



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

HANOVER TOWNSHIP
BUTLER COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Hanover Township
2595 Old Oxford Road
Hamilton, Ohio 45013

We have reviewed the *Independent Auditor's Report* of Hanover Township, Butler County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

December 24, 2020 |

Hanover Township
Butler County
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INDEPENDENT AUDITOR'S REPORT

Hanover Township
Butler County
2595 Old Oxford Road
Hamilton, Ohio 45013

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 Hanover Township, Butler County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018.

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 opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Hanover Township, Butler County as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 12 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020, 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.



BHM CPA Group, Inc.
Piketon, Ohio
June 26, 2020

**HANOVER TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Taxes	\$ 532,030	\$ 1,173,031	\$ -	\$ 1,705,061
Charges for Services	-	143,124	-	143,124
Licenses, Permits and Fees	95,983	103,139	-	199,122
Fines and Forfeitures	803	-	-	803
Intergovernmental	217,111	276,459	-	493,570
Miscellaneous	25,395	76,189	-	101,584
Total Cash Receipts	<u>871,322</u>	<u>1,771,942</u>	<u>-</u>	<u>2,643,264</u>
Cash Disbursements:				
Current:				
General Government	485,767	8,252	-	494,019
Public Safety	205,828	629,400	-	835,228
Public Works	-	384,572	-	384,572
Health	-	173,126	-	173,126
Conservation/Recreation	7,575	-	-	7,575
Capital Outlay	-	296,758	-	296,758
Debt Service:				
Redemption of Principal	-	87,736	75,000	162,736
Interest and Fiscal Charges	-	13,697	64,690	78,387
Total Cash Disbursements	<u>699,170</u>	<u>1,593,541</u>	<u>139,690</u>	<u>2,432,401</u>
Excess of Receipts Over/(Under) Disbursements	172,152	178,401	(139,690)	210,863
Other Financing Receipts/(Disbursements):				
Other Debt Proceeds	-	122,486	-	122,486
Transfers-In	-	50,000	139,690	189,690
Transfers-Out	(50,000)	(139,690)	-	(189,690)
Other Financing Sources	5,928	4,408	-	10,336
Total Other Financing Receipts/(Disbursements)	<u>(44,072)</u>	<u>37,204</u>	<u>139,690</u>	<u>132,822</u>
Net Change in Fund Cash Balances	128,080	215,605	-	343,685
Fund Cash Balances, January 1				
As restated, see note 11	<u>450,614</u>	<u>967,461</u>	<u>-</u>	<u>1,418,075</u>
Fund Cash Balances, December 31				
Restricted	-	1,183,066	-	1,183,066
Unassigned	<u>578,694</u>	<u>-</u>	<u>-</u>	<u>578,694</u>
Fund Cash Balances, December 31	<u>\$ 578,694</u>	<u>\$ 1,183,066</u>	<u>\$ -</u>	<u>\$ 1,761,760</u>

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

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Hanover Township, Butler County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 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.

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:

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

Emergency Medical Services and Fire Fund This fund receives tax levy revenue as well as payments for services provided.

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

Fire House Debt Fund This fund is used to account for debt service requirements for the repayment of the fire house debt.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2019 budgetary activity appears in Note 3.

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.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$788,000	\$877,250	\$89,250
Special Revenue	1,640,080	1,948,836	308,756
Debt Service	139,690	139,690	0
Total	\$2,567,770	\$2,965,776	\$398,006

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity (Continued)

2019 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,194,989	\$749,170	\$445,819
Special Revenue	2,546,120	1,733,231	812,889
Debt Service	139,690	139,690	0
Total	\$3,880,799	\$2,622,091	\$1,258,708

Note 4 – Deposits and Investments

The Township maintains a deposit 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:

	2019
Demand deposits	\$1,761,760

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution’s public entity risk pool.

Note 5 – 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.

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

Note 6 – Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Risk Management (continued)

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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% 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, 2019.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 9 – Debt

Debt outstanding at December 31, 2019, was as follows:

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (continued)

	Principal	Interest Rate
General Obligation Firehouse Bonds	\$1,400,000	4.36%
Tanker/Pumper Lease/Purchase Agreement	\$414,889	2.98%
Government Obligation Contract	\$80,097	3.87%
Total	\$1,894,986	

The Township issued General Obligation Firehouse Construction Bonds on October 1, 2009 to construct and acquire an addition to the existing firehouse. The bonds will be repaid in annual installments, with an interest rate of 4.36%, over a twenty-four-year period, maturing in December 2033. The bonds are secured by a levy on all taxable property in the Township.

