

**HILLIAR TOWNSHIP
KNOX COUNTY**

AUDIT REPORT

JANUARY 1, 2017 - DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER



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Township Trustees
Hilliar Township
PO Box 649
Centerburg, Ohio 43011

We have reviewed the *Independent Auditor's Report* of Hilliar Township, Knox County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Hilliar Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 21, 2019

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**HILLIAR TOWNSHIP
KNOX COUNTY
JANUARY 1, 2017 - DECEMBER 31, 2018**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Hilliar Township
Knox County
PO Box 649
Centerburg, Ohio 43011

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Hilliar Township, Knox County, as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Hilliar Township, Knox County as of December 31, 2018 and 2017, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Hilliar Township, Knox County as of December 31, 2018 and 2017, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 11, 2019, on our consideration of Hilliar 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. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
April 11, 2019

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, 2018

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|-----------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$ 58,963 | \$ 184,618 | \$ 25,751 | \$ - | \$ 269,332 |
| Licenses, Permits and Fees | 22,585 | 24,888 | - | - | 47,473 |
| Intergovernmental | 31,595 | 125,657 | - | 250,361 | 407,613 |
| Earnings on Investments | 12,638 | 994 | - | - | 13,632 |
| Miscellaneous | 15,148 | 20,517 | - | - | 35,665 |
| Total Cash Receipts | <u>140,929</u> | <u>356,674</u> | <u>25,751</u> | <u>250,361</u> | <u>773,715</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 83,483 | 46,643 | - | - | 130,126 |
| Public Works | - | 202,332 | - | - | 202,332 |
| Health | - | 19,050 | - | - | 19,050 |
| Conservation-Recreation | - | 6,721 | - | - | 6,721 |
| Capital Outlay | 13,245 | 214,167 | - | 255,361 | 482,773 |
| Debt Service: | | | | | |
| Principal Retirement | - | - | 40,323 | - | 40,323 |
| Interest and Fiscal Charges | - | - | 2,214 | - | 2,214 |
| Total Cash Disbursements | <u>96,728</u> | <u>488,913</u> | <u>42,537</u> | <u>255,361</u> | <u>883,539</u> |
| Excess of Receipts Over/(Under) Disbursements | 44,201 | (132,239) | (16,786) | (5,000) | (109,824) |
| Other Financing Receipts (Disbursements) | | | | | |
| Other Debt Proceeds | - | 15,885 | - | - | 15,885 |
| Sale of Capital Assets | 270,001 | - | - | - | 270,001 |
| Transfers In | - | 22,500 | 17,828 | 5,000 | 45,328 |
| Transfers Out | (45,328) | - | - | - | (45,328) |
| Total Other Financing Receipts (Disbursements) | <u>224,673</u> | <u>38,385</u> | <u>17,828</u> | <u>5,000</u> | <u>285,886</u> |
| Net Change in Fund Cash Balance | 268,874 | (93,854) | 1,042 | - | 176,062 |
| Fund Cash Balances, January 1, Restated | <u>287,161</u> | <u>311,955</u> | <u>-</u> | <u>-</u> | <u>599,116</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | - | 211,542 | 1,042 | - | 212,584 |
| Assigned | 1,600 | 6,559 | - | - | 8,159 |
| Unassigned (Deficit) | 554,435 | - | - | - | 554,435 |
| Fund Cash Balances, December 31 | <u>\$ 556,035</u> | <u>\$ 218,101</u> | <u>\$ 1,042</u> | <u>\$ -</u> | <u>\$ 775,178</u> |

See notes to financial statements.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. REPORTING ENTITY

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 publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, park operations and cemetery maintenance.

The Township participates in a jointly governed organization and a public entity risk pool. Notes 6 and 12 to the financial statements provides additional information for these entities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

B. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Road & Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads and bridges.

Road District Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads and bridges.

Cemetery Fund – This fund accounts for and reports property tax monies to maintain Township cemeteries.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

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

Capital Projects Fund

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Projects Fund:

Public Works Commission Fund – This fund accounts for and reports the activity of Issue II grant from the State of Ohio for capital improvements to Porter Lane and Reynolds Road. The proceeds are restricted for capital improvements.

C. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are adjusted, carried over, and need not be reappropriated.

