



**HILLIAR TOWNSHIP
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006-2005



Mary Taylor, CPA
Auditor of State

HILLIAR TOWNSHIP
KNOX COUNTY

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Mary Taylor, CPA
Auditor of State

Hilliar Township
Knox County
P.O. Box 649
Centerburg, Ohio 43011

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 Township 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

May 22, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hillier Township
Knox County
P.O. Box 649
Centerburg, Ohio 43011

To the Board of Trustees:

We have audited the accompanying financial statements of Hillier Township, Knox 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.

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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, 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 Hilliar Township, Knox 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 May 22, 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

May 22, 2007

HILLIAR TOWNSHIP
KNOX 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**

	Governmental Fund Types					Totals
	General	Special Revenue	Debt Service	Capital Projects	Permanent	(Memorandum Only)
Cash Receipts:						
Property and Other Local Taxes	\$ 54,145	\$ 143,515	\$ 85,495	\$ -	\$ -	\$ 283,155
Licenses, Permits, and Fees	33,988	28,282	-	-	-	62,270
Intergovernmental	32,415	114,210	6,048	90,861	-	243,534
Earnings on Investments	5,064	4,301	-	-	169	9,534
Miscellaneous	8,844	13,846	-	-	-	22,690
Total Cash Receipts	134,456	304,154	91,543	90,861	169	621,183
Cash Disbursements:						
Current:						
General Government	114,705	9,842	-	-	-	124,547
Public Works	-	204,862	-	-	-	204,862
Health	1,223	29,730	-	-	136	31,089
Conservation-Recreation	14,452	-	-	-	-	14,452
Other	-	-	1,053	-	-	1,053
Capital Outlay	109,026	22,483	-	90,861	-	222,370
Debt Service:						
Redemption of Principal	-	-	58,247	-	-	58,247
Interest and Other Fiscal Charges	-	-	17,134	-	-	17,134
Total Cash Disbursements	239,406	266,917	76,434	90,861	136	673,754
Total Receipts Over/(Under) Disbursements	(104,950)	37,237	15,109	-	33	(52,571)
Other Financing Receipts:						
Sale of Notes	85,000	-	-	-	-	85,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(19,950)	37,237	15,109	-	33	32,429
Fund Cash Balance, January 1	80,190	152,199	55,733	-	5,604	293,726
Fund Cash Balance, December 31	\$ 60,240	\$ 189,436	\$ 70,842	\$ -	\$ 5,637	\$ 326,155

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

**HILLIAR TOWNSHIP
KNOX 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**

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Permanent	(Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$ 45,384	\$ 123,454	\$ 88,401	\$ -	\$ 257,239
Licenses, Permits, and Fees	33,147	20,211	-	-	53,358
Intergovernmental	55,258	104,455	5,735	-	165,448
Earnings on Investments	3,149	2,006	-	101	5,256
Miscellaneous	8,767	8,490	-	-	17,257
Total Cash Receipts	145,705	258,616	94,136	101	498,558
Cash Disbursements:					
Current:					
General Government	115,450	10,094	-	-	125,544
Public Safety	-	1,296	-	-	1,296
Public Works	-	216,102	-	-	216,102
Health	-	33,518	-	405	33,923
Conservation-Recreation	9,459	-	-	-	9,459
Other	-	-	932	-	932
Debt Service:					
Redemption of Principal	-	-	68,380	-	68,380
Interest and Other Fiscal Charges	-	-	20,760	-	20,760
Total Cash Disbursements	124,909	261,010	90,072	405	476,396
Total Receipts Over/(Under) Disbursements	20,796	(2,394)	4,064	(304)	22,162
Fund Cash Balance, January 1	59,394	154,593	51,669	5,908	271,564
Fund Cash Balance, December 31	\$ 80,190	\$ 152,199	\$ 55,733	\$ 5,604	\$ 293,726

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

**HILLIAR TOWNSHIP
KNOX 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 Hilliar Township, Knox 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 and cemetery maintenance. Fire protection and emergency medical services are provided by the Central Ohio Joint Fire District.

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. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit and money market sweep account investments at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

The General Fund 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:

HILLIAR TOWNSHIP
KNOX COUNTY

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. **Fund Accounting (Continued)**

2. **Special Revenue Funds (Continued)**

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

Road District Fund - This fund receives property tax money to pay for constructing, maintaining, and repairing Township roads.

3. **Debt Service Fund**

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

General Bond (Note) Retirement – This fund receives tax monies to pay off the Township's general obligation bonds that were utilized to build the fire station, and other notes used for construction and equipment.

4. **Capital Projects Fund**

This fund accounts for receipts restricted to acquiring or constructing 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 Township roads.

5. **Permanent Fund**

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Melick Non-Expendable Trust – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemeteries.

E. **Budgetary Process**

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

1. **Appropriations**

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

**HILLIAR TOWNSHIP
KNOX COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	\$50,854	\$50,000
Certificates of deposit	6,600	6,600
Total deposits	57,454	56,600
STAR Ohio	37,369	35,487
Sweep Account	231,332	201,639
Total investments	268,701	237,126
Total deposits and investments	\$326,155	\$293,726

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The Township's financial institution maintains collateral over sweep account activity. The securities are not in the Township's name.

