



Mary Taylor, CPA  
Auditor of State



HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	18

**This page intentionally left blank.**



**Mary Taylor, CPA**  
Auditor of State

Highland Township  
Muskingum County  
6325 Windy Ridge Road  
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 an 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 adverse 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 9, 2007

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Highland Township  
Muskingum County  
6325 Windy Ridge Road  
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, 2006 and 2005. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, 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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 November 9, 2007, 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.



**Mary Taylor, CPA**  
Auditor of State

November 9, 2007



**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, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$16,237	\$25,808	\$9,860	\$51,905
Licenses, Permits, and Fees		1,750		1,750
Intergovernmental	22,665	103,436		126,101
Earnings on Investments	228	765		993
Miscellaneous		75		75
	<u>39,130</u>	<u>131,834</u>	<u>9,860</u>	<u>180,824</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	28,761			28,761
Public Safety		12,677		12,677
Public Works	1,286	111,408		112,694
Health	2,073	54		2,127
Debt Service:				
Redemption of Principal			9,100	9,100
Interest and Other Fiscal Charges			835	835
	<u>32,120</u>	<u>124,139</u>	<u>9,935</u>	<u>166,194</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>7,010</u>	<u>7,695</u>	<u>(75)</u>	<u>14,630</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In			9	9
Transfers-Out		(9)		(9)
Advances-In	1,400	1,400		2,800
Advances-Out	(1,400)	(1,400)		(2,800)
	<u>0</u>	<u>(9)</u>	<u>9</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	7,010	7,686	(66)	14,630
Fund Cash Balances, January 1	<u>2,697</u>	<u>63,915</u>	<u>2,807</u>	<u>69,419</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$9,707</u></b>	<b><u>\$71,601</u></b>	<b><u>\$2,741</u></b>	<b><u>\$84,049</u></b>

*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, 2005**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$15,895	\$27,558	\$10,219	\$53,672
Licenses, Permits, and Fees		853		853
Intergovernmental	18,619	99,947		118,566
Earnings on Investments	121	116		237
Miscellaneous	3,808	70		3,878
	<u>38,443</u>	<u>128,544</u>	<u>10,219</u>	<u>177,206</u>
Total Cash Receipts				
	<u>38,443</u>	<u>128,544</u>	<u>10,219</u>	<u>177,206</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	34,784			34,784
Public Safety		13,071		13,071
Public Works	1,484	76,937		78,421
Health	221	1,816		2,037
Debt Service:				
Redemption of Principal			9,100	9,100
Interest and Other Fiscal Charges			1,222	1,222
	<u>36,489</u>	<u>91,824</u>	<u>10,322</u>	<u>138,635</u>
Total Cash Disbursements				
	<u>36,489</u>	<u>91,824</u>	<u>10,322</u>	<u>138,635</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,954</u>	<u>36,720</u>	<u>(103)</u>	<u>38,571</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		4,279		4,279
Transfers-Out		(4,279)		(4,279)
Advances-In	400	400		800
Advances-Out	(400)	(400)		(800)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts / (Disbursements)				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	1,954	36,720	(103)	38,571
Fund Cash Balances, January 1	743	27,195	2,910	30,848
<b>Fund Cash Balances, December 31</b>	<b><u>\$2,697</u></b>	<b><u>\$63,915</u></b>	<b><u>\$2,807</u></b>	<b><u>\$69,419</u></b>

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

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**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 (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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of New Concord and the Adamsville Community Volunteer Fire Department to provide fire services and ambulance services.

The Township participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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 private-purpose 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  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Equipment Note Fund - This fund receives property tax money to make principal and interest payments on the equipment note.

**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 2006 and 2005 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.

**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 at December 31 was as follows:

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. Equity in Pooled Cash (Continued)**

	2005	2006
Demand deposits	\$69,419	\$84,049

**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 December 31, 2006 and 2005, follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,713	\$40,530	\$4,817
Special Revenue	119,747	133,234	13,487
Debt Service	9,870	9,869	(1)
Total	\$165,330	\$183,633	\$18,303

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,629	\$33,520	\$7,109
Special Revenue	159,228	125,548	33,680
Debt Service	9,972	9,935	37
Total	\$209,829	\$169,003	\$40,826

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,763	\$38,843	(\$5,920)
Special Revenue	97,218	133,223	36,005
Debt Service	10,219	10,219	0
Total	\$152,200	\$182,285	\$30,085

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,744	\$36,889	\$855
Special Revenue	102,777	96,503	6,274
Debt Service	10,321	10,322	(1)
Total	\$150,842	\$143,714	\$7,128

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax 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.

