



**Auditor of State
Betty Montgomery**

HIGHLAND TOWNSHIP
MUSKINGUM COUNTY

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**Auditor of State
Betty Montgomery**

Highland Township
Muskingum County
3055 Friendship Drive
New Concord, Ohio 43762

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 12, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Highland Township
Muskingum County
3055 Friendship Drive
New Concord, Ohio 43762

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, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, 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 Highland Township, Muskingum County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 our report dated December 12, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

December 12, 2005

**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, 2004**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$14,614	\$24,550	\$10,592	\$49,756
Intergovernmental	24,554	81,633		106,187
Licenses, Permits, and Fees		800		800
Earnings on Investments	15	37	17	69
Other Revenue	2,591	350		2,941
	41,774	107,370	10,609	159,753
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	33,822			33,822
Public Safety		13,177		13,177
Public Works	7,487	76,825		84,312
Health		2,219		2,219
Debt Service:				
Redemption of Principal			6,600	6,600
Interest and Fiscal Charges			1,099	1,099
Capital Outlay	10,000	3,000		13,000
	51,309	95,221	7,699	154,229
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	(9,535)	12,149	2,910	5,524
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	10,000			10,000
Transfers-In		1,400		1,400
Transfers-Out	(1400)			(1400)
	8,600	1,400	0	10,000
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(935)	13,549	2,910	15,524
Fund Cash Balances, January 1	1,677	13,646	0	15,323
Fund Cash Balances, December 31	\$742	\$27,195	\$2,910	\$30,847

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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$14,691	\$24,061	\$7,419	\$46,171
Intergovernmental	24,340	75,070		99,410
Licenses, Permits, and Fees		675		675
Earnings on Investments	56	27		83
Other Revenue	669	245		914
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	39,756	100,078	7,419	147,253
Cash Disbursements:				
Current:				
General Government	38,824			38,824
Public Safety		25,290		25,290
Public Works	1,365	102,068		103,433
Health	4,685	2,839		7,524
Debt Service:				
Redemption of Principal			6,600	6,600
Interest and Fiscal Charges			819	819
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	44,874	130,197	7,419	182,490
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(5,118)	(30,119)	(0)	(35,237)
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		33,000		33,000
Advances-In		4,811		4,811
Advances-Out		(4,811)		(4,811)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	33,000	0	33,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(5,118)	2,881	0	(2,237)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	6,795	10,765	0	17,560
Fund Cash Balances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$1,677	\$13,646	\$0	\$15,323

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

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Highland Township, Muskingum County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, recreation and fire protection services. The Township contracts with the Village of New Concord Fire Department and the Village of Adamsville Fire Department 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

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

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire District Fund – This fund receives property tax money for the Township's fire protection and emergency services.

3. Debt Service Funds

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Refinanced Equipment Note Retirement Fund – This fund was established to retire notes issued to refinance notes which originally been issued for the purchase of a tractor and dump truck to be used for Township road maintenance.

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, 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. The Township did not properly encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$30,847	\$15,323

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,243	\$51,774	(\$8,469)
Special Revenue	101,199	108,770	7,571
Debt Service	7,699	10,609	2,910
Total	\$169,141	\$171,153	\$2,012

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,576	\$52,709	\$5,867
Special Revenue	113,430	95,221	18,209
Debt Service	7,699	7,699	0
Total	\$179,705	\$155,629	\$24,076

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,316	\$39,756	(\$2,560)
Special Revenue	122,840	133,078	10,238
Debt Service	16,662	7,419	(9,243)
Total	\$181,818	\$180,253	(\$1,565)

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,778	\$44,874	\$7,904
Special Revenue	115,251	130,197	(14,946)
Debt Service	15,105	7,419	7,686
Total	\$183,134	\$182,490	\$644

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax Fund by \$11,794, in the Cemetery Fund by \$2,815 and in the Fire District Fund by \$12,555 for the year ended December 31, 2003. Budgetary expenditures exceeded appropriation authority in the Fire District Fund by \$1,316 for the year ended December 31, 2004.

Also contrary to Ohio law, appropriations exceeded estimated resources in the General Fund by \$3,258, in the Road and Bridge Fund by \$10,333 and in the Note Retirement Fund by \$5,863 for the year ended December 31, 2003.

