



**HANOVER TOWNSHIP
BUTLER COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001- 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HANOVER TOWNSHIP
BUTLER COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of Hanover Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 25, 2002

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**HANOVER TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$27,042	\$253,833	\$20,585	\$301,460
Intergovernmental Receipts	401,483	171,143		572,626
Fines and Forfeitures	1,328			1,328
Charges for Services		47,336		47,336
Fines, Licenses, and Permits		42,475		42,475
Earnings on Investments	12,256	2,595		14,851
Miscellaneous	56,742	44,201	15,000	115,943
Total Cash Receipts	<u>498,851</u>	<u>561,583</u>	<u>35,585</u>	<u>1,096,019</u>
Cash Disbursements:				
Current:				
General Government	210,950			210,950
Public Safety	189,855	29,320		219,175
Public Health Services	3,920	68,888		72,808
Public Works	2,190	400,940		403,130
Conservation- Recreation	16,313	795		17,108
Debt Service:				
Principal Payments			26,889	26,889
Interest Payments			8,696	8,696
Capital Outlay	6,029	25,974		32,003
Total Cash Disbursements	<u>429,257</u>	<u>525,917</u>	<u>35,585</u>	<u>990,759</u>
Total Receipts Over/(Under) Disbursements	<u>69,594</u>	<u>35,666</u>	<u>0</u>	<u>105,260</u>
Other Financing Receipts:				
Other Financing Sources	6,180			6,180
Total Other Financing Receipts	<u>6,180</u>	<u>0</u>	<u>0</u>	<u>6,180</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	<u>75,774</u>	<u>35,666</u>	<u>0</u>	<u>111,440</u>
Fund Cash Balances January 1	<u>383,330</u>	<u>343,919</u>	<u>0</u>	<u>727,249</u>
Fund Cash Balances, December 31	<u>\$459,104</u>	<u>\$379,585</u>	<u>\$0</u>	<u>\$838,689</u>

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

**HANOVER TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$24,651	\$247,498	\$21,646		\$293,795
Intergovernmental Receipts	418,904	171,192		\$194,896	784,992
Special Assessment		480			480
Fines and Forfeitures	2,652				2,652
Charges for Services		33,244			33,244
Fines, Licenses, and Permits		47,350			47,350
Earnings on Investments	10,441	2,569			13,010
Miscellaneous	32,235	118,561	15,000		165,796
	<u>488,883</u>	<u>620,894</u>	<u>36,646</u>	<u>194,896</u>	<u>1,341,319</u>
Cash Disbursements:					
Current:					
General Government	169,325				169,325
Public Safety	171,958	53,332			225,290
Public Health Services	3,983	59,799			63,782
Public Works	3,317	353,214			356,531
Conservation- Recreation	6,846				6,846
Debt Service:					
Principal Payments			26,889		26,889
Interest Payments			10,149		10,149
Miscellaneous	199				199
Capital Outlay	6,538	87,901		194,896	289,335
	<u>362,166</u>	<u>554,246</u>	<u>37,038</u>	<u>194,896</u>	<u>1,148,346</u>
Total Cash Disbursements	<u>362,166</u>	<u>554,246</u>	<u>37,038</u>	<u>194,896</u>	<u>1,148,346</u>
Total Receipts Over/(Under) Disbursements	<u>126,717</u>	<u>66,648</u>	<u>(392)</u>	<u>0</u>	<u>192,973</u>
Other Financing Receipts/(Disbursements):					
Sale of Assets					0
Transfers-In			392		392
Advances-In	10,000				10,000
Transfers-Out	(392)				(392)
Advances-Out		(10,000)			(10,000)
Other Financing Sources	3,053				3,053
	<u>12,661</u>	<u>(10,000)</u>	<u>392</u>	<u>0</u>	<u>3,053</u>
Total Other Financing Receipts/(Disbursements)	<u>12,661</u>	<u>(10,000)</u>	<u>392</u>	<u>0</u>	<u>3,053</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	139,378	56,648	0	0	196,026
Fund cash balances January 1	243,952	287,271	0	0	531,223
Fund Cash Balances, December 31	<u>\$383,330</u>	<u>\$343,919</u>	<u>\$0</u>	<u>\$0</u>	<u>\$727,249</u>

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

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Hanover Township, Butler County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Butler County Sheriff's department to provide security of persons and property.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road & Bridge Fund - This fund receives proceeds from the property tax for construction, maintenance, and repair of Township roads and bridges.