Leases

The Township entered into a Tax-Exempt Lease/Purchase agreement with Leasing 2, Inc. to acquire a new Tanker/Pumper vehicle for the Fire Department in October 2018. The loan will be repaid in annual installments, with an interest rate of 2.976%, over a ten-year period, maturing in October 2027. The loan is secured by a levy on all taxable property in the Township.

The Township entered into a Government Obligation Contract with KS StateBank to acquire a New Holland Tractor Mower for the Road Department in September 2019. The loan will be repaid in annual installments, with a fixed interest rate of 3.870%, over a three-year period, maturing in September 2021.

Amortization

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

Year Ending	General Obligation Bonds	Tanker/Pumper Lease/Purchase Agreement	Government Obligation Contract
December 31:			
2020	136,990	59,044	42,388
2021	138,990	59,044	42,389
2022	135,790	59,044	
2023	137,590	59,044	
2024	139,105	59,044	
2025-2029	685,765	177,131	
2030-2033	549,375		
Total	\$1,923,605	\$472,351	\$84,777

Note 10 – Transfers

During 2019, transfers were made from the General Fund to the Cemetery Fund to subsidize operations and from the Emergency Medical Services and Fire Fund to the Fire House Debt Fund to pay General Obligation Bonds in accordance with the Ohio Revised Code.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 11 – Restatement of Beginning Balances

The beginning fund balances for the Special Revenue funds were restated as follows:

	*Special Revenue:
2019 Beginning Fund Balances:	\$ 965,357
2018 voided items:	<u>2,104</u>
2019 Restated Beginning Fund Balances:	<u>\$ 967,461</u>

*Adjustment was made to the Emergency Medical Services and Fire fund.

Note 12 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**HANOVER TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Taxes	\$ 462,340	\$ 1,005,585	\$ -	\$ 1,467,925
Charges for Services	-	130,335	-	130,335
Licenses, Permits and Fees	92,839	90,115	-	182,954
Fines and Forfeitures	4,239	-	-	4,239
Intergovernmental	216,723	276,815	-	493,538
Miscellaneous	20,607	58,341	-	78,948
Total Cash Receipts	<u>796,748</u>	<u>1,561,191</u>	<u>-</u>	<u>2,357,939</u>
Cash Disbursements:				
Current:				
General Government	440,633	11,595	-	452,228
Public Safety	174,837	564,482	-	739,319
Public Works	-	507,054	-	507,054
Health	-	197,304	-	197,304
Conservation/Recreation	13,073	-	-	13,073
Capital Outlay	-	584,617	-	584,617
Debt Service:				
Redemption of Principal	-	44,037	70,000	114,037
Interest and Fiscal Charges	-	15,007	67,210	82,217
Total Cash Disbursements	<u>628,543</u>	<u>1,924,096</u>	<u>137,210</u>	<u>2,689,849</u>
Excess of Receipts Over/(Under) Disbursements	168,205	(362,905)	(137,210)	(331,910)
Other Financing Receipts/(Disbursements):				
Other Debt Proceeds	-	504,273	-	504,273
Transfers-In	-	35,000	137,210	172,210
Transfers-Out	(35,000)	(137,210)	-	(172,210)
Other Financing Sources	336	-	-	336
Total Other Financing Receipts/(Disbursements)	<u>(34,664)</u>	<u>402,063</u>	<u>137,210</u>	<u>504,609</u>
Net Change in Fund Cash Balances	133,541	39,158	-	172,699
Fund Cash Balances, January 1	317,073	926,199	-	1,243,272
Fund Cash Balances, December 31				
Restricted	-	965,357	-	965,357
Unassigned	450,614	-	-	450,614
Fund Cash Balances, December 31	<u>\$ 450,614</u>	<u>\$ 965,357</u>	<u>\$ -</u>	<u>\$ 1,415,971</u>

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

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provide 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.

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Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2018 budgetary activity appears in Note 3.

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.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$789,570	\$797,084	\$7,514
Special Revenue	1,959,265	2,100,464	141,199
Debt Service	137,210	137,210	0
Total	\$2,886,045	\$3,034,758	\$148,713

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity (Continued)

2018 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,095,714	\$663,545	\$432,169
Special Revenue	2,849,181	2,061,306	\$787,875
Debt Service	137,210	137,210	0
Total	\$4,082,105	\$2,862,061	\$1,220,044

Note 4 – Deposits and Investments

The Township maintains a deposit 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:

	2018
Demand deposits	\$1,415,973

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution’s public entity risk pool.

Note 5 – 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.

