



Mary Taylor, CPA  
Auditor of State



HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY

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# 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 29, 2009

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# 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, 2008 and 2007. 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.

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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, 2008 and 2007 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, 2008 and 2007, 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, Ohio, as of December 31, 2008 and 2007, 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 June 29, 2009, 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

June 29, 2009



**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, 2008**

	<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	\$20,624	\$33,969	\$8,937	\$63,530
Licenses, Permits, and Fees		2,300		2,300
Intergovernmental	19,347	109,099		128,446
Earnings on Investments	506	502		1,008
Miscellaneous		1,775		1,775
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	40,477	147,645	8,937	197,059
<b>Cash Disbursements:</b>				
Current:				
General Government	36,501			36,501
Public Safety		14,248		14,248
Public Works	1,643	158,528		160,171
Health	6,676	2,248		8,924
Conservation - Recreation		320		320
Debt Service:				
Redemption of Principal			9,513	9,513
Interest and Other Fiscal Charges			2,028	2,028
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	44,820	175,344	11,541	231,705
Total Cash Receipts (Under) Cash Disbursements	(4,343)	(27,699)	(2,604)	(34,646)
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Fixed Assets	585	56		641
Transfers-In			2	2
Transfers-Out			(2)	(2)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	585	56	0	641
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(3,758)	(27,643)	(2,604)	(34,005)
Fund Cash Balances, January 1	16,753	66,926	2,605	86,284
<b>Fund Cash Balances, December 31</b>	<b><u>\$12,995</u></b>	<b><u>\$39,283</u></b>	<b><u>\$1</u></b>	<b><u>\$52,279</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, 2007**

	<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	\$20,218	\$30,146	\$9,436	\$59,800
Licenses, Permits, and Fees		390		390
Intergovernmental	24,632	106,272		130,904
Earnings on Investments	1,090	1,194		2,284
Miscellaneous		505		505
<b>Total Cash Receipts</b>	<u>45,940</u>	<u>138,507</u>	<u>9,436</u>	<u>193,883</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	32,177			32,177
Public Safety		12,728		12,728
Public Works	1,606	103,859		105,465
Health	2,058	268		2,326
Capital Outlay	3,050	61,391		64,441
Debt Service:				
Redemption of Principal			9,099	9,099
Interest and Other Fiscal Charges			477	477
<b>Total Cash Disbursements</b>	<u>38,891</u>	<u>178,246</u>	<u>9,576</u>	<u>226,713</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>7,049</u>	<u>(39,739)</u>	<u>(140)</u>	<u>(32,830)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Notes		35,066		35,066
Transfers-In			3	3
Transfers-Out	(3)			(3)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>(3)</u>	<u>35,066</u>	<u>3</u>	<u>35,066</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>7,046</u>	<u>(4,673)</u>	<u>(137)</u>	<u>2,236</u>
<b>Fund Cash Balances, January 1</b>	<u>9,707</u>	<u>71,599</u>	<u>2,742</u>	<u>84,048</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$16,753</b></u>	<u><b>\$66,926</b></u>	<u><b>\$2,605</b></u>	<u><b>\$86,284</b></u>

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

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**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 protection and emergency medical 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 for constructing, maintaining, and repairing Township roads.

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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 Funds:

Equipment Note Fund - This fund receives property tax money to make principal and interest payments on the equipment note. This note was paid off as of December 31, 2008.

Tractor Note Fund - This fund receives property tax money to make principal and interest payments on the tractor note. This note was paid off as of December 31, 2008.

Backhoe Note Fund - This fund receives property tax money to make principal and interest payments on the backhoe 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 re-appropriated in the subsequent year.

A summary of 2008 and 2007 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, 2008 AND 2007  
(Continued)**

**2. Equity in Pooled Deposits**

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

	2008	2007
Demand deposits	\$52,279	\$86,284

**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, 2008 and 2007, follows:

**2008 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,787	\$41,062	\$275
Special Revenue	136,871	147,701	10,830
Debt Service	8,937	8,939	2
Total	\$186,595	\$197,702	\$11,107

**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,003	\$44,820	\$17,183
Special Revenue	199,333	175,344	23,989
Debt Service	11,542	11,543	(1)
Total	\$272,878	\$231,707	\$41,171

**2007 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,257	\$45,940	\$5,683
Special Revenue	162,898	173,573	10,675
Debt Service	9,436	9,439	3
Total	\$212,591	\$228,952	\$16,361

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,598	\$38,894	\$12,704
Special Revenue	197,797	178,246	19,551
Debt Service	12,178	9,576	2,602
Total	\$261,573	\$226,716	\$34,857

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority within the Road and Bridge Fund, Capital Outlay function, by \$17,533 and in the Gasoline Tax Fund, Capital Outlay function, by \$17,533 for the year ended December 31, 2007.