A summary of 2018 appears in Note 3.

D. Deposits and Investments

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

E. Capital Assets

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2018 follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 394,292 | \$ 410,930 | \$ 16,638 |
| Special Revenue | 351,985 | 395,059 | 43,074 |
| Debt Service | 43,601 | 43,579 | (22) |
| Capital Projects | 280,361 | 255,361 | (25,000) |
| Total | \$ 1,070,239 | \$ 1,104,929 | \$ 34,690 |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 469,694 | \$ 143,656 | \$ 326,038 |
| Special Revenue | 578,715 | 495,472 | 83,243 |
| Debt Service | 42,559 | 42,537 | 22 |
| Capital Projects | 280,361 | 255,361 | 25,000 |
| Total | \$ 1,371,329 | \$ 937,026 | \$ 434,303 |

4. EQUITY IN POOLED CASH

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

| | |
|-----------------|------------|
| | 2018 |
| Demand deposits | \$ 775,178 |
| Total Deposits | \$ 775,178 |

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. 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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

| | |
|-------------------|---------------------|
| | <u>2017</u> |
| Assets | \$14,853,620 |
| Liabilities | <u>(9,561,108)</u> |
| Retained Earnings | <u>\$ 5,292,512</u> |

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2017.

Social Security

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. PUBLIC ENTITY RISK POOL

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 plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member’s deductible.

10. DEBT

Debt outstanding at December 31, 2018 was as follows:

| | Principal | Interest rate |
|---|-----------|---------------|
| 2017 Caterpillar Backhoe | \$ 34,111 | 3.36% |
| OPWC Porter Lane/ Reynolds Road Improvement Project | 15,885 | 4.59% |
| Total | \$ 49,996 | |

On November 27, 2017, the township entered into a five-year loan agreement for \$50,328 to purchase a 2017 Caterpillar backhoe. The loan was issued at 3.36% interest rate, with final maturity on November 27, 2020.

On July 12, 2017, the township signed a twelve-year promissory note for up to \$25,000 with the Ohio Public Works Commission to supplement capital improvement funds for Porter Lane and Reynolds Road Improvement Project. The loan was issued in 2018 at 0% interest with no prepayment penalty. The first installment will come due in July 2019.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

10. DEBT (Continued)

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

| Year Ended December 31 | Backhoe | OPWC |
|---------------------------|------------------|------------------|
| 2019 | 17,933 | 662 |
| 2020 | 17,933 | 1,324 |
| 2021 | - | 1,324 |
| 2022 | - | 1,324 |
| 2023 | - | 1,324 |
| 2024-2028 | - | 6,619 |
| 2029-2033 | - | 3,308 |
| Total | <u>\$ 35,866</u> | <u>\$ 15,885</u> |

11. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The township completed a two-year capital improvement project on Porter Lane and the unpaved section of Reynolds Road. The final project cost was \$328,699, funded through a \$250,361 Issue II grant from the Ohio Public Works Commission, \$62,453 of Township monies, and a \$15,885 promissory note from the Ohio Public Works Commission.

12. JOINTLY GOVERNED ORGANIZATION

Central Ohio Joint Fire District

The District is a jointly governed organization pursuant to Ohio Revised Code Section 505.371. The District formed in 2000 and consisted of Hilliar and Milford Townships and the Village of Centerburg. Governance is now a three-member Board consisting of a Trustee from the two Townships and a Council Member from the Village.

On January 9, 2018, the Central Ohio Joint Fire District Board decided to pay the Township the remaining balance on the \$300,000 promissory note to purchase the fire station from the Township.

Centerburg Joint Recreation District

The Centerburg Joint Recreation District (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 755.14. The District was formed in 2000 and consists of the political subdivisions within the boundaries of the Centerburg Local School District. The District consists of a Trustee from Centerburg Village, Hilliar, Liberty and Milford Townships, and a Board Member from the School.