Appropriations as approved by the Board of Trustees did not agree to the appropriations entered into the appropriations ledger for the year ended December 31, 2003 in the General Fund by \$3,670, the Gasoline Tax Fund by \$12,402, the Road and Bridge Fund by \$3,090, the Cemetery Fund by \$3,265, the Fire District Fund by \$13,026, the Grader Note Retirement Fund by \$5,862, the Dump Truck Note Retirement Fund by \$9,243 and the Refinanced Equipment Note Retirement Fund by \$7,419. Appropriations as approved by the Board did not agree to the appropriations entered into the appropriations ledger for the year ended December 31, 2004 in the General Fund by \$3,385 and the Fire District Fund by \$1,322. Appropriations in the tables above include only those appropriations approved by the Board of Trustees.

4. PROPERTY TAX

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

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.

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
General Obligation Notes - 2003	\$19,800	4.10%
General Obligation Notes - 2004	10,000	4.096%
Total	\$29,800	

In 2003, the Township issued general obligation notes to refinance the debt issued to purchase a road grader and truck for Township road maintenance. The Township's taxing authority collateralized the notes. The notes are being repaid from the Refinanced Equipment Note Retirement Fund.

In 2004, the Township issued general obligation notes to purchase a tractor for Township road maintenance. The Township's taxing authority collateralized the notes. The notes are being repaid out of the Tractor Note Retirement Fund beginning in March 2005.

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

	General Obligation Notes
Year ending December 31:	
2005	\$10,321
2006	9,948
2007	9,575
2008	2,602
Total	\$32,446

6. RETIREMENT SYSTEMS

The Ohio Revised Code prescribes contribution rates. Ohio Public Employees Retirement System (OPERS) members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

The Township is insured with the Ohio Government Risk Management Plan (the "Plan"), The Plan assumes the risk of loss up to the limits of the Township's policies. Coverage is subject to deductibles and scheduled property. This risk pool membership is further disclosed in note 8 to the financial statements. The following risks are covered by the Plan

- Comprehensive property and general liability;
- Employer's liability;
- Employee benefits liability;
- Public officials liability;
- Automobile liability;
- Inland marine;
- Crime coverage including theft, disappearance and destruction, public employee dishonesty, forgery or alteration and computer fraud; and
- Bonding of public officials.

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT (Continued)

The Township also provides health, life and accidental death, cancer and dental insurance coverage to its officials through a private carrier.

8. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides unincorporated non-profit association providing a formalized, jointly administered self-insurance risk property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

	2004	2003
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Members' Equity	<u>\$4,457,714</u>	<u>\$3,531,044</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



Auditor of State Betty Montgomery

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

Highland Township
Muskingum County
3055 Friendship Drive
New Concord, Ohio 43762

To the Board of Trustees:

We have audited the financial statements of Highland Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 12, 2005, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-001 and 2004-003.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable conditions described are material weaknesses. In a separate letter to the Township's management dated December 12, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as items 2004-001 through 2004-004. In a separate letter to the Township's management dated December 12, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 12, 2005

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Township Board of Trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See *C.B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); *Burkholder v. Lauber*, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

During 2003 and 2004, the Township Clerk posted line item appropriation amendments to various funds each year. However, not all of these amendments were approved by the Board of Trustees in the minutes, nor certified to the County Auditor. Variances existed between the amount approved by the legislative body and the amount posted to the accounting system as follows:

December 31, 2003:

Fiscal Year	Fund/Line Item	Approved Appropriations	Appropriations per the UAN system	Variance
2003	1000-110-221	\$8,200	\$6,530	\$1,670
2003	1000-410-599	\$8,210	\$6,206	\$2,004
2003	2021-290-500	\$0	\$12,402	(\$12,402)
2003	2031-330-111	\$0	\$3,236	(\$3,236)
2003	2031-330-314	\$0	\$284	(\$284)
2003	2031-330-420	\$9,243	\$3,000	\$6,243
2003	2031-330-599	\$52,338	\$42,888	\$9,450
2003	2031-390-490	\$0	\$9,083	(\$9,083)
2003	2041-410-190	\$0	\$2,265	(\$2,265)
2003	2041-410-599	\$0	\$1,000	(\$1,000)
2003	2191-220-314	\$0	\$301	(\$301)
2003	2191-220-360	\$111	\$4,352	(\$4,241)
2003	2191-220-370	\$222	\$8,705	(\$8,483)
2003	3101-820-820	\$5,000	\$0	\$5,000
2003	3101-830-830	\$863	\$0	\$863
2003	3102-820-820	\$8,300	\$0	\$8,300
2003	3102-830-830	\$943	\$0	\$943
2003	3103-820-820	\$0	\$6,600	(\$6,600)
2003	3103-830-830	\$0	\$819	(\$819)

