



**Auditor of State
Betty Montgomery**

HILLIAR TOWNSHIP
KNOX COUNTY

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**Auditor of State
Betty Montgomery**

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 a February 2, 2005 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 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.

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Betty Montgomery
Auditor of State

August 5, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Hilliar Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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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 year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Hilliar Township, Knox County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 5, 2005

**HILLIAR TOWNSHIP
KNOX 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, 2004**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Non-Expendable Trust	
Cash Receipts:					
Local Taxes	\$36,472	\$123,295	\$72,755	\$0	\$232,522
Intergovernmental	44,581	94,423	5,581	0	144,585
Licenses, Permits, and Fees	34,070	25,340	0	0	59,410
Earnings on Investments	1,456	1,009	0	41	2,506
Other Revenue	12,362	5,913	0	0	18,275
Total Cash Receipts	128,941	249,980	78,336	41	457,298
Cash Disbursements:					
Current:					
General Government	84,406	7,980	0	0	92,386
Public Works	0	165,077	0	0	165,077
Health	913	30,754	0	0	31,667
Conservation - Recreation	5,331	0	0	0	5,331
Miscellaneous	0	0	1,803	50	1,853
Debt Service:					
Redemption of Principal	0	0	55,800	0	55,800
Interest and Fiscal Charges	0	0	21,536	0	21,536
Capital Outlay	11,431	73,356	0	0	84,787
Total Cash Disbursements	102,081	277,167	79,139	50	458,437
Total Receipts Over/(Under) Disbursements	26,860	(27,186)	(803)	(9)	(1,138)
Other Financing Receipts:					
Proceeds from Sale of Public Debt:					
Sale of Notes	0	62,902	0	0	62,902
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	26,860	35,716	(803)	(9)	61,764
Fund Cash Balances, January 1	32,533	118,877	52,472	5,917	209,800
Fund Cash Balances, December 31	\$59,394	\$154,593	\$51,669	\$5,908	\$271,564

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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Non-Expendable Trust</u>	
Cash Receipts:					
Local Taxes	\$30,840	\$96,491	\$83,122	\$0	\$210,453
Intergovernmental	36,508	76,984	5,371	0	118,863
Licenses, Permits, and Fees	22,653	19,047	0	0	41,700
Earnings on Investments	1,009	940	0	146	2,095
Other Revenue	9,972	5,500	0	0	15,472
	<u>100,981</u>	<u>198,962</u>	<u>88,493</u>	<u>146</u>	<u>388,583</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	89,526	0	0	0	89,526
Public Works	0	160,564	0	0	160,564
Health	901	24,032	0	0	24,933
Conservation - Recreation	5,326	0	0	0	5,326
Miscellaneous	0	0	794	45	839
Debt Service:					
Redemption of Principal	0	0	59,600	0	59,600
Interest and Fiscal Charges	0	0	25,288	0	25,288
Capital Outlay	11,800	2,248	0	0	14,048
	<u>107,553</u>	<u>186,844</u>	<u>85,682</u>	<u>45</u>	<u>380,124</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	(6,572)	12,118	2,811	101	8,459
Fund Cash Balances, January 1	39,105	106,759	49,661	5,816	201,341
Fund Cash Balances, December 31	<u><u>\$32,533</u></u>	<u><u>\$118,877</u></u>	<u><u>\$52,472</u></u>	<u><u>\$5,917</u></u>	<u><u>\$209,800</u></u>

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

**HILLIAR TOWNSHIP
KNOX COUNTY**

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

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. The Township contracts with the Central Ohio Joint Fire District (The District) to provide fire 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 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 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 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, 2004 AND 2003
(Continued)

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

D. **Fund Accounting (Continued)**

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

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.

3. **Debt Service Fund**

This fund account 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 House, and other notes used for construction and equipment.

4. **Fiduciary Funds (Trust Funds)**

These funds account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Fund:

Melick Non-Expendable Trust – This fund was established to maintain monies donated by Melick (a benefactor) for the future maintenance of the burial site within the Township cemetery.

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 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.

**HILLIAR TOWNSHIP
KNOX COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made.

A summary of 2004 and 2003 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 investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2004	2003
Demand deposits	\$51,025	\$52,702
Certificates of deposit	6,600	6,600
Total deposits	57,625	59,302
STAR Ohio	34,480	34,128
Sweep Account	179,459	116,370
Total investments	213,939	150,498
Total deposits and investments	\$271,564	\$209,800

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) 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, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,980	\$128,941	\$29,961
Special Revenue	176,086	312,882	136,796
Debt Service	88,796	78,336	(10,460)
Non-Expendable Trust	213	41	(172)
Total	\$364,075	\$520,200	\$156,125

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,454	\$102,081	\$35,373
Special Revenue	357,931	277,167	80,764
Debt Service	141,268	79,139	62,129
Non-Expendable Trust	1,130	50	1,080
Total	\$637,783	\$458,437	\$179,346

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,768	\$100,981	\$16,213
Special Revenue	149,204	198,962	49,758
Debt Service	83,540	88,493	4,954
Non-Expendable Trust	207	146	(61)
Total	\$317,719	\$388,582	\$70,864

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$121,974	\$107,553	\$14,421
Special Revenue	255,763	186,844	68,919
Debt Service	95,856	85,682	10,174
Non-Expendable Trust	1,022	45	977
Total	\$474,615	\$380,124	\$94,491

**HILLIAR TOWNSHIP
KNOX COUNTY**

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

4. PROPERTY TAX

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

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, 2004 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$195,000	5.63%
Dump Truck Notes	10,400	6.18%
Town Hall Notes	128,533	5.20%
Tractor/Mower Note	62,902	3.07%
Total	\$396,835	

The Township issued general obligation bonds to finance the building of a Fire House. The bonds were issued 06/15/94 in the amount of \$460,000 and have maturities through 12/01/09. The general obligation notes were issued to finance the purchase of a dump truck, town hall building, a mower, and a tractor. All debt is collateralized solely by the Township's taxing authority.

In 2004, the Township issued notes for the purchase of a tractor/mower.

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

	General Obligation Bonds	Township Hall - Note	Tractor/ Mower - Note	Dump Truck - Note
Year ending December 31:				
2005	\$46,530	\$17,056	\$14,512	\$11,043
2006	44,535	16,501	14,125	0
2007	47,505	31,339	13,739	0
2008	45,145	14,837	13,353	0
2009	47,745	14,283	12,967	0
2010-2011	0	81,056	0	0
Total	\$231,460	\$175,072	\$68,696	\$11,043

HILLIAR TOWNSHIP
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

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

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003.

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

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, 2004 AND 2003
(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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Auditor of State Betty Montgomery

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

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

To the Board of Trustees:

We have audited the financial statements of Hilliar Township (the Township), Knox County, Ohio, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 5, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated August 5, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Hilliar Township
Knox County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 5, 2005



**Auditor of State
Betty Montgomery**

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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
OCTOBER 20, 2005**