13. SUBSEQUENT EVENTS

On January 15, 2019, the Township entered into a five-year capital equipment lease to purchase agreement for \$143,564 to purchase a 2019 International dump truck and plow. The lease was issued at 3.98% interest rate, with a final maturity February of 2023.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

14. RESTATEMENT OF FUND BALANCE

Fund balance in the Special Revenue Funds have been restated for the year beginning January 1, 2018 as voided checks were added back:

| | Special Revenue |
|-----------------------------------|--------------------|
| Fund Balance at December 31, 2017 | \$ 311,912 |
| Adjustments | 43 |
| Fund Balance at January 1, 2018 | <u>\$ 311,955</u> |

**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, 2017**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$ 60,805 | \$ 166,193 | \$ 47,847 | \$ - | \$ 274,845 |
| Licenses, Permits and Fees | 30,057 | 29,713 | - | - | 59,770 |
| Intergovernmental | 34,221 | 144,518 | - | - | 178,739 |
| Earnings on Investments | 1,866 | 258 | - | - | 2,124 |
| Miscellaneous | 14,525 | 12,937 | - | - | 27,462 |
| Total Cash Receipts | <u>141,474</u> | <u>353,619</u> | <u>47,847</u> | <u>-</u> | <u>542,940</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 75,810 | 46,839 | - | - | 122,649 |
| Public Works | 4,482 | 173,310 | - | - | 177,792 |
| Health | - | 24,225 | - | - | 24,225 |
| Conservation-Recreation | - | 7,188 | - | - | 7,188 |
| Capital Outlay | 21,981 | 146,424 | - | 24,506 | 192,911 |
| Debt Service: | | | | | |
| Principal Retirement | - | - | 62,324 | - | 62,324 |
| Interest and Fiscal Charges | - | - | 2,982 | - | 2,982 |
| Total Cash Disbursements | <u>102,273</u> | <u>397,986</u> | <u>65,306</u> | <u>24,506</u> | <u>590,071</u> |
| Excess of Receipts Over/(Under) Disbursements | 39,201 | (44,367) | (17,459) | (24,506) | (47,131) |
| Other Financing Receipts (Disbursements) | | | | | |
| Sale of Bonds | - | 32,870 | 17,459 | - | 50,329 |
| Sale of Capital Assets | 79,999 | - | - | - | 79,999 |
| Transfers In | - | 10,000 | - | 24,506 | 34,506 |
| Transfers Out | (34,506) | - | - | - | (34,506) |
| Total Other Financing Receipts (Disbursements) | <u>45,493</u> | <u>42,870</u> | <u>17,459</u> | <u>24,506</u> | <u>130,328</u> |
| Net Change in Fund Cash Balance | 84,694 | (1,497) | - | - | 83,197 |
| Fund Cash Balances, January 1 | <u>202,467</u> | <u>313,409</u> | <u>-</u> | <u>-</u> | <u>515,876</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | - | 305,924 | - | - | 305,924 |
| Assigned | 436 | 5,988 | - | - | 6,424 |
| Unassigned (Deficit) | 286,725 | - | - | - | 286,725 |
| Fund Cash Balances, December 31 | <u>\$ 287,161</u> | <u>\$ 311,912</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 599,073</u> |

See notes to financial statements.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. REPORTING ENTITY

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 publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, park operations and cemetery maintenance.

The Township participates in a jointly governed organization and a public entity risk pool. Notes 6 and 12 to the financial statements provides additional information for these entities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

B. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Road & Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads and bridges.

Road District Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads and bridges.

Cemetery Fund – This fund accounts for and reports property tax monies received for maintaining Township cemeteries.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

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

Capital Projects Fund

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Projects Fund:

Public Works Commission Fund – This fund accounts for and reports the activity of Issue II grant from the State of Ohio for capital improvements to Porter Lane and Reynolds Road. The proceeds are restricted for capital improvements.

C. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are adjusted, carried over, and need not be reappropriated.

A summary of 2017 appears in Note 3.

D. Deposits and Investments

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

E. Capital Assets

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2017 follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 204,351 | \$ 221,473 | \$ 17,122 |
| Special Revenue | 365,935 | 396,489 | 30,554 |
| Debt Service | 65,305 | 65,306 | 1 |
| Capital Projects | 24,506 | 24,506 | - |
| Total | \$ 660,097 | \$ 707,774 | \$ 47,677 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 313,246 | \$ 137,215 | \$ 176,031 |
| Special Revenue | 522,937 | 403,974 | 118,963 |
| Debt Service | 65,305 | 65,306 | (1) |
| Capital Projects | 24,506 | 24,506 | - |
| Total | \$ 925,994 | \$ 631,001 | \$ 294,993 |

4. EQUITY IN POOLED CASH

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

| | |
|-----------------|------------|
| | 2017 |
| Demand deposits | \$ 599,073 |
| Total Deposits | \$ 599,073 |

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. 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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

6. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

| | |
|-------------------|---------------------|
| | <u>2017</u> |
| Assets | \$14,853,620 |
| Liabilities | <u>(9,561,108)</u> |
| Retained Earnings | <u>\$ 5,292,512</u> |

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2017.

Social Security

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. PUBLIC ENTITY RISK POOL

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 plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member’s deductible.

10. DEBT

Debt outstanding at December 31, 2017 was as follows:

| | <u>Principal</u> | <u>Interest rate</u> |
|---|------------------|----------------------|
| 2017 Caterpillar Backhoe | \$ 50,328 | 3.36% |
| Twp Building Refinanced Balloon Payment | 24,106 | 4.59% |
| Total | <u>\$ 74,434</u> | |

On August 23, 2011, the township entered into a ten-year loan agreement for \$53,000 to refinance the balloon payment on the township building. The loan was issued at 4.59% interest rate, with a final maturity on September 21, 2021.

On November 27, 2017, the township entered into a five-year loan agreement for \$50,328 to purchase a 2017 Caterpillar backhoe. The loan was issued at 3.36% interest rate, with final maturity on November 27, 2020.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

10. DEBT (Continued)

On July 12, 2017, the township signed a twelve-year promissory note for up to \$25,000 with the Ohio Public Works Commission to supplement capital improvement funds for Porter Lane and Reynolds Road Improvement Project. The loan will be issued in 2018 at 0% interest with no prepayment penalty. The first installment will come due on the last business day in January or the first day in July following the date of project completion in 2018. As of December 31, 2017, the loan proceeds had not been received by the township and is not included in the outstanding debt and amortization schedules.

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

| Year Ended December 31 | Backhoe | Township Building |
|---------------------------|-----------|----------------------|
| 2018 | 17,933 | 6,776 |
| 2019 | 17,933 | 6,776 |
| 2020 | 17,933 | 6,776 |
| 2021 | - | 6,776 |
| Total | \$ 53,799 | \$ 27,104 |

11. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The township began two-year capital improvement project on Porter Lane and the unpaved section of Reynolds Road, estimated at \$338,325. Due to an Issue II funded grant from the Ohio Public Works Commission, the township's share shall equal 26 percent. As of December 31, 2017, the township had spent \$37,552 in materials and equipment.

12. JOINTLY GOVERNED ORGANIZATION

Central Ohio Joint Fire District

The District is a jointly governed organization pursuant to Ohio Revised Code Section 505.371. The District formed in 2000 and consisted of Hilliar, Liberty and Milford Townships and the Village of Centerburg. On January 1, 2017, Liberty Township withdrew from the District. Governance is now a three-member Board consisting of a Trustee from the remaining two Townships and a Council Member from the Village.

On January 6, 2017, the sale of the fire station to the Central Ohio Joint Fire District closed and the township was paid \$50,000, less closing costs. A promissory note was executed to pay the Township \$300,000 in equal annual installments of \$30,000 for a period of ten years beginning on February 1, 2017 and ending on February 1, 2026. The note may be repaid in whole or in part without penalty at any time.

Centerburg Joint Recreation District

The Centerburg Joint Recreation District (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 755.14. The District was formed in 2000 and consists of the political subdivisions within the boundaries of the Centerburg Local School District. The District consists of a Trustee from Centerburg Village, Hilliar, Liberty and Milford Townships, and a Board Member from the School.

13. SUBSEQUENT EVENTS

On January 9, 2018, the Central Ohio Joint Fire District Board decided to pay the township the remaining balance on the \$300,000 promissory note.

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Hilliar Township
Knox County
PO Box 349
Centerburg, Ohio 43011

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Hilliar Township, Knox County as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated April 11, 2019, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Hilliar Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hilliar 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, opining on compliance 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
April 11, 2019

OHIO AUDITOR OF STATE KEITH FABER



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
DECEMBER 5, 2019**