0
Total	\$134,149	\$137,126	\$2,977

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,674	\$33,538	\$4,136
Special Revenue	73,473	89,307	(15,834)
Debt Service	15,891	15,891	0
Total	\$127,038	\$138,736	(\$11,698)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,787	\$43,575	(\$1,212)
Special Revenue	64,029	77,956	13,927
Debt Service	16,418	16,418	0
Total	\$125,234	\$137,949	\$12,715

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,504	\$53,261	(\$757)
Special Revenue	80,569	85,332	(4,763)
Debt Service	16,677	16,677	0
Total	\$149,750	\$155,270	(\$5,520)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax Fund by \$14,237, in the Road and Bridge Fund by \$2,308, in the Fire Levy Fund by \$595, and in the Park Fees Fund by \$234 for the year ended December 31, 2002.

For the year ended December 31, 2001, budgetary expenditures exceeded appropriation authority in the General Fund by \$757, in the Gasoline Tax Fund by \$7,396, and in the Fire Levy Fund by \$176.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
1999 - General Obligation Notes	\$16,600	6.00%
1997 - General Obligation Notes	15,000	5.75%
Total	\$31,600	

The 1999 general obligation notes were issued to finance the purchase of a new dump truck to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority. The notes are being repaid in annual installments of \$8,300 plus interest.

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

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

5. DEBT (Continued)

The 1997 general obligation notes were issued to finance the purchase of a road grader to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority. The notes are being repaid in annual installments of \$5,000 plus interest.

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

	General Obligation Notes
Year ending December 31:	
2003	\$15,105
2004	14,323
2005	5,288
Total	<u>\$34,716</u>

6. RETIREMENT SYSTEMS

The Township's 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 2002 and 2001, 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 MANAGEMENT

Risk Pool Membership

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other 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 coverage and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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**Auditor of State
Betty Montgomery**

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

Highland Township
Muskingum County
6310 Friendship Drive
New Concord, Ohio 43762-9708

To the Board of Trustees:

We have audited the accompanying financial statements of Highland Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 4, 2003. 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 2002-41060-001 and 2002-41060-002. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated March 4, 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our 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. A reportable condition is described in the accompanying Schedule of Findings as item 2002-41060-001.

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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, we believe the reportable condition described above is not a material weakness.

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

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

Betty Montgomery
Auditor of State

March 4, 2003

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

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

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2002-41060-001

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision (Township Clerk) that the amount required to meet the same 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. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. 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 the certification is being completed, 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 (Board of Township Trustees) may 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 Township.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the taxing authority.

The Township includes certification language as part of its purchase order. However, the Township Clerk's prior certification was not obtained for 12% of the expenditures tested and the aforementioned exceptions were not followed. Also, using this Revised Code section properly would prevent overspending appropriations. Finding 2002-41060-002 would not have occurred had the Township Clerk followed Ohio Rev. Code § 5705.41(D).

We recommend Township personnel obtain proper certification from the Township Clerk prior to incurring any obligations on behalf of the Township.

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2002-41060-002

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

During the year ended December 31, 2002, the following Township funds had expenditures which exceeded appropriations:

Fund	Appropriation Authority	Expenditures	Variance
Special Revenue Funds:			
Gasoline Tax Fund	\$ 42,586	\$ 56,823	\$ (14,237)
Road and Bridge Fund	\$ 7,248	\$ 9,556	\$ (2,308)
Fire Levy Fund	\$ 8,154	\$ 8,749	\$ (595)
Park Fees Fund	\$ 366	\$ 600	\$ (234)

During the year ended December 31, 2001, the following Township funds had expenditures which exceeded appropriations:

Fund	Appropriation Authority	Expenditures	Variance
General Fund	\$ 52,504	\$ 53,261	\$ (757)
Special Revenue Funds:			
Gasoline Tax Fund	\$ 47,023	\$ 54,419	\$ (7,396)
Fire Levy Fund	\$ 8,657	\$ 8,833	\$ (176)

The Township Clerk should not certify payment requests that would cause overspending appropriations (see finding 2002-41060-001). We recommend the Board of Trustees and Township Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations. Appropriations posted to the Township's accounting system should reflect only those appropriations authorized by the Board of Trustees as evidenced by a resolution included in the Township's Record of Proceedings. After obtaining Board of Trustees' approval for appropriations, a certification should be obtained from the County Budget Commission that appropriations do not exceed the estimated resources.

**HIGHLAND TOWNSHIP
MUSKINGUM 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>
2000-41060-001	Ohio Rev. Code 5705.41(D) – Failure to properly encumber all commitments required by law.	No.	Not Corrected. Finding is included in current year Schedule of Findings as item 2002-41060-001.



**Auditor of State
Betty Montgomery**

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HIGHLAND TOWNSHIP

MUSKINGUM 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
MAY 8, 2003**