



**Auditor of State
Betty Montgomery**

HILLIAR TOWNSHIP
KNOX COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Hilliar Township
Knox County
4519 Updike Road
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, 2002, and December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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. We believe that our audit provides 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Township as of December 31, 2002, and December 31, 2001, and its combined cash receipts and cash 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 April 7, 2003, 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 audit.

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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.

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

BETTY MONTGOMERY
Auditor of State

April 7, 2003

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, 2002

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Nonexpendable Trust	
Cash Receipts:					
Local Taxes	\$27,007	\$76,608	\$80,457	\$0	\$184,072
Intergovernmental	37,375	82,200	4,683	0	124,258
Licenses, Permits, and Fees	7,237	12,896	0	0	20,133
Earnings on Investments	3,790	0	0	184	3,974
Other Revenue	8,426	7,614	0	0	16,040
Total Cash Receipts	<u>83,835</u>	<u>179,318</u>	<u>85,140</u>	<u>184</u>	<u>348,477</u>
Cash Disbursements:					
Current:					
General Government	75,377	1,000	0	0	76,377
Public Works	0	142,436	0	0	142,436
Health	893	23,563	0	0	24,456
Conservation - Recreation	3,446	0	0	0	3,446
Miscellaneous	0	0	0	49	49
Debt Service:					
Redemption of Principal	0	0	60,684	0	60,684
Interest and Fiscal Charges	0	0	29,547	0	29,547
Capital Outlay	135,715	9,234	0	0	144,949
Total Cash Disbursements	<u>215,431</u>	<u>176,233</u>	<u>90,231</u>	<u>49</u>	<u>481,944</u>
Cash Receipts Over/(Under) Cash Disbursements	(131,596)	3,085	(5,091)	135	(133,467)
Fund Cash Balances, January 1, 2002	<u>170,701</u>	<u>103,674</u>	<u>54,752</u>	<u>5,681</u>	<u>334,808</u>
Fund Cash Balances, December 31, 2002	<u>\$39,105</u>	<u>\$106,759</u>	<u>\$49,661</u>	<u>\$5,816</u>	<u>\$201,341</u>
Reserve for Encumbrances, December 31, 2002	<u>\$1,900</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,900</u>

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, 2001

	Governmental Fund Types			Fiduciary Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Expendable Trust	Non- Expendable Trust	
Cash Receipts:						
Local Taxes	\$40,718	\$68,455	\$66,097	\$0	\$0	\$175,270
Intergovernmental	38,016	79,839	4,573	0	0	122,428
Licenses, Permits, and Fees	4,468	11,545	0	0	0	16,013
Earnings on Investments	7,295	0	0	0	206	7,501
Other Revenue	14,499	7,331	0	0	0	21,830
Total Cash Receipts	104,996	167,170	70,670	0	206	343,042
Cash Disbursements:						
Current:						
General Government	80,654	0	0	0	0	80,654
Public Safety	0	572	0	0	0	572
Public Works	0	123,548	0	0	0	123,548
Health	884	22,169	0	0	0	23,053
Conservation - Recreation	11,362	0	0	0	0	11,362
Miscellaneous	0	0	0	3,211	37	3,248
Debt Service:						
Redemption of Principal	0	0	56,233	0	0	56,233
Interest and Fiscal Charges	0	0	22,927	0	0	22,927
Capital Outlay	103,610	1,000	0	0	0	104,610
Total Cash Disbursements	196,510	147,289	79,160	3,211	37	426,207
Cash Receipts Over/(Under) Cash Disbursements	(91,514)	19,881	(8,490)	(3,211)	169	(83,165)
Other Financing Receipts:						
Proceeds from Sale of Public Debt:						
Sale of Notes	160,000	0	0	0	0	160,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	68,486	19,881	(8,490)	(3,211)	169	76,835
Fund Cash Balances, January 1, 2001	102,215	83,793	63,242	3,211	5,512	257,973
Fund Cash Balances, December 31, 2001	\$170,701	\$103,674	\$54,752	\$0	\$5,681	\$334,808

