
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

HANOVER TOWNSHIP

ASHLAND COUNTY

REGULAR AUDIT

A&A

FOR THE YEARS ENDED

DECEMBER 31, 2020 - 2019

6927 Burgundy Ave NW
North Canton, OH 44720
Phone (330) 353-5851
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OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Board of Trustees
Hanover Township
706 County Road 3374
Loudonville, Ohio 44842

We have reviewed the *Independent Auditor's Report* of Hanover Township, Ashland County, prepared by Alger & Associates, Inc., for the audit period January 1, 2019 through December 31, 2020. 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

May 24, 2021

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HANOVER TOWNSHIP
ASHLAND COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Hanover Township
Ashland County
PO Box 136
706 County Road 3374
Loudonville, Ohio 44842

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, Ashland County, Ohio (the Township) as of and for the years ended December 31, 2020 and 2019.

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.

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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, 2020 and 2019, 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 the Hanover Township, Ashland County as of December 31, 2020 and 2019, 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 2020's Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, as discussed in 2020's Note 11 to the financial statements, the Township adopted the change to their cash basis-reporting model of the fund balance classification presentation. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021 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.

Karen S Alger,
CPA

 Digitally signed by Karen S Alger, CPA
DN: cn=Karen S Alger, CPA, o=Alger &
Associates, Inc, ou, email=ksalger46@att.net,
c=US
Date: 2021.05.03 10:17:49 -04'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

April 28, 2021

Hanover Township
Ashland 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, 2020

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 85,005	\$ 108,555	\$ 9,860	\$203,420
Licenses, Permits and Fees	-	900	-	900
Intergovernmental	20,698	188,242	-	208,940
Earnings on Investments	71	66	-	137
Miscellaneous	-	5,179	-	5,179
<i>Total Cash Receipts</i>	<u>105,774</u>	<u>302,942</u>	<u>9,860</u>	<u>418,576</u>
Cash Disbursements				
Current:				
General Government	53,604	-	-	53,604
Public Safety	-	43,530	-	43,530
Public Works	-	154,090	-	154,090
Health	3,580	36	-	3,616
Other	16,479	-	-	16,479
Capital Outlay	-	19,010	-	19,010
Debt Service:				
Principal Retirement	-	-	8,638	8,638
Interest and Fiscal Charges	-	-	1,222	1,222
<i>Total Cash Disbursements</i>	<u>73,663</u>	<u>216,666</u>	<u>9,860</u>	<u>300,189</u>
<i>Excess of Receipts Over Disbursements</i>	<u>32,111</u>	<u>86,276</u>	<u>-</u>	<u>118,387</u>
Other Financing Receipts				
Other Financing Sources	-	7,252	-	7,252
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>7,252</u>	<u>-</u>	<u>7,252</u>
<i>Net Change in Fund Cash Balances</i>	32,111	93,528	-	125,639
<i>Fund Cash Balances, January 1</i>	<u>86,262</u>	<u>148,573</u>	<u>-</u>	<u>234,835</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 118,373</u>	<u>\$ 242,101</u>	<u>\$ -</u>	<u>\$ 360,474</u>

See accompanying notes to the basic financial statements

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Hanover Township
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Hanover Township, Ashland 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 and emergency medical services. The Township contracts with the Village of Loudonville to provide fire services and emergency medical service. The Township has a Fire Levy to pay for these services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) a 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, which are all 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:

Gasoline 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.

Motor Vehicle License Tax Fund The motor vehicle tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund accounts for property tax monies to pay for constructing, maintaining, and repairing Township roads.

Fire Fund The fire fund accounts for the funds generated by the Fire Levy voted by the residents of the township and is used for contracted Fire and Emergency services.

Hanover Township
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies *(continued)*

Fund Accounting - Special Revenue Funds *(continued)*

Cemetery Fund This fund accounts for the funds transferred to the township upon transfer of the Sandridge Cemetery assets to the township in 2016. Additionally, this fund reflects any lot sales, grave services and necessary expenses associated with cemeteries.

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

Equipment Bond Retirement Fund The bond retirement fund receives tax money to pay for the debt service requirements on the 2018 GMC Truck.

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.

A summary of 2020 budgetary activity appears in Note 3.

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.