**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.

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, 2008, was as follows:

	Principal	Interest Rate
General Obligation Note 2007	\$28,053	5.24%

In 2007, the Township issued a general obligation note to purchase a backhoe for Township road maintenance. The Township's taxing authority collateralized the note.

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

	General Obligation Note
Year ending December 31:	
2009	\$8,504
2010	8,131
2011	7,758
2012	7,387
Total	\$31,780

**6. Retirement Systems**

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 include postretirement healthcare and survivor and disability benefits.

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. Retirement Systems (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**7. Risk Management**

**Risk Pool Membership**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 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 coverage, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains 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 financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. 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, 2007 and 2006 (the latest information available):

	<b>2007</b>	<b>2006</b>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	\$6,862,902	\$6,290,528

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, 2008 AND 2007  
(Continued)**

**8. Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. 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, 2008 and 2007, and have issued our report thereon dated June 29, 2009, 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 findings 2008-001, 2008-003, and 2008-004 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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 the 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 a certain internal control matter that we reported to the Township's management in a separate letter dated June 29, 2009.

#### **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 2008-001 and 2008-002.

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 June 29, 2009.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

June 29, 2009

HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 5705.10(A) states that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund. Ohio Rev. Code Section 5705.10(C) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2008, posting errors included state homestead and rollback revenue in the amount of \$8,983 posted in total to the General Fund that should have been allocated to the General, Road and Bridge, and Fire Levy Funds in the amounts of \$2,818, \$4,110 and \$2,055, respectively. During 2007, posting errors again included state homestead and rollback revenue in the amount of \$6,645 posted in total to the General Fund that should have been allocated to the General, Road and Bridge, and Fire Levy Funds in the amounts of \$2,181, \$3,193 and \$1,271, respectively.

These adjustments, with which management agrees, have been posted to the Township's accounting records and are reflected within the accompanying financial statements.

We recommend the Township Fiscal Officer post homestead and rollback receipts in accordance with the semi-annual apportionment of taxes received from the County Auditor.

**Officials' Response:** Issues around this are due to administrative fees deducted and not reflected on the settlement sheets that are received for revenues. Contact has been made with the County Auditor who has since provided a spreadsheet that will calculate the administrative fees so appropriate allocations will be posted correctly.

FINDING NUMBER 2008-002

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

As of December 31, 2007, the following funds reflected expenditures which exceeded appropriations at the legal level of budgetary control:

Fund/Function	Appropriations	Expenditures	Variance
Road and Bridge			
Capital Outlay	\$13,325	\$30,858	(\$17,533)
Gasoline Tax			
Capital Outlay	13,000	30,533	(17,533)

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**FINDING NUMBER 2008-002 (Continued)**

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

The Township's failure to limit expenditures to the amounts appropriated could result in deficit spending.

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

**Officials' Response:** Actions will be taken for future debt to be issued accordingly.

**FINDING NUMBER 2008-003**

**Significant Deficiency**

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts.

The Township Fiscal Officer did not properly post budgeted receipts, and any amendments made to them, to the accounting system. A variance existed between the certificate of estimated resources and the amounts posted to the accounting system. The following table details this variance:

<b>2007 Fund</b>	<b>Amount per Last Amended Certificate</b>	<b>Amount Posted to Accounting System</b>	<b>Variance</b>
<b>Road and Bridge</b>	\$56,606	\$21,540	\$35,066

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor.

We recommend the Township Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto.

**Officials' Response:** Budgets are currently monitored and reviewed for receipts and amendments.

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2008-004**

**Significant Deficiency**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2007, the Township Trustees issued a general obligation note in the amount of \$35,066 for the purpose of purchasing a backhoe. The financial institution paid the vendor directly on-behalf of the Township. The Township Fiscal Officer did not post the debt proceeds and the capital outlay expenditure to its financial records.

As a result, receipts and disbursements were understated on the Township's financial records and financial statements for 2007. This also resulted in violation of Ohio Rev. Code Section 5705.41(B) within the Road and Bridge and Gasoline Tax Funds' as this activity was not budgeted by the Township Trustees. (See Finding No. 2008-002).

The above noted adjustment with which the Township officials' agree is reflected within the accompanying financial statements.

We recommend the Township Fiscal Officer record all debt proceeds and the corresponding expenditures to the Township's financial records and, in turn, budget for such activity.

**Officials' Response:** Actions will be taken for future debt to be issued accordingly.

**HIGHLAND TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2006-001	Ohio Rev. Code Section 505.24(C), allocation of Trustees salaries not in proportion to their duties.	Yes	N/A.
2006-002	Ohio Rev. Code Section 5705.41(D)(1), not always obtaining certification of the availability of funds prior to incurring obligations.	No	Partially Corrected; Repeated within the 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  
JULY 21, 2009**