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

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Hilliar Township, Knox 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 and cemetery maintenance. The Township contracts with the Central Ohio Joint Fire District to provide fire services and ambulance 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 included in fund cash balances. 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 and sweep account investments are reported at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 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:

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

HILLIAR TOWNSHIP
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Fund

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:

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 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:

Expendable Trust – This fund was established to account for a Fire Department retirement plan. The plan assets are maintained by a fund custodian. The plan was cancelled during the audit period as a part of the creation of the Central Ohio Joint Fire District.

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 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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, 2002 AND 2001
(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. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment 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:

	2002	2001
Demand deposits	\$47,477	\$52,958
Certificates of deposit	6,600	6,600
Total deposits	54,077	59,558
STAR Ohio	46,236	175,802
Sweep Account	101,028	99,448
Total investments	147,264	275,250
Total deposits and investments	\$201,341	\$334,808

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 funds. The Township's financial institution maintains collateral over sweep account activity. The securities are not in the Township's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002, and December 31, 2001 follows:

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,204	\$83,835	\$9,631
Special Revenue	157,450	179,318	21,868
Debt Service	82,334	85,140	2,806
Non-Expendable Trust	201	184	(17)
Total	<u>\$314,189</u>	<u>\$348,477</u>	<u>\$34,288</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$244,735	\$217,331	\$27,404
Special Revenue	261,099	176,233	84,866
Debt Service	137,085	90,231	46,854
Non-Expendable Trust	882	49	833
Total	<u>\$643,801</u>	<u>\$483,844</u>	<u>\$159,957</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,795	\$264,996	\$199,201
Special Revenue	166,994	167,170	176
Debt Service	77,310	70,670	(6,640)
Non-Expendable Trust	195	206	11
Total	<u>\$310,294</u>	<u>\$503,042</u>	<u>\$192,748</u>

Fund Type	Authority	Expenditures	Variance
General	\$328,009	\$196,510	\$131,499
Special Revenue	244,472	147,289	97,183
Debt Service	140,551	79,160	61,391
Expendable Trust	3,211	3,211	0
Non-Expendable Trust	707	37	670
Total	<u>\$716,950</u>	<u>\$426,207</u>	<u>\$290,743</u>

4. 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.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX (Continued)

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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$260,000	5.63%
Dump Truck - Note	31,200	6.18%
Backhoe - Note	8,800	5.45%
Township Hall - Note	149,333	5.20%
Total	<u>\$449,333</u>	

The general obligation bonds were issued to build a Fire House. The bonds were issued 06/15/94 in the amount of \$460,000 and have maturities through 12/01/09. All debt is collateralized solely by the Township's taxing authority.

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

	<u>General Obligation Bonds</u>	<u>Dump Truck - Note</u>	<u>Backhoe - Note</u>	<u>Township Hall - Note</u>
Year ending December 31:				
2003	\$45,140	\$12,328	\$9,280	\$18,165
2004	48,490	11,685	0	17,611
2005	46,530	11,043	0	17,056
2006	44,535	0	0	16,501
2007	47,505	0	0	15,947
2008-2011	92,890	0	0	125,568
Total	<u>\$325,090</u>	<u>\$35,056</u>	<u>\$9,280</u>	<u>\$210,848</u>

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The 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 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Township has paid all contributions required through December 31, 2002.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

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

Pursuant to Section 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 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 uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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.



**Auditor of State
Betty Montgomery**

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

Hilliar Township
Knox County
4519 Updike Road
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, 2002, and December 31, 2001, and have issued our report thereon dated April 7, 2003. 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 *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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 7, 2003.

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

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.

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

BETTY MONTGOMERY
Auditor of State

April 7, 2003



**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
JUNE 3, 2003**