Hanover Township
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Hanover Township
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$115,054	\$105,774	(\$9,280)
Special Revenue	322,337	310,194	(12,143)
Debt Service	-	9,860	9,860
Total	\$437,391	\$425,828	(\$11,563)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$201,316	\$73,663	\$127,653
Special Revenue	470,908	227,752	243,156
Debt Service	-	9,860	(9,860)
Total	\$672,224	\$311,275	\$360,949

Contrary to Ohio Rev. Code § 5705.09, the Township failed to establish the required debt service fund to account for activity related to the Township’s debt.

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit and investment accounts are as follows:

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$358,065
Certificates of deposit	2,409
Total deposits	\$360,474

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Township has remitted all employee payroll withholdings.

Deposits

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

Hanover Township
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits and Investments *(continued)*

Investments

The Township values certificates of deposits at cost.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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

Workers' Compensation

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

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:

- 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

Hanover Township
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township’s elected officials and 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, 2020.

Note 8 – Postemployment Benefits

OPERS offer 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 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Bond - Truck	<u>\$23,200</u>	4.10%

On January 31, 2019, the Township issued Equipment Bonds totaling \$36,343 for the purpose of purchasing a one-ton dump truck through First Knox National Bank, a division of Park National Bank, in the amount of \$36,343 at a rate of 4.1%. The first payment was made in July, 2019. The bond payments are in semi-annual installments of \$4,929.71, with the final payment due January, 2023. The semi-annual installments will be made from the Permissive Excise Tax Fund.

Amortization

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

<u>Year Ending</u> <u>December 31:</u>	<u>Bond</u>
2021	\$9,959
2022	9,859
2023	4,930
Total	<u>\$24,748</u>

Hanover Township
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Fund Balances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	0	11,086	11,086
Total	\$0	\$11,086	\$11,086

The fund balance of special revenue funds is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 11 – Change in Accounting Principle

For 2020, the Township has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types.

Note 12 – COVID

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Township received CARES Act funding. Of the amounts received, \$13,083.94 was returned as a refund of receipts to the agency distributing the funds. The amounts returned to the distributing agency are reflected as a reduction of intergovernmental revenue in the Coronavirus Relief Special Revenue Fund.

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Hanover Township
Ashland 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, 2019

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$125,890	\$99,151	\$4,930	\$229,971
Charges for Services	-	2,900	-	2,900
Licenses, Permits and Fees	1,150	-	-	1,150
Intergovernmental	1,191	124,940	-	126,131
Earnings on Investments	57	19	-	76
Miscellaneous	-	4,845	-	4,845
<i>Total Cash Receipts</i>	<u>128,288</u>	<u>231,855</u>	<u>4,930</u>	<u>365,073</u>
Cash Disbursements				
Current:				
General Government	89,382	-	-	89,382
Public Safety	-	28,500	-	28,500
Public Works	-	165,936	-	165,936
Health	838	36	-	874
Other	1,325	760	-	2,085
Capital Outlay	69,218	-	-	69,218
Debt Service:				
Principal Retirement	-	-	4,505	4,505
Interest and Fiscal Charges	-	-	425	425
<i>Total Cash Disbursements</i>	<u>160,763</u>	<u>195,232</u>	<u>4,930</u>	<u>360,925</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(32,475)</u>	<u>36,623</u>	<u>0</u>	<u>4,148</u>
Other Financing Receipts				
Sale of Bonds	36,343	-	-	36,343
<i>Total Other Financing Receipts</i>	<u>36,343</u>	<u>-</u>	<u>0</u>	<u>36,343</u>
<i>Net Change in Fund Cash Balances</i>	3,868	36,623	-	40,491
<i>Fund Cash Balances, January 1</i>	<u>82,394</u>	<u>111,950</u>	<u>-</u>	<u>194,344</u>
Fund Cash Balances, December 31				
Restricted	-	148,573	-	148,573
Assigned	35,993	-	-	35,993
Unassigned	50,269	-	-	50,269
<i>Fund Cash Balances, December 31</i>	<u>\$86,262</u>	<u>\$148,573</u>	<u>\$0</u>	<u>\$234,835</u>

See accompanying notes to the basic financial statements

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Hanover Township
Ashland 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, Ashland 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 and emergency medical services. The Township contracts with the Village of Loudonville to provide fire services and emergency medical service. The Township has a Fire Levy