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road District Fund - This fund receives proceeds from the property tax for construction, maintenance, and repair of Township roads.

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness. The Township had the following Debt Service Fund:

Note Retirement Fund - This fund accumulates resources **for the payment of principal and interest for the** Township's notes.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Funds:

Community Center Fund - The fund accumulates resources **for the** renovation of the Township's community center.

DeCamp Road Fund - The fund accumulates resources **for the** improvement of DeCamp Road.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2001	2000
Demand deposits	\$738,689	\$627,249
Certificates of deposit	100,000	100,000
Total deposits	\$838,689	\$727,249

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$462,246	\$505,031	\$42,785
Special Revenue	655,624	561,583	(94,041)
Debt Service	35,585	35,585	0
Total	\$1,153,455	\$1,102,199	(\$51,256)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$751,705	\$429,257	\$322,448
Special Revenue	953,506	525,917	427,589
Debt Service	35,585	35,585	0
Total	\$1,740,796	\$990,759	\$750,037

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$427,261	\$491,936	\$64,675
Special Revenue	593,745	620,894	27,149
Debt Service	37,038	37,038	0
Capital Project	0	194,896	194,896
Total	\$1,058,044	\$1,344,764	\$286,720

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$427,261	\$362,558	\$64,703
Special Revenue	593,644	554,246	39,398
Debt Service	37,038	37,038	0
Capital Project	0	194,896	(194,896)
Total	\$1,057,943	\$1,148,738	(\$90,795)

The Township did not record or appropriate grant funds received from Community Development Block Grants during fiscal year 2000, which is contrary to Ohio Law.

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Fire Truck General Obligation Notes	\$ 134,445	5.39%

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

5. DEBT (Continued)

The Township issued \$215,111 general obligation notes in April 1998, for the purchase of a new Fire Truck. The notes will be repaid in yearly installment, with a interest rate of 5.39%, over a eight year period, maturing in December 2006. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

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

Year ending December 31:	Fire Truck Notes
2002	\$34,135
2003	32,686
2004	31,237
2005	29,787
2006	28,334
Total	<u>\$156,179</u>

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

7. RISK POOL MEMBERSHIP (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claim payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained Earnings	<u>\$14,324,773</u>	<u>\$13,759,409</u>
 <u>Property Coverage</u>	 <u>2001</u>	 <u>2000</u>
Assets	\$ 5,011,131	\$ 4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained Earnings	<u>\$ 4,363,464</u>	<u>\$ 3,658,953</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Board of Trustees:

We have audited the accompanying financial statements of Hanover Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40409-001 and 2001-40409-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 25, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting *in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements* and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 25, 2002.

Hanover Township
Butler County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

July 25, 2002

**HANOVER TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-40409-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.09(F), requires the Township to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Township appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Clerk shall record the appropriations in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Rev. Code, Section 5705.40, requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk did not record the Community Development Block Grant (CDBG) disbursed to the Township under the Butler County Community Development program, nor was the grant money included in the appropriations by the Board of Trustees for fiscal year 2000. However, receipts and disbursements of \$194,896 have been recorded on the audited financial statements for the year ended December 31, 2000.

FINDING NUMBER 2001-40409-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Contrary to the above requirements, the Township failed to obtain the certification of the availability of funds from the Clerk prior to the invoice date for 48% of expenditures tested, and neither of the two exceptions provided above were utilized.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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HANOVER TOWNSHIP

BUTLER 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
AUGUST 20, 2002**