



Dave Yost • Auditor of State

HANOVER TOWNSHIP
LICKING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hanover Township
Licking County
18088 Crawmer Road SE
Newark, Ohio 43056

To the Board of 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 Hanover Township, Licking County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

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 such 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 opinions.

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 of America (GAAP), 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 opinions on this accounting basis are in the *Additional Opinion Qualification and Unmodified Opinions* paragraphs 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 the Township as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

The Township's fund balances per their accounting records were reconciled to the bank accounts, however, the Township had unknown reconciling items of \$5,085 and \$3,478 on the respective December 31, 2015 and December 31, 2016 reconciliations. Audit procedures performed over the reconciling items on the bank reconciliation resulted in adjustments to the financial statements to increase expenditures in the amount of \$18,591 in 2015, and \$3,460 in 2016, as well as an adjustment made by the Township to lower the 2015 beginning General Fund balance by \$28,671, which have been reflected in the accompanying financial statements and notes. The Township was not able to provide sufficient appropriate audit evidence to support the unknown reconciling amounts. Therefore, we could not gain assurance over the opening fund balances for the General and Special Revenue Funds at January 1, 2015 or ending fund balances for the General and Special Revenue Funds at December 31, 2015 and 2016. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements, and the related notes of the General and Special Revenue Funds, of Hanover Township, Licking County as of December 31, 2016 and 2015, and 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the Capital Projects and Permanent Funds, and related notes of the Hanover Township, Licking County as of December 31, 2016 and 2015, and 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 Matter

The Township has suffered recurring losses from operations and has a deficiency of \$83,815 in the General Fund as of December 31, 2016. Based solely on inquiries and scanning of unaudited fund cash balances as of October 11, 2018, the Township may require additional revenue or cost-cutting measures to continue paying its obligations when due. The notes to the financial statements do not disclose this matter; however this does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, 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

October 11, 2018

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Hanover Township
Licking County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$36,492	\$299,577	\$0	\$0	\$336,069
Licenses, Permits and Fees	8,986	0	0	0	\$8,986
Intergovernmental	28,706	142,586	0	0	\$171,292
Earnings on Investments	170	75	0	42	\$287
Miscellaneous	0	7,500	0	0	\$7,500
<i>Total Cash Receipts</i>	<u>74,354</u>	<u>449,738</u>	<u>0</u>	<u>42</u>	<u>524,134</u>
Cash Disbursements					
Current:					
General Government	119,688	0	0	0	119,688
Public Safety	0	187,620	0	0	187,620
Public Works	6,312	144,711	0	0	151,023
Health	7,795	9,333	0	0	17,128
Capital Outlay	0	39,883	0	0	39,883
Debt Service:					0
Principal Retirement	0	32,367	0	0	32,367
Interest and Fiscal Charges	0	2,118	0	0	2,118
<i>Total Cash Disbursements</i>	<u>133,795</u>	<u>416,032</u>	<u>0</u>	<u>0</u>	<u>549,827</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(59,441)</u>	<u>33,706</u>	<u>0</u>	<u>42</u>	<u>(25,693)</u>
Other Financing (Disbursements)					
Other Financing Uses	(621)	0	0	0	(621)
<i>Total Other Financing (Disbursements)</i>	<u>(621)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(621)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(60,062)</u>	<u>33,706</u>	<u>0</u>	<u>42</u>	<u>(26,314)</u>
<i>Fund Cash Balances, January 1</i>	<u>(23,753)</u>	<u>205,589</u>	<u>4,197</u>	<u>3,483</u>	<u>189,516</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	3,065	3,065
Restricted	0	239,295	4,197	460	243,952
Unassigned (Deficit)	(83,815)	0	0	0	(83,815)
<i>Fund Cash Balances, December 31</i>	<u>(\$83,815)</u>	<u>\$239,295</u>	<u>\$4,197</u>	<u>\$3,525</u>	<u>\$163,202</u>

See accompanying notes to the basic financial statements

**Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Hanover Township, Licking County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, and cemetery maintenance. The Township contracts with the Hanover Volunteer Fire Department to provide fire protection services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township belongs to the Ohio Plan Risk Management, Inc. (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. Note 7 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

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, which are organized on a fund type basis.

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:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund accounts for and reports that portion of County property tax restricted for maintenance and repair of roads within the Township.

**Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fire Levy Fund The road and bridge fund accounts for and reports that portion of County property tax restricted for fire protection within the Township.

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 government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Trust Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for general maintenance and upkeep of the cemetery.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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 or object level of control and appropriations may not exceed estimated resources. The Board of 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 canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

**Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

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.