**5. Debt**

Debt outstanding at December 31, 2006, was as follows:

	Principal	Interest Rate
General Obligation Notes 2003	\$6,600	4.100%
General Obligation Notes 2004	5,000	4.096%
Total	\$11,600	

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.

In 2004, the Township issued general obligation notes to purchase a tractor for Township road maintenance. The Township's taxing authority collateralized the notes.

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

Year ending December 31:	General Obligation Notes
2007	\$9,576
2008	2,602
Total	\$12,178

**6. Retirement System**

The Township's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which includes postretirement healthcare and survivor and disability benefits.

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. Retirement System (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**7. Risk Management**

**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 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 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 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

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

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**8. Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.





# Mary Taylor, CPA

Auditor of State

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

Highland Township  
Muskingum County  
6325 Windy Ridge Road  
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, 2006 and 2005, and have issued our report thereon dated November 9, 2007, 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 Auditor of State's independence to audit the Township. 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 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 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 over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated November 9, 2007.

#### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 9, 2007.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 9, 2007

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Noncompliance and Significant Deficiency**

Ohio Rev. Code Section 505.24(C) states the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township General Fund or from such funds in proportions as the board may specify by resolution.

Due to the Board of Trustees' duties being, at least in part, administrative in nature, that portion of their salaries related to their administrative duties should be paid from the General Fund. Ohio Attorney General Opinion No. 2004-036 requires that for salaries not paid for from the General Fund, trustees must establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation.

During 2005, the allocation of the Trustees salaries was not proportionate to the administrative duties actually performed by the Trustees. After bringing this to the Trustees' attention, the Trustees passed a retroactive resolution on November 12, 2007 addressing the proportions from which the total compensation of the Trustees should have been paid. The following proportions were approved: 8% of the General Fund, 28% of the Motor Vehicle License Tax Fund, 59% of the Gasoline Tax Fund, and 5% of the Road & Bridge Fund. The portion of the Trustees' salaries to be allocated to the General Fund is \$1,634 which was originally an allocation from the Motor Vehicle License Tax Fund.

As of the date of this report, Township management was in agreement with the aforementioned adjustment. The adjustment has been posted to the Township's records and is reflected in the accompanying financial statements.

We recommend the Board of Trustees establish administrative procedures to document the kinds of services rendered. The Fiscal Officer should then pay the Trustees' salaries from the appropriate fund(s) based on the services rendered by the Trustees. In addition, fringe benefits, including payroll taxes and insurance, should be allocated in the same proportion as salaries.

**Officials' Response:**

We will begin to allocate salaries for trustees based on documentation of services rendered as recommended.

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-002**

**Noncompliance and Significant Deficiency**

Ohio Rev. Code Section 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 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. 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:

Then and Now Certificate - If the fiscal officer can certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of such certificate to approve payment by ordinance or resolution.

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 Township.

Blanket Certificate - Fiscal officers may prepare so-called "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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. 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 extend beyond the current year. No 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 68% of the expenditures tested in 2006 and 59% of expenditures tested in 2005. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-002  
(Continued)**

**Noncompliance and Significant Deficiency - Ohio Rev. Code Section 5705.41(D)(1) (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 the Fiscal Officer certify that funds are or will be available prior to the obligation being incurred 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 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 orders to the proper appropriation code to reduce the available appropriation.

**Officials' Response:**

We will strive to utilize the various types of purchase orders and blanket certificates in the manner in which they are recommended.

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2004-001	Ohio Rev. Code Section 5705.40, appropriation amendments not always approved by the Township Trustees.	No	Partially Corrected; Reported in Management Letter as a recommendation.
2004-002	Ohio Rev. Code Section 5705.41(B), expenditures in excess of appropriations in several funds at the legal level of control.	No	Partially Corrected; Reported in Management Letter.
2004-003	Ohio Rev. Code Section 5705.41(D), not properly certifying the availability of funds prior to incurring obligations.	No	Not Corrected; Repeated as Finding No. 2006-002.
2004-004	Ohio Rev. Code Section 5705.39, appropriations in excess of estimated resources in several funds.	No	Partially Corrected; Reported in Management Letter.



**Mary Taylor, CPA**  
Auditor of State

**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  
DECEMBER 18, 2007**