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2004-001
(Continued)**

Noncompliance Citation and Reportable Condition (Continued)

Ohio Rev. Code § 5705.40(Continued)

December 31, 2004:

Fiscal Year	Fund/Line Item	Approved Appropriations	Appropriations per the UAN system	Variance
2004	1000-110-111	\$1,663	\$1,396	\$267
2004	1000-110-121	\$8,902	\$8,767	\$135
2004	1000-110-211	\$2,011	\$2,783	(\$772)
2004	1000-110-221	\$12,000	\$11,328	\$672
2004	1000-110-313	\$468	\$585	(\$117)
2004	1000-110-314	\$500	\$574	(\$74)
2004	1000-110-341	\$500	\$536	(\$36)
2004	1000-110-381	\$6,829	\$6,593	\$236
2004	1000-110-389	\$1,500	\$2,576	(\$1,076)
2004	1000-110-410	\$200	\$269	(\$69)
2004	1000-310-360	\$1,546	\$2,701	(\$1,155)
2004	1000-910-910	\$0	\$1,400	(\$1,400)
2004	2011-330-111	\$3,325	\$3,690	(\$365)
2004	2011-330-323	\$1,000	\$1,300	(\$300)
2004	2011-330-360	\$5,000	\$4,700	\$300
2004	2011-330-599	\$364	\$0	\$364
2004	2021-290-550	\$1,511	\$500	\$1,011
2004	2021-330-111	\$9,975	\$15,835	(\$5,860)
2004	2021-330-211	\$2,000	\$3,767	(\$1,767)
2004	2021-330-323	\$10,000	\$15,341	(\$5,341)
2004	2021-330-360	\$9,100	\$6,443	\$2,657
2004	2021-330-420	\$1,000	\$5,285	(\$4,285)
2004	2021-330-599	\$15,078	\$1,496	\$13,582
2004	2031-330-111	\$4,988	\$6,825	(\$1,837)
2004	2031-330-314	\$300	\$460	(\$160)
2004	2031-330-420	\$9,150	\$8,565	\$585
2004	2031-330-599	\$3,258	\$1,846	\$1,412
2004	2041-410-190	\$2,900	\$3,025	(\$125)
2004	2041-410-599	\$125	\$0	\$125
2004	2191-220-314	\$200	\$219	(\$19)
2004	2191-220-360	\$3,666	\$8,300	(\$4,634)
2004	2191-220-370	\$7,332	\$4,272	\$3,060
2004	2191-220-599	\$271	\$0	\$271
2004	2901-410-599	\$887	\$937	(\$50)

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2004-001
(Continued)**

Noncompliance Citation and Reportable Condition (Continued)

Ohio Rev. Code § 5705.40(Continued)

Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budget verses actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Board of Trustees.

We recommend the Board of Trustees approve all appropriation amendments, record approval in the Board of Trustee minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Township Clerk should post these amendments only after the required approvals have been obtained.

FINDING NUMBER 2004-002

Noncompliance Citation

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

At December 31, 2003, expenditures exceeded appropriations as follows:

Fiscal Year	Fund/Line Item	Approved Appropriations	Actual Expenditures	Variance
2003	2021-290-500	\$0	\$12,402	(\$12,402)
2003	2031-330-111	\$0	\$3,236	(\$3,236)
2003	2031-330-314	\$0	\$284	(\$284)
2003	2031-390-490	\$0	\$3,798	(\$3,798)
2003	2041-410-190	\$0	\$2,133	(\$2,133)
2003	2041-410-599	\$0	\$682	(\$682)
2003	2191-220-314	\$0	\$211	(\$211)
2003	2191-220-360	\$111	\$4,226	(\$4,115)
2003	2191-220-370	\$222	\$8,451	(\$8,229)
2003	3103-820-820	\$0	\$6,600	(\$6,600)
2003	3103-830-830	\$0	\$819	(\$819)

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2004-002
(Continued)**

Noncompliance Citation - Ohio Rev. Code § 5705.41(B) (Continued)

At December 31, 2004, expenditures exceeded appropriations as follows:

Fiscal Year	Fund/Line Item	Approved Appropriations	Actual Expenditures	Variance
2004	1000-110-211	\$2,011	\$2,783	(\$772)
2004	1000-110-313	\$468	\$585	(\$117)
2004	1000-110-314	\$500	\$574	(\$74)
2004	1000-110-341	\$500	\$536	(\$36)
2004	1000-110-389	\$1,500	\$2,576	(\$1,076)
2004	1000-110-410	\$200	\$269	(\$69)
2004	1000-910-910	\$0	\$1,400	(\$1,400)
2004	2021-330-111	\$9,975	\$15,775	(\$5,800)
2004	2021-330-211	\$2,000	\$3,767	(\$1,767)
2004	2021-330-323	\$10,000	\$15,062	(\$5,062)
2004	2021-330-420	\$1,000	\$4,502	(\$3,502)
2004	2191-220-314	\$200	\$219	(\$19)
2004	2191-220-360	\$3,666	\$8,294	(\$4,628)

Expenditures also exceeded appropriations throughout the year in 2003 and 2004.

In both years this occurred because unauthorized amendments to appropriations were posted to the accounting system. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

We recommend the Board of Trustees and the Township Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Township Clerk should deny requests for payment when appropriations are not available.

FINDING NUMBER 2004-003

Noncompliance Citation and Reportable Condition

Ohio Rev. Code §5705.41(D)(1) 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 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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

HIGHLAND TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-003
(Continued)

Noncompliance Citation and Reportable Condition - Ohio Rev. Code §5705.41(D)(1) (Continued)

1. **“Then and Now” certificate** - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that 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) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 Township.
2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates 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. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. **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 extend 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 33% and 32% of the expenditures tested during 2004 and 2003, respectively, and there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over some of its expenditures. In addition, the Township issued blanket certificates after September 26, 2003 without establishing a limit by resolution or ordinance for 12% and 5% of the expenditures tested during 2004 and 2003, respectively. In addition, then and now certificates in excess of \$3,000 were not approved by the legislative body for 6% and 14% of the expenditures tested during 2004 and 2003, respectively.

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 Clerk certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used with approval by the legislative body in excess of \$3,000.

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

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

**FINDING NUMBER 2004-003
(Continued)**

Noncompliance Citation and Reportable Condition - Ohio Rev. Code §5705.41(D)(1) (Continued)

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 certification language section 5705.41(D) requires to authorize disbursements. The 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 fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. We further recommend the Board of Trustees determine the maximum amount which blanket certificates may not exceed and formally establish this policy by resolution or ordinance. We further recommend that any then and now certificates over \$3,000 be approved by the Board of Trustees.

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code § 5705.39 requires appropriations from each fund to be limited to total estimated resources.

During the year ended December 31, 2003, appropriations exceeded estimated resources in the General Fund, Road and Bridge Fund and Equipment Note Retirement Fund in the amounts of \$3,258, \$10,333 and \$5,863, respectively. This was due to amended certificates being obtained from the County Auditor without the Board of Trustees approving a subsequent amendment to appropriations.

We recommend the Township review appropriations prior to obtaining an amended certificate and/or when an amended certificate is received to ensure appropriations are within total estimated resources.

**HIGHLAND TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-41060-001	The Township did not comply with Ohio Rev. Code § 5705.41(D) – Prior certification of invoices.	No	Re-issued. Finding is included in current year as Schedule of Findings as item 2004-003.
2002-41060-002	The Township did not comply with Ohio Rev. Code § 5705.41(B) – Expenditures exceeding appropriations.	No	Re-issued. Finding is included in current year as Schedule of Findings as item 2004-002.



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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
FEBRUARY 21, 2006**