



Dave Yost • Auditor of State

HILLIAR TOWNSHIP
KNOX COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hilliar Township
Knox County
5120 Columbus Road
Centerburg, OH 43011

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Hilliar Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 1 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 the Township as of December 31, 2012 and 2011, 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, Ohio as of December 31, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matters

As discussed in Note 1 to the financial statements, during 2011 Hilliar Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the 2010 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2013, 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. 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.



Dave Yost
Auditor of State

Columbus, Ohio

May 9, 2013

**HILLIAR TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 50,572	\$ 135,158	\$ 19,186	\$ -	\$ 204,916
Licenses, Permits and Fees	11,499	22,830	-	-	34,329
Intergovernmental	49,888	125,371	-	-	175,259
Earnings on Investments	521	333	-	76	930
Miscellaneous	7,946	15,925	-	5,000	28,871
<i>Total Cash Receipts</i>	<u>120,426</u>	<u>299,617</u>	<u>19,186</u>	<u>5,076</u>	<u>444,305</u>
Cash Disbursements					
Current:					
General Government	65,114	43,234	-	-	108,348
Public Works	-	236,483	-	-	236,483
Health	-	20,242	-	-	20,242
Conservation-Recreation	-	6,374	-	-	6,374
Capital Outlay	-	18,911	-	-	18,911
Debt Service:					
Principal Retirement	-	-	16,573	-	16,573
Interest and Fiscal Charges	-	-	2,613	-	2,613
<i>Total Cash Disbursements</i>	<u>65,114</u>	<u>325,244</u>	<u>19,186</u>	<u>-</u>	<u>409,544</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>55,312</u>	<u>(25,627)</u>	<u>-</u>	<u>5,076</u>	<u>34,761</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	21,100	-	-	21,100
Transfers Out	(21,100)	-	-	-	(21,100)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(21,100)</u>	<u>21,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	34,212	(4,527)	-	5,076	34,761
<i>Fund Cash Balances, January 1</i>	<u>52,287</u>	<u>250,377</u>	<u>13,129</u>	<u>7,770</u>	<u>323,563</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	11,600	11,600
Restricted	-	233,437	13,129	1,246	247,812
Committed	-	12,413	-	-	12,413
Assigned	-	-	-	-	-
Unassigned (Deficit)	86,499	-	-	-	86,499
<i>Fund Cash Balances, December 31</i>	<u>\$ 86,499</u>	<u>\$ 245,850</u>	<u>\$ 13,129</u>	<u>\$ 12,846</u>	<u>\$ 358,324</u>

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

**HILLIAR TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 60,724	\$ 150,751	\$ 45,398	\$ -	\$ 256,873
Licenses, Permits and Fees	8,033	20,674	-	-	28,707
Intergovernmental	50,950	125,667	-	-	176,617
Earnings on Investments	653	488	-	43	1,184
Miscellaneous	13,293	22,252	-	-	35,545
<i>Total Cash Receipts</i>	<u>133,653</u>	<u>319,832</u>	<u>45,398</u>	<u>43</u>	<u>498,926</u>
Cash Disbursements					
Current:					
General Government	98,548	18,055	-	-	116,603
Public Works	-	241,691	-	-	241,691
Health	1,028	28,103	-	-	29,131
Conservation-Recreation	19,360	-	-	-	19,360
Capital Outlay	-	5,655	-	-	5,655
Debt Service:					
Principal Retirement	-	-	93,137	-	93,137
Interest and Fiscal Charges	-	-	5,261	-	5,261
<i>Total Cash Disbursements</i>	<u>118,936</u>	<u>293,504</u>	<u>98,398</u>	<u>-</u>	<u>510,838</u>
<i>Excess of Receipts Over Disbursements</i>	<u>14,717</u>	<u>26,328</u>	<u>(53,000)</u>	<u>43</u>	<u>(11,912)</u>
Other Financing Receipts					
Sale of Notes	-	-	53,000	-	53,000
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>-</u>	<u>53,000</u>	<u>-</u>	<u>53,000</u>
<i>Net Change in Fund Cash Balances</i>	14,717	26,328	-	43	41,088
<i>Fund Cash Balances, January 1, as Restated</i>	<u>37,570</u>	<u>224,049</u>	<u>13,129</u>	<u>7,727</u>	<u>282,475</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	6,600	6,600
Restricted	-	250,377	13,129	1,170	264,676
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Deficit)	52,287	-	-	-	52,287
<i>Fund Cash Balances, December 31, as Restated</i>	<u>\$ 52,287</u>	<u>\$ 250,377</u>	<u>\$ 13,129</u>	<u>\$ 7,770</u>	<u>\$ 323,563</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, 2012 AND 2011**

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 the Hilliar Township, Knox County, Ohio (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 participates in two jointly governed organizations and the Ohio Plan Risk Management public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:

- Central Ohio Joint Fire District – provides emergency medical and fire services to the Township by way of lease agreement.
- Centerburg Joint Recreation District – provides recreational services to citizens residing in the Centerburg Local School District.

Public Entity Risk Pool:

- Ohio Plan Risk Management – provides various types of liability coverage.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Township values certificates of deposit, a saving account, and a money market account at cost.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

HILLIAR TOWNSHIP
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. 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:

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.

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

3. 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 Debt Service Fund:

General Bond (Note) Retirement Fund - This fund receives property tax money 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.

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting Township's programs (for the benefit of the Township or its citizenry). The Township had the following significant permanent funds:

Cemetery Endowment Funds - These funds receive interest earned on the nonexpendable corpus from trust agreements. These earnings are used for the general maintenance and upkeep of the Township's 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. Appropriations lapse at year end.

HILLIAR TOWNSHIP
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

5. 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.

G. 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.

H. 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. Restatement of Fund Equity

For fiscal year 2011, the Township reclassified certain funds that were determined to be non-expendable trust funds, due to documentation obtained by the Fiscal Officer that restricted the principal amounts of the bequests. The following adjustments were made to correct this misstatement in the 2010 financial statements:

	Fund Balance at December 31, 2010	Change in Fund Structure	Adjusted Fund Balance at January 1, 2011
Special Revenue	\$225,649	(\$1,600)	\$224,049
Permanent	\$ 6,127	\$1,600	\$ 7,727

3. Equity in Pooled Deposits

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:

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Equity in Pooled Deposits (Continued)

	2012	2011
Demand deposits	\$336,329	\$306,568
Certificates of deposit	11,600	6,600
Other time deposits (savings account)	10,395	10,395
Total deposits	358,324	323,563

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and December 31, 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,885	\$120,426	\$64,541
Special Revenue	257,433	320,717	63,284
Debt Service	19,186	19,186	0
Permanent	6,626	5,076	(1,550)
Total	\$339,130	\$465,405	\$126,275

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$109,147	\$86,214	\$22,933
Special Revenue	509,735	325,244	184,491
Debt Service	19,186	19,186	0
Permanent	1,600	0	1,600
Total	\$639,668	\$430,644	\$209,024

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$129,562	\$133,653	\$4,091
Special Revenue	303,997	319,832	15,835
Debt Service	45,398	98,398	53,000
Permanent	110	43	(67)
Total	\$479,067	\$551,926	\$72,859

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$154,968	\$118,936	\$36,032
Special Revenue	469,072	293,504	175,568
Debt Service	45,398	98,398	(53,000)
Permanent	1,200	0	1,200
Total	\$670,638	\$510,838	\$159,800

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2011 in the Debt Service Fund by \$53,000. Also, contrary to Ohio law, an amended certificate of estimated resources should have been obtained for \$53,000 in the Debt Service Fund for the year ended December 31, 2011.

5. Property Tax

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

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Refinanced Township Building Note	\$47,700	5%
2010 Ford Truck Note	22,547	4%
Total	\$70,247	

In 2011, the Township refinanced the note debt for the Township building that was scheduled to mature during the year, and the remaining principal on the maturing note debt was applied to the new note. The note is secured by the building.

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

**HILLIAR TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

Year ending December 31:	Refinanced Twp. Building Note	2010 Ford Truck Note
2013	\$6,776	\$12,410
2014	6,776	12,410
2015	6,776	0
2016	6,776	0
2017	6,776	0
2018-2021	27,104	0
Total	<u>\$60,984</u>	<u>\$24,820</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

8. Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio 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, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% 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 782 and 761 members as of December 31, 2011 and 2010 respectively.

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.

HILLIAR TOWNSHIP
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

8. Risk Management (Continued)

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 retained earnings at December 31: 2011 and 2010 (the latest information available).

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	<u>\$7,172,519</u>	<u>\$7,191,485</u>

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

9. Jointly Governed Organizations

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 consists of a Trustee from each Township, a Council Member from the Village and an at-large member appointed by vote of the District Board. Revenues are generated from a 5.5 mil operating levy.

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.



Dave Yost • Auditor of State

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

Hilliar Township
Knox County
5120 Columbus Road
Centerburg, Ohio 43011

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Hilliar Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated May 9, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03. We also noted in 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54 and restated the 2010 financial statements due to a misstatement.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. We consider finding 2012-01 described in the accompanying schedule of findings to be material a weakness.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

May 9, 2013

**HILLIAR TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2012-01

Noncompliance Citation

Material Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. In addition, Ohio Rev. Code Section 5705.36 (A) (3) requires that upon a determination by the fiscal officer that the revenue to be collected will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess. The legal level of budgetary control for the Township is the level at which the Board adopts the original appropriation measure.

Budgetary expenditures exceeded appropriations for the year ended December 31, 2011 at the fund level as follows:

<u>Fund #</u>	<u>Fund Name</u>	<u>Appropriation Authority</u>	<u>Total Expenditures</u>	<u>Variance</u>
3101	Debt Service Fund	\$45,398	\$98,398	\$(53,000)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and could result in deficit spending.

A comparison of budgeted receipts to actual receipts in the Debt Service Fund at December 31, 2011:

<u>Fund #</u>	<u>Fund Name</u>	<u>Total Certified Resources</u>	<u>Total Actual Resources</u>	<u>Variance</u>
3101	Debt Service Fund	\$58,527	\$111,527	\$(53,000)

The Fiscal Officer did not record the receipt or expenditure of \$53,000 for the Township Building debt refinancing. Not recording the expenditures and the proceeds of the refinancing resulted in inaccurate financial statements that could make it difficult for the Board of Trustees to effectively monitor the Township's activities or identify misstatements or errors in a timely manner.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. The Fiscal Officer should record the activity in the accounting records and on the financial statements.

The Township's financial statements and accounting records have been adjusted to accurately reflect the above omission.

We did not receive a response from Officials to the finding reported above.

This page intentionally left blank.



Dave Yost • Auditor of State

HILLIAR TOWNSHIP

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 16, 2013**