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.

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.

Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Compliance

Contrary to Ohio law, the Township did not file their certificate of estimated resources with the County for 2016, and did not file their permanent appropriations or certificate of estimated resources with the County. Expenditures exceeded appropriations by \$134,416 in the General Fund, and by \$416,032 in the Special Revenue funds. The General Fund had a negative cash fund balance of \$83,815 at fiscal yearend.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$74,354	\$74,354
Special Revenue	0	449,738	449,738
Capital Projects	0	0	0
Permanent	0	42	42
Total	<u>\$0</u>	<u>\$524,134</u>	<u>\$524,134</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$134,416	(\$134,416)
Special Revenue	0	416,032	(416,032)
Capital Projects	0	0	0
Permanent	0	0	0
Total	<u>\$0</u>	<u>\$550,448</u>	<u>(\$550,448)</u>

Note 5 – Deposits

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

	<u>2016</u>
Demand deposits	\$160,137
Certificates of deposit	<u>3,065</u>
Total deposits	<u>163,202</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Property Taxes

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.

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

Note 7 – Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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.

Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's full-time 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 9 – 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

Note 10 – Debt

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
Truck Lease-Purchase	\$33,409	1.9%

The Township entered into a lease-purchase agreement during November 2014 for the purchase of a truck with a snow plow for road maintenance. This loan agreement was made in the amount of \$139,118 at an interest rate of 1.90% for a term of four years paid annually. This is paid from the Gas Tax Fund or the Road and Bridge Fund.

Amortization

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

Year Ending December 31:	Truck Lease- Purchase
2017	34,485

Note 11 – Subsequent Event

On March 6, 2017, the Township finalized a land purchase and passed a resolution for the purchase of 4.386 acres of land for \$5,000 an acre, and the closing, title, and deed costs.

Hanover Township
Licking County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$41,550	\$282,700	\$0	\$0	\$324,250
Licenses, Permits and Fees	12,010	0	0	0	12,010
Intergovernmental	18,247	96,895	0	0	115,142
Earnings on Investments	434	194	0	40	668
Miscellaneous	2,664	13,130	0	0	15,794
<i>Total Cash Receipts</i>	<u>74,905</u>	<u>392,919</u>	<u>0</u>	<u>40</u>	<u>467,864</u>
Cash Disbursements					
Current:					
General Government	149,852	0	0	0	149,852
Public Safety	0	193,946	0	0	193,946
Public Works	54,649	120,077	0	0	174,726
Health	612	11,122	0	0	11,734
Capital Outlay	356,038	104,937	0	0	460,975
Debt Service:					
Principal Retirement	0	31,357	0	0	31,357
Interest and Fiscal Charges	0	3,128	0	0	3,128
<i>Total Cash Disbursements</i>	<u>561,151</u>	<u>464,567</u>	<u>0</u>	<u>0</u>	<u>1,025,718</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(486,246)</u>	<u>(71,648)</u>	<u>0</u>	<u>40</u>	<u>(557,854)</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Other Financing Uses	(9,838)	0	0	0	(9,838)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(9,838)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,838)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(496,084)</u>	<u>(71,648)</u>	<u>0</u>	<u>40</u>	<u>(567,692)</u>
<i>Fund Cash Balances, January 1</i>	<u>472,331</u>	<u>277,237</u>	<u>4,197</u>	<u>3,443</u>	<u>757,208</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	3,065	3,065
Restricted	0	205,589	4,197	418	210,204
Unassigned (Deficit)	(23,753)	0	0	0	(23,753)
<i>Fund Cash Balances, December 31</i>	<u>(\$23,753)</u>	<u>\$205,589</u>	<u>\$4,197</u>	<u>\$3,483</u>	<u>\$189,516</u>

**Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2015**

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

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Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund accounts for and reports that portion of County property tax restricted for maintenance and repair of roads within the Township.

**Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2015**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fire Levy Fund The road and bridge fund accounts for and reports that portion of County property tax restricted for fire protection within the Township.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Capital Projects Fund – This fund accounts for receipts restricted to acquiring or constructing major capital projects.

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 government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Trust Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for general maintenance and upkeep of the cemetery.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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 or object level of control and appropriations may not exceed estimated resources. The Board of 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 canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 4.

**Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2015**

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

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.

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.

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.

Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 3 – Compliance

Contrary to Ohio law, the Township did not file their permanent appropriations with the County in 2015. Expenditures exceeded appropriations by \$570,989 in the General Fund and by \$464,567 in the Special Revenue funds. The General Fund had a negative cash fund balance of \$23,753 at fiscal year end.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,411	\$74,905	\$36,494
Special Revenue	305,452	392,919	87,467
Capital Projects	0	0	0
Permanent	0	40	40
Total	\$343,863	\$467,864	\$124,001

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$570,989	(\$570,989)
Special Revenue	0	464,567	(464,567)
Capital Projects	0	0	0
Permanent	0	0	0
Total	\$0	\$1,035,556	(\$1,035,556)

Note 5 – Deposits

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

Demand deposits	2015 \$186,451
Certificates of deposit	3,065
Total deposits	189,516

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 6 – Property Taxes

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.

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

Note 7 – Risk Management

The Township 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, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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 772 and 783 members as of December 31, 2015 and 2014 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.

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

Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 7 – Risk Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	<u>(9,112,030)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's full-time 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

Note 9 – 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015.

**Hanover Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2015**

Note 10 – Debt

Debt outstanding at December 31, 2015, was as follows:

	Principal	Interest Rate
Truck Lease-Purchase	\$65,776	1.9%

The Township entered into a lease-purchase agreement during November 2014 for the purchase of a truck with a snow plow for road maintenance. This loan agreement was made in the amount of \$139,118 at an interest rate of 1.90% for a term of four years paid annually. This is paid from the Gas Tax Fund or the Road and Bridge Fund.

Amortization

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

Year Ending December 31:	Truck Lease- Purchase
2016	\$34,485
2017	34,485
Total	\$68,970

Note 11 – Subsequent Event

On March 6, 2017, the Township finalized a land purchase and passed a resolution for the purchase of 4.386 acres of land for \$5,000 an acre, and the closing, title, and deed costs.



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*

Hanover Township
Licking County
18088 Crawmer Road SE
Newark, Ohio 43056

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 the cash balances, receipts, and disbursements by fund type of the Hanover Township, Licking County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2018, 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. We also qualified our opinion over the opening fund balances for the General and Special Revenue Funds at January 1, 2015 and ending fund balances for the General and Special Revenue Funds at December 31, 2015 and 2016. In addition the Township has suffered recurring losses from operations and has a General Fund deficiency.

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 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 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 of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-003 and 2016-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-002, 2016-004, and 2016-005 through 2016-007.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 11, 2018

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Bank to Book Reconciliations & Board Monitoring – Material Weakness

Strong monitoring practices of Township financial activities are the responsibility of the Township's Board and are essential to ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. The Board should review the monthly reconciliations and financial reports on a regular basis and the review should be documented.

The Township did not completely reconcile their bank accounts to book balances throughout both fiscal years. Additionally, the Board did not monitor the monthly reconciliations at their Board meetings. As a result, inaccurate financial reports were provided to the Board to aid in management decisions, which potentially led to the errors or irregularities occurring that went undetected by management. This resulted in adjustments to expenses in the amount of \$18,591 in 2015, and \$3,460 in 2016, as well as an adjustment to lower the 2015 beginning General Fund balance by \$28,671, which have been reflected in the accompanying financial statements and note disclosures. An unidentified variance remains in both 2015 and 2016, in the amounts of \$5,085 and \$3,478, respectively, which resulted in a qualified audit opinion. These variances must be investigated and resolved.

Failure to include bank reconciliations within the board reviewed documents prohibits the Township Trustees from reviewing all the data necessary to adequately monitor the financial activity of the Township. Failure to monitor financial information has led to noncompliance, errors and irregularities in the financial statements.

We recommend the Township reconcile all bank accounts to the books on a monthly basis. In this process, all reconciling items or errors should be identified and reviewed by someone independent of the reconciliation process to help ensure timely follow up and corrective action. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Township's ledgers following the completion of the reconciliation. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by the Board and that evidence of these reviews and approvals be documented.

Further, we recommend the Township Board ensure that strong monitoring practices of Township financial activities are implemented and operating effectively. This includes, but is not limited to, the Board reviewing monthly financial reports and ensuring that they accurately represent underlying budgeted and actual financial activities and cash balances. While some evidence of the Board's reviews are documented in the minutes, evidence of management's reviews should also be documented by having the managers sign and date the reports that they reviewed.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002

Posting of Receipts – Noncompliance/Material Weakness

Ohio Rev. Code § 5705.10(D) states that all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund. Additionally, **Ohio Rev. Code § 5705.10(I)** states that money paid into any fund shall be used only for the purpose for which such fund is established.