**HILLIAR TOWNSHIP
KNOX COUNTY**

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

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	\$193,770	\$219,456	\$25,686
Special Revenue	241,596	304,154	62,558
Debt Service	83,412	91,543	8,131
Capital Projects	90,861	90,861	0
Permanent	40	169	129
Total	\$609,679	\$706,183	\$96,504

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$275,343	\$239,406	\$35,937
Special Revenue	392,412	266,917	125,495
Debt Service	139,145	76,434	62,711
Capital Projects	90,861	90,861	0
Permanent	643	136	507
Total	\$898,404	\$673,754	\$224,650

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$126,178	\$145,705	\$19,527
Special Revenue	227,194	258,616	31,422
Debt Service	97,211	94,136	(3,075)
Permanent	10	101	91
Total	\$450,593	\$498,558	\$47,965

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$187,521	\$124,909	\$62,612
Special Revenue	379,838	261,010	118,828
Debt Service	148,880	90,072	58,808
Permanent	918	405	513
Total	\$717,157	\$476,396	\$240,761

**HILLIAR TOWNSHIP
KNOX 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.

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, 2006 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$125,000	5.63%
Road Grader Note	85,000	4.31%
Town Hall Notes	107,199	5.20%
Tractor/Mower Note	37,742	3.07%
Total	\$354,941	

The Township issued general obligation bonds to finance the building of a Fire House. The bonds were issued June 15, 1994 in the amount of \$460,000 and have maturities through December 2009. The general obligation notes were issued to finance the purchase of a road grader, town hall building, a mower, and a tractor. All debt is collateralized solely by the Township's taxing authority.

In 2006, the Township issued notes for the purchase of a road grader.

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

	General Obligation Bonds	Township Hall - Note	Tractor/ Mower - Note	Road Grader - Note
Year ending December 31:				
2007	\$47,505	\$15,947	\$13,739	\$19,260
2008	45,145	15,392	13,353	19,260
2009	47,745	14,837	12,967	19,260
2010	0	14,283	0	19,260
2011	0	77,728	0	19,260
Total	\$140,395	\$138,187	\$40,059	\$96,300

**HILLIAR TOWNSHIP
KNOX COUNTY**

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

6. RETIREMENT SYSTEM

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

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 460 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.

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

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.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 and 2004 (the latest information available):

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	(2,748,639)	(2,227,808)
Members' Equity	\$5,470,791	\$4,457,714

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

**HILLIAR TOWNSHIP
KNOX COUNTY**

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

8. JOINTLY GOVERNED ORGANIZATION

Central Ohio Joint Fire District

The Central Ohio Joint Fire District (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.371. The District was formed in 2000 and consists of Hilliar, Milford and Liberty Townships and the Village of Centerburg. The District Board consists of a Trustee from each Township, a Council Member from the Village of Centerburg and an at-Large member appointed by vote of the District Board. Revenues are generated from a 5.5 mil operating levy. Hilliar Township donated all currently-owned fire equipment to the District and leases the building that housed the Fire equipment to the District for \$1 per year.

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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*

Hilliar Township
Knox County
P.O. Box 649
Centerburg, Ohio 43011

To the Township Board of Trustees:

We have audited the financial statements of Hilliar Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 22, 2007, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

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We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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. However, we believe the significant deficiency described above is also considered a material weakness.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated May 22, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-002.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 22, 2007.

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 management and Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 22, 2007

**HILLIAR TOWNSHIP
KNOX COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Financial Statement Presentation – Material Weakness

A monitoring system by the Fiscal Officer should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post receipts to the Township's accounting system. The following posting errors were noted:

- Sale of notes were posted as Other Financing Receipts.
- Intergovernmental receipts for Issue II were posted as Miscellaneous Receipts.
- Interest earned was not properly allocated to the correct funds. (see Finding Number 2006-002)

Not posting receipts accurately to the ledgers resulted in the financial statements requiring audit adjustment and reclassification entries.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of debt, intergovernmental revenues, and interest receipts. Cash receipts should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network receipt line item descriptions. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of financial data throughout the year.

The Township's financial statements have been adjusted to accurately reflect the proper receipt line item classifications.

Officials' Response:

The Fiscal Officer will review the Township Handbook and make sure to post revenues to the correct code.

FINDING NUMBER 2006-002

Finding for Adjustment

Ohio Constitution XII, Section 5a Ohio Constitution and 1982 Op. Atty Gen. No. 82-031 require that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. Interest earned on the deposits from the Motor Vehicle License Tax Fund and Gasoline Tax Fund was not credited proportionately to those funds during 2005 and 2006. An adjustment of \$2,145 from the General Fund to the Motor Vehicle License Tax Fund in the amount of \$280 and to the Gasoline Tax Fund in the amount of \$1,865 was required to properly distribute the 2006 interest. An adjustment of \$1,382 from the General Fund to the Motor Vehicle License Tax Fund in the amount of \$180 and to the Gasoline Tax Fund in the amount of \$1,202 was required to properly distribute the 2005 interest.

HILLIAR TOWNSHIP
KNOX 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)

Finding for Adjustment (Continued)

The Township's Fiscal Officer should properly distribute interest to the appropriate funds monthly based on average cash fund balances of the funds required to receive interest.

The Township has posted the adjustments to their accounting records and accompanying financial statements.

Officials' Response:

The Fiscal Officer made the necessary adjustments on May 21, 2007 to the Township's records.



Mary Taylor, CPA
Auditor of State

HILLIAR TOWNSHIP

KNOX 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
AUGUST 2, 2007**