



**Auditor of State  
Betty Montgomery**



**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings .....	18

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Highland Township, Defiance County, (the Township) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Township's financial transactions were processed using 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 conduct the audits of 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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



**Betty Montgomery**  
Auditor of State

March 25, 2004

**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts</b>					
Local Taxes	\$ 14,176	\$ 141,160	\$ -	\$ -	\$ 155,336
Intergovernmental	49,262	118,489	28,930	-	196,681
Licenses, Permits, and Fees		8,295	-	-	8,295
Earnings on Investments	901	125	-	181	1,207
Other Revenue	2,678	9,223	-	-	11,901
<b>Total Cash Receipts</b>	<u>67,017</u>	<u>277,292</u>	<u>28,930</u>	<u>181</u>	<u>373,420</u>
<b>Cash Disbursements</b>					
Current:					
General Government	76,493	18,411	-	-	94,904
Public Safety	25,426	69,983	-	-	95,409
Public Works	5,298	108,823	-	-	114,121
Health	-	4,874	-	-	4,874
Debt Service:					
Redemption of Principal	-	29,556	-	-	29,556
Interest and Fiscal Charges	7,034	-	-	-	7,034
Capital Outlay	-	2,174	28,930	-	31,104
<b>Total Cash Disbursements</b>	<u>114,251</u>	<u>233,821</u>	<u>28,930</u>	<u>-</u>	<u>377,002</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>(47,234)</u>	<u>43,471</u>	<u>-</u>	<u>181</u>	<u>(3,582)</u>
<b>Other Financing Receipts/(Disbursements)</b>					
Transfers-In	-	2,000	-	-	2,000
Transfers-Out	(2,000)	-	-	-	(2,000)
<b>Total Other Financing Receipts and (Disbursements)</b>	<u>(2,000)</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(49,234)</u>	<u>45,471</u>	<u>-</u>	<u>181</u>	<u>(3,582)</u>
Fund Cash Balances, January 1	<u>146,050</u>	<u>145,903</u>	<u>-</u>	<u>10,157</u>	<u>302,110</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 96,816</u></u>	<u><u>\$ 191,374</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,338</u></u>	<u><u>\$ 298,528</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Fiduciary Funds	
<b>Cash Receipts</b>					
Local Taxes	\$ 13,839	\$ 142,067	\$ -	\$ -	\$ 155,906
Intergovernmental	174,756	87,811	-	-	262,567
Licenses, Permits, and Fees	-	6,705	-	-	6,705
Earnings on Investments	2,541	708	-	305	3,554
Other Revenue	942	13,963	-	-	14,905
<b>Total Cash Receipts</b>	<u>192,078</u>	<u>251,254</u>	<u>-</u>	<u>305</u>	<u>443,637</u>
<b>Cash Disbursements</b>					
Current:					
General Government	80,540	15,521	-	-	96,061
Public Safety	-	43,673	-	-	43,673
Public Works	4,857	146,352	-	-	151,209
Health	-	5,477	-	-	5,477
Debt Service:					
Redemption of Principal	-	40,663	21,061	-	61,724
Interest and Fiscal Charges	-	8,793	2,113	-	10,906
Capital Outlay	-	698	-	-	698
<b>Total Cash Disbursements</b>	<u>85,397</u>	<u>261,177</u>	<u>23,174</u>	<u>-</u>	<u>369,748</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>106,681</u>	<u>(9,923)</u>	<u>(23,174)</u>	<u>305</u>	<u>73,889</u>
<b>Other Financing Receipts/(Disbursements)</b>					
Transfers-In	-	15,000	22,727	-	37,727
Transfers-Out	(37,727)	-	-	-	(37,727)
<b>Total Other Financing Receipts and (Disbursements)</b>	<u>(37,727)</u>	<u>15,000</u>	<u>22,727</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	68,954	5,077	(447)	305	73,889
Fund Cash Balances, January 1	<u>77,096</u>	<u>140,826</u>	<u>447</u>	<u>9,852</u>	<u>228,221</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 146,050</u></u>	<u><u>\$ 145,903</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,157</u></u>	<u><u>\$ 302,110</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

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

*Fire Fund* – This fund receives property tax money for providing fire protection and emergency medical services for the Township’s residents.