Due to lack of board monitoring as noted in Finding Number 2016-001, the following posting errors were noted:

The Township erroneously posted Permissive Motor Vehicle Tax receipts to the Motor Vehicle License Fund in 2015 and 2016, in the amount of \$3,877 and \$3,899, respectively.

The Township erroneously posted Permanent Fund interest receipts to the General Fund in 2015 and 2016, in the amount of \$40 and \$42, respectively.

Not posting interest or monies specified for a particular purpose to the correct fund can lead to noncompliance, funds being spent for unallowable purposes, and possible negative fund balances.

The Fiscal Officer should be diligent in assuring funds are properly posted to the correct fund in accordance with the Township's Uniform Accounting Network (UAN) coding system and the Ohio Revised Code.

The Township should review the Township Handbook and exercise due care when posting transactions to help ensure receipts and expenditures are posted to the correct fund and account. Additionally, the Township Board of Trustees should review monthly receipt and expenditure activity reports to help ensure transactions are properly accounted for and classified. This will help more accurately reflect the Township's financial activity and will aid in more accurate financial reporting.

The Township's Fiscal Officer made the adjustments to the Township's accounting records and the adjustments are reflected in the accompanying financial statements.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-003

Financial Statement Presentation – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Audit reclassifications were posted to the Township’s December 31, 2015 and 2016 financial statements.

Due to lack of board monitoring as noted in Finding Number 2016-001, the following posting errors were noted:

Posting Error:	2016	2015
General Fund- Construction costs for the township hall were recorded as Public Works Expenditures, when the costs should have been classified as Capital Outlay.	\$0	\$356,038
Gasoline Tax Fund - Construction costs for the township hall were recorded as Public Works Expenditures, when the costs should have been classified as Capital Outlay.	\$2,938	\$104,937
Road and Bridge Fund - Truck Lease Principal payments were posted to Capital Outlay expenditures.	\$0	\$31,357
Road and Bridge Fund - Truck Lease Interest payments were posted to Capital Outlay expenditures.	\$0	\$3,128
Gasoline Tax Fund - Truck Lease Principal payments were posted to Capital Outlay expenditures.	\$32,367	\$0
Gasoline Tax Fund - Truck Lease Interest payments were posted to Capital Outlay expenditures.	\$2,118	\$0
Permanent Fund - spendable amounts were posted as nonspendable (these include adjustments to fund balance).	\$460	\$418

The Township’s financial statements have been adjusted to accurately reflect the above classifications.

Lack or failure of controls in place over the posting of financial transactions and reporting can result in errors that may go undetected and decreases the reliability of financial data throughout the year.

HANOVER TOWNSHIP
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-003 (Continued)

Financial Statement Presentation – Material Weakness (Continued)

We recommend the Township develop and implement policies and procedures over financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increase the reliability of the financial data throughout the year. In addition, the Township should also review the Ohio Township Handbook to improve controls and proper postings.

Officials' Response

We did not receive a response from Officials to this finding

FINDING NUMBER 2016-004

Budgetary Deficiencies – Noncompliance

Ohio Rev. Code § 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure be passed. The Township may pass a temporary appropriation measure to meet their ordinary expenses until April 1st, at which time a permanent appropriation measure must be passed.

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Township is the level at which the Board of Trustees adopts the original appropriation measure.

Ohio Rev. Code § 5705.36(A)(1) requires on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any encumbered balances that existed at the end of the preceding year. In addition, Ohio Rev. Code § 5705.36(A)(3) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenues to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Admin. Code § 117-2-02(C)(1) states in part, all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Township utilizes the UAN system to maintain budgetary information and the Township's budgetary statements should reflect what is certified to and approved by the County.

The Township did not adopt a permanent appropriation measure for fiscal years 2015 or 2016, and did not certify to the county auditor the total amount from all sources available for expenditures from each fund in 2016. The Township's budgetary statements (unencumbered balance 2015 only), estimated receipts, and appropriations in UAN did not agree to the last Official Amended Certificate of Estimated Resources.

Budgetary expenditures exceeded appropriations at December 31, 2016 and 2015 in the General and Special Revenue funds due to appropriations not being filed with the County Auditor.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2016-004 (Continued)

Budgetary Deficiencies – Noncompliance (Continued)

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

Failure to properly update the accounting system provides the Township's management and Board with inaccurate budgetary information on the system generated reports. This increases the Township's risk of expending more money than it receives because the related controls that are implemented in the system would not prevent instances of non-compliance.