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

Note 6 – Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Risk Management (continued)

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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% 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, 2018.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (Continued)

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Firehouse Bonds	\$1,475,000	4.36%
Tanker/Pumper Lease/Purchase Agreement	\$460,236	2.98%
Total	\$1,935,236	

The Township issued General Obligation Firehouse Construction Bonds on October 1, 2009 to construct and acquire an addition to the existing firehouse. The bonds will be repaid in annual installments, with an interest rate of 4.36%, over a twenty-four-year period, maturing in December 2033. The bonds are secured by a levy on all taxable property in the Township.

Leases

The Township entered into a Tax-Exempt Lease/Purchase agreement with Leasing 2, Inc. to acquire a new Tanker/Pumper vehicle for the Fire Department in October 2018. The loan will be repaid in annual installments, with an interest rate of 2.976%, over a ten-year period, maturing in October 2027. The loan is secured by a levy on all taxable property in the Township.

Amortization

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

Year Ending	General Obligation Bonds	Tanker/Pumper Lease/Purchase Agreement
December 31:		
2019	139,960	59,044
2020	136,990	59,044
2021	138,990	59,044
2022	135,790	59,044
2023	137,590	59,044
2024-2028	686,645	236,174
2029-2033	687,600	
Total	\$2,063,565	\$531,394

Note 10 – Transfers

During 2018, transfers were made from the General Fund to the Cemetery Fund to subsidize operations and from the Emergency Medical Services and Fire Fund to the Fire House Debt Fund to pay General Obligation Bonds in accordance with the Ohio Revised Code.



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

Hanover Township
Butler County
2595 Old Oxford Road
Hamilton, Ohio 45013

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 Hanover Township, Butler County, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 26, 2020 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 noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

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.

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 certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 2019-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-002 described in the accompanying schedule of findings to be a significant deficiency.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
June 26, 2020

HANOVER TOWNSHIP
BUTLER COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

FINDING NUMBER 2019-001

Material Weakness- *Internal Controls related to financial reporting*

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- Reclassifications were noted in 2019 and 2018 to General Government and Public Safety disbursements.
- Principal and interest reclassifications were noted in 2019 and 2018. Related adjustments were noted in 2019 and 2018 to Other Debt Proceeds receipts and Capital Outlay disbursements to recognize the entrance into leases on the financial statements.

The following errors were noted in the footnotes that required audit adjustment:

- The Budgetary Activity footnote required adjustments in 2019 and 2018.
- The Risk Management footnote did not use the OTARMA footnote information published by the Auditor of State in 2019 or 2018.
- The Postemployment Benefits footnote was not included in the footnotes filed in the Hinkle system for 2019 or 2018.
- The Debt footnote required adjustments in 2019 and 2018.
- The Restatement of Beginning Balances footnote for 2019 was not included in the footnotes filed in the Hinkle system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township and the footnote shell published on the Auditor of State's website for guidance on the correct information to be disclosed in the footnotes.

Officials' Response: We did not receive a response from the Township regarding this finding.

FINDING NUMBER 2019-002

Significant Deficiency – *Internal Controls related to Disbursements*

When designing the public office's system of internal control and the specific control activities, management should:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed
- Ensure adequate security of assets and records
- Plan for adequate segregation of duties or compensating controls
- Perform analytical procedures to determine the reasonableness of financial data
- Ensure the collection and compilation of that data needed for the timely preparation of financial statements

HANOVER TOWNSHIP
BUTLER COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

FINDING NUMBER 2019-002 (CONTINUED)

Public funds were used to reimburse employees for direct healthcare costs not covered by the insurance policy provided to Township employees during the audit period. This improper use of funds was not detected in a timely manner by the Township's control structure and represents a significant deficiency in the control environment. Unallowable reimbursements were noted to be paid out of several funds during the course of the audit which were not prevented or detected by the Township's internal controls over disbursements. We have referred the reimbursements to employees for direct healthcare costs to the Auditor of State for further review.

To ensure public monies are used for the purposes for which they were raised, financial management should review the Ohio Revised Code and perform a more detailed review of purchases before they are made. Professional services should be advised if financial management is unsure of a financial decision.

Officials' Response: We did not receive a response from the Township regarding this finding.

HANOVER TOWNSHIP
 BUTLER COUNTY
 DECEMBER 31, 2019 AND 2018

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2017-001	Significant Deficiency – Internal Controls related to financial reporting	No	Reissued as a Material Weakness as Finding Number 2019-001
2017-002	Noncompliance – Ohio Rev. Code Section 5705.41(D) – Purchase Orders	No	Reissued as a Management Letter comment

OHIO AUDITOR OF STATE KEITH FABER



HANOVER TOWNSHIP

BUTLER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/12/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov