



**HIGHLAND TOWNSHIP
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**HIGHLAND TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Highland Township
Defiance County
15772 Hill Road
Defiance, Ohio 43512-8926

To the Board of Trustees:

We have audited the accompanying financial statements of Highland Township, Defiance County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 audits provide 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 the Township as of December 31, 1999 and 1998, 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 June 28, 2000 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.

This report is intended solely for the information and use of 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 28, 2000

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**HIGHLAND TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$11,396	\$132,834		\$144,230
Intergovernmental	73,902	83,405		157,307
Licenses, Permits, and Fees		9,212		9,212
Earnings on Investments	3,336	663	\$462	4,461
Other Revenue	895	16,914		17,809
	<u>89,529</u>	<u>243,028</u>	<u>462</u>	<u>333,019</u>
Total Cash Receipts				
	<u>89,529</u>	<u>243,028</u>	<u>462</u>	<u>333,019</u>
Cash Disbursements:				
Current:				
General Government	60,490	52,515		113,005
Public Works	4,531	139,094		143,625
Health		5,282		5,282
Redemption of Principal		29,555		29,555
Interest and Fiscal Charges		14,068		14,068
Capital Outlay		28,922		28,922
		<u>28,922</u>		<u>28,922</u>
Total Cash Disbursements	<u>65,021</u>	<u>269,436</u>		<u>334,457</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>24,508</u>	<u>(26,408)</u>	<u>462</u>	<u>(1,438)</u>
Other Financing Receipts				
Other Sources	97	110		207
	<u>97</u>	<u>110</u>		<u>207</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>24,605</u>	<u>(26,298)</u>	<u>462</u>	<u>(1,231)</u>
Fund Cash Balances, January 1	<u>50,243</u>	<u>127,846</u>	<u>10,228</u>	<u>188,317</u>
Fund Cash Balances, December 31	<u><u>\$74,848</u></u>	<u><u>\$101,548</u></u>	<u><u>\$10,690</u></u>	<u><u>\$187,086</u></u>

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

**HIGHLAND TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$11,383	\$130,496			\$141,879
Intergovernmental	58,114	84,010			142,124
Licenses, Permits, and Fees		5,191			5,191
Earnings on Investments	3,524	821	\$2,782	\$445	7,572
Other Revenue	6,459	21,668			28,127
Total Cash Receipts	<u>79,480</u>	<u>242,186</u>	<u>2,782</u>	<u>445</u>	<u>324,893</u>
Cash Disbursements:					
Current:					
General Government	65,423	22,898			88,321
Public Works	4,195	108,282			112,477
Health		4,831			4,831
Capital Outlay	54,034	79,802	218,769		352,605
Total Cash Disbursements	<u>123,652</u>	<u>215,813</u>	<u>218,769</u>		<u>558,234</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(44,172)</u>	<u>26,373</u>	<u>(215,987)</u>	<u>445</u>	<u>(233,341)</u>
Other Financing Receipts					
Sale of Fixed Assets	22,489				22,489
Other Sources	100				100
Total Other Financing Receipts	<u>22,589</u>				<u>22,589</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(21,583)</u>	<u>26,373</u>	<u>(215,987)</u>	<u>445</u>	<u>(210,752)</u>
Fund Cash Balances, January 1	<u>71,826</u>	<u>101,473</u>	<u>215,987</u>	<u>9,783</u>	<u>399,069</u>
Fund Cash Balances, December 31	<u><u>\$50,243</u></u>	<u><u>\$127,846</u></u>	<u><u>\$10,228</u></u>		<u><u>\$188,317</u></u>

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

**HIGHLAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Highland Township, Defiance County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical 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. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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 to pay for constructing, maintaining and repairing Township roads.

HIGHLAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

Fire Fund-This fund receives property tax money for providing fire protection services for the Township's residents.

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project fund:

Firehouse Building Fund - This fund received proceeds of general obligation notes. The proceeds were used to construct a new Township Hall/Firehouse.

4. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Myers Cemetery Maintenance Fund - This fund receives interest revenue and funds are used for the maintenance of the cemetery.

Hall Cemetery Bequest Fund - This fund receives interest revenue and funds are used for the maintenance of the cemetery.

General Cemetery Bequest Fund - This fund receives interest revenue and funds are used for the maintenance of the cemetery.

E. Budgetary Process

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

1. Appropriations

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

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**HIGHLAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

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 AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$177,569	\$179,659
Certificates of deposit	<u>9,517</u>	<u>8,658</u>
Total deposits	<u><u>\$187,086</u></u>	<u><u>\$188,317</u></u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,265	\$89,626	\$32,361
Special Revenue	226,900	243,138	16,238
Fiduciary	<u>380</u>	<u>462</u>	<u>82</u>
Total	<u><u>\$284,545</u></u>	<u><u>\$333,226</u></u>	<u><u>\$48,681</u></u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,540	\$65,021	\$52,519
Special Revenue	354,855	269,436	85,419
Fiduciary	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>
Total	<u><u>\$473,995</u></u>	<u><u>\$334,457</u></u>	<u><u>\$139,538</u></u>

**HIGHLAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,682	\$102,069	\$38,387
Special Revenue	220,086	242,185	22,099
Capital Projects	3,500	2,782	(718)
Fiduciary	780	445	(335)
Total	<u>\$288,048</u>	<u>\$347,481</u>	<u>\$59,433</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,841	\$123,652	\$15,189
Special Revenue	323,368	215,813	107,555
Capital Projects	218,770	218,769	1
Fiduciary	1,150		1,150
Total	<u>\$682,129</u>	<u>\$558,234</u>	<u>\$123,895</u>

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, 1999 was as follows:

**HIGHLAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

	Principal	Interest Rate
General Obligation Notes	\$206,890	6%

The general obligation notes relate to the Township Hall/Firehouse construction project.

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

Year ending December 31:	General Obligation Notes
2000	\$41,865
2001	40,106
2002	38,349
2003	36,590
2004	34,832
Subsequent	64,388
Total	\$256,130

6. RETIREMENT SYSTEMS

The Township's officials and part-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. 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 1999 and 1998 members of PERS 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, 1999.

7. RISK MANAGEMENT

The Township is a member of the Ohio Government Association Risk Management Authority Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

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

Highland Township
Defiance County
15772 Hill Road
Defiance, Ohio 43512-8926

To the Board of Trustees:

We have audited the accompanying financial statements of Highland Township, Defiance County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 28, 2000. We conducted our audits in accordance with generally accepted auditing standards 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 28, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 June 28, 2000.

This report is intended 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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 28, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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HIGHLAND TOWNSHIP

DEFIANCE 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
JULY 25, 2000