We recommend the Township Trustees adopt a permanent appropriation measure by April 1st each year and certify to the county auditor the total amount from all sources available for expenditures from each fund by January 1st each year. The Township should consult its legal counsel and review the Auditor of State's, Ohio Compliance Supplement, and develop a budgetary schedule and timeline to assure that all annual budgetary filings and compliance requirements are met. The Fiscal Officer should also update the Official Certificate of Estimated Resources and the Annual Appropriation measures in the UAN system when the need arises, based on the aforementioned requirements.

We also recommend the Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, Township Trustees should take the necessary steps to adopt additional appropriations within available resources to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-005

Illegal Transfer Activity/Negative Fund Balance – Noncompliance/Material Weakness

Ohio Rev. Code § 5705.14 states, no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as follows:

(E) Money may be transferred from the general fund to any other fund of the subdivision.

Except in the case of transfers pursuant to division (E) of this section, transfers authorized by this section shall only be made by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members.

Ohio Rev. Code § 5705.10 (I) states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

In 2015, the Township transferred \$10,000 from the Gasoline Tax Fund to the General Fund and \$4,197 from the Capital Project Fund to the General Fund. In 2016, the Township transferred \$15,000 from the Gasoline Tax Fund to the General Fund and \$15,000 from the Road and Bridge Fund to the General Fund.

These transfers were not formally approved and are not allowable per Ohio Rev. Code § 5705.14. Therefore the accompanying financial statements have been adjusted to remove the transfers. The Township has also posted the adjustments to their ledgers. As a result of the fund balance adjustments noted above and in Finding Number 2016-001, the General fund balance is negative \$83,815 at December 31, 2016 and negative \$23,753 at December 31, 2015.

Not approving transfers can lead to spending in excess of what is available and also cause the Township to not be in compliance with Ohio Revised Code § 5705.14.

We recommend the Township follow Ohio Revised Code 5705.14 and that the Board approve the transfers by resolution and record in the minutes, appropriations, and estimated resources.

HANOVER TOWNSHIP
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-006

Late Remittances of Payroll Withholdings – Noncompliance

Ohio Rev. Code § 145.47(B) states that the head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor's earnable salary at such intervals and in such form as the system shall require. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. The system, after making a record of all receipts under this division, shall deposit the receipts with the treasurer of state for use as provided by this chapter.

26 U.S.C. § 3402 states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

Additionally, **Ohio Rev. Code § 5747.07(B)** states that every employer required to deduct and withhold state income taxes shall file a return and shall pay the amount required by law. For an employer whose actual or required payments were less than two thousand dollars during the twelve month period ending on the thirtieth day of June of the preceding calendar year, the employer shall make the payment of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December each year. The employer shall file the return prescribed by the tax commissioner with the payment.

The Township withheld federal income and Medicare taxes, state and local income taxes, as well as retirement, but were not remitted accordingly to the Internal Revenue Service (IRS), the Ohio Public Employees Retirement System (OPERS), state, or locality in a timely manner.

Not remitting withholdings in a timely manner has resulted in the Township incurring failure to file and failure to pay penalties and interest.

We recommend the required tax returns be prepared and submitted as prescribed in accordance with the taxing authorities due dates and the correct amounts remitted with the returns. We also recommend the correct amounts be withheld, reported and paid to OPERS by the required due dates.

This matter will be referred to the IRS and OPERS.

HANOVER TOWNSHIP
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2016-007

1099-MISC – Noncompliance

26 CFR § 1.6041-1 states that you must file Form 1099-MISC, Miscellaneous Income, to report payments of \$600 or more to persons not treated as employees (for example, independent contractors) for services performed for your trade or business.

During 2016, we noted the Township paid one vendor \$8,924 for mowing and another \$6,200 for ditch work, and no 1099-MISC forms were issued.

We recommend the Township review amounts paid to vendors at year end and complete a 1099-MISC if payments are \$600 or more.

This matter will be referred to the IRS.

Officials' Response

We did not receive a response from Officials to these findings.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-01	ORC 5705.41(D) – Not properly certified expenditures. Purchase orders.	Partially Corrected	Corrected certified and reissued in management letter for type of purchase order used.
2014-02	ORC 5705.38(A) – No appropriation measure.	Not Corrected	Reissued as Finding #2016-004
2014-03	ORC 5705.41(B) – Expenditures exceeded appropriations.	Not Corrected	Reissued as Finding #2016-004
2014-04	Audit adjustments related to homestead and rollback receipts.	Fully corrected	

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HANOVER TOWNSHIP

LICKING 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
NOVEMBER 20, 2018