**3. Debt Service Funds**

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

*Miscellaneous Debt Service Fund* - The fund was used to pay off the loan relating to the purchase of a dump truck for use by the Township.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

*Issue II Fund* - The Township received a grant from the State of Ohio to repair and maintain Township roads.

**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**5. Fiduciary Funds (Trust and Agency Funds)**

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

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

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

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund.

**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.

**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2003	2002
Demand deposits	\$ 289,514	\$ 293,096
Certificates of deposit	9,014	9,014
Total deposits	\$ 298,528	\$ 302,110

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 78,829	\$ 67,017	\$ (11,812)
Special Revenue	253,239	279,292	26,053
Capital Projects	28,000	28,930	930
Fiduciary	510	181	(329)
Total	\$ 360,578	\$ 375,420	\$ 14,842

**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 224,879	\$ 116,251	\$ 108,628
Special Revenue	399,142	233,821	165,321
Debt Service	36,590		36,590
Capital Projects		28,930	(28,930)
Fiduciary	2,027		2,027
Total	<u>\$ 662,638</u>	<u>\$ 379,002</u>	<u>\$ 283,636</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 73,062	\$ 192,078	\$ 119,016
Special Revenue	255,761	266,254	10,493
Debt Service	49,902	22,727	(27,175)
Fiduciary	403	305	(98)
Total	<u>\$ 379,128</u>	<u>\$ 481,364</u>	<u>\$ 102,236</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 150,158	\$ 123,124	\$ 27,034
Special Revenue	396,588	261,177	135,411
Debt Service	49,902	23,174	26,728
Fiduciary	1,360		1,360
Total	<u>\$ 598,008</u>	<u>\$ 407,475</u>	<u>\$ 190,533</u>

**4. COMPLIANCE**

\$2,521 in fire equipment grant receipts were credited to the Permissive Motor Vehicle License Tax Fund in 2003, and fire protection and emergency medical services disbursements totaling \$1,708 in 2003 and \$4,787 in 2002 were improperly paid out of the

**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Permissive Motor Vehicle License Tax Fund, contrary to the requirements of Ohio Revised Code § 5705.10.

Expenditures exceeded appropriations in the Zoning Fund by \$923 and Issue II Fund by \$28,903 in 2003, contrary to Ohio Revised Code § 5705.41(B).

**5. PROPERTY TAX**

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

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	<u>\$ 88,668</u>	5.95%

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

**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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

Year ending December 31:	General Obligation Notes
2004	\$ 34,832
2005	33,073
2006	31,315
Total	\$ 99,220

**7. RETIREMENT SYSTEMS**

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2003

**8. RISK MANAGEMENT**

**Risk Pool Membership**

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

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5 percent of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5 percent of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55 percent and 65 percent of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65 percent is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.





**Auditor of State  
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the accompanying financial statements of Highland Township, Defiance County, (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated [End of Fieldwork Date] wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and as requested, operated UAN. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 25, 2004.

### **Internal Control over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 25, 2004.

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



**Betty Montgomery**  
Auditor of State

March 25, 2004

**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.10 requires that all revenue derived from a source other than 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. Furthermore, money that is paid into a fund must be used only for the purposes for which such fund has been established.

During our review of the Township's accounting ledgers, we noted the following:

- In 2003, the Clerk credited \$2,521 in fire equipment grant receipts to the Permissive Motor Vehicle License Tax Fund; these monies should have been credited to the Fire Fund.
- In 2003, the purchase of fire gear and accessories totaling \$1,708 was improperly made out of the Permissive Motor Vehicle License Tax Fund.
- In 2002, disbursements totaling \$4,787 for radio equipment and rescue manikins for the Fire Department and EMS unit were paid out of the Permissive Motor Vehicle License Tax Fund.

The Township has adjusted its records to reflect these grant receipts and disbursements for the Fire Department and EMS unit in the Fire Fund.

In addition, in 2002 an immaterial amount of gasoline tax monies, equaling \$765, was used to buy tires for two Fire Department and EMS unit vehicles.

The above noted situations resulted in a misstatement of financial activity in the respective funds. Allowing monies from one fund to cover obligations of another fund and improper reporting of revenue could cause management to draw inaccurate conclusions regarding its fiscal position.

**FINDING NUMBER 2003-001**  
**(Continued)**

The Township should record grant monies for the Fire Department and EMS unit in the Fire Fund. Financial activity should be properly reported in the accounting ledgers so that management can better assess whether or not financial goals are being met on an ongoing basis. As part of the monitoring process, management should review its records to make sure that all amounts are properly reflected in the appropriate funds.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township's expenditures exceeded appropriations in the following funds at December 31, 2003:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Difference</u>
Zoning Fund	\$ 4,765	\$ 5,688	\$ (923)
Issue II Fund	-	28,930	(28,930)

This was a result of expenditures (plus outstanding encumbrances) being in excess of total appropriations at the legal level of control in the compensation of Board Members line item in the Zoning Fund and the Capital Outlay line item in the Issue II Fund.

Allowing expenditures to exceed appropriations could result in deficit spending. The Township should regularly monitor budgets to make sure that there are sufficient appropriations to fund anticipated expenditures.

We also reported this matter in our audits of the 2001 and 2000 financial statements.

### **FINDING NUMBER 2003-003**

#### **Reportable Condition**

The Township's receipt and disbursement activity should be periodically reviewed for proper posting in the accounting ledgers. Numerous transactions were improperly posted as to fund, function, and object line item accounts. For instance:

- Electric deregulation payments totaling \$3,844 received in 2002 and 2003 were incorrectly recorded as miscellaneous revenue in their respective funds.
- Grant monies received for use by the Fire Department and EMS unit amounting to \$6,860 in 2002 and \$26,659 in 2003 were improperly credited as miscellaneous revenue in the Fire Fund.
- Fire equipment grant receipts of \$2,521 were erroneously reflected in the Permissive Motor Vehicle License Tax Fund instead of the Fire Fund in 2003.
- Disbursements made in 2002 and 2003, totaling \$38,886 and \$68,275, respectively, to provide fire protection services to the Township were improperly classified as general government versus public safety disbursements.
- Disbursements made in 2002 and 2003 amounting to \$4,787 and \$1,708, respectively, for the purchase of fire and rescue equipment and accessories were inappropriately booked to the Permissive Motor Vehicle License Tax Fund.

Without accurate receipt and disbursement activity posted to the ledgers, the Township's actual financial position could be materially misstated. In addition, this limits the ability of the users of the Township's financial statements to make accurate conclusions about its financial condition and normal operations.

The Clerk should review the Township's receipt and disbursement activity in the accounting ledgers on a regular basis. This will allow the Township's ledgers to reflect all financial transactions which occur as well as detect errors and irregularities in a timely manner. In addition, to improve monitoring controls, we recommend that the Board review monthly revenue and expenditure reports to determine whether its financial activity is being posted to the proper funds.

**HIGHLAND TOWNSHIP  
DEFIANCE COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2001-40120-001	Ohio Revised Code § 5705.131 for not recording interest earned on the principal of a nonexpendable trust fund	No	Not corrected. Reported as a management letter comment.
2001-40120-002	Ohio Revised Code § 5705.40 for changes made to legally adopted appropriations with no documented Board approval	No	Not corrected Reported as a management letter comment.
2001-40120-003	Ohio Revised Code § 5705.41(B) for expenditures in excess of appropriations	No	Not corrected. Repeated as finding number 2003-002.



**Auditor of State  
Betty Montgomery**

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**HIGHLAND TOWNSHIP**

**DEFIANCE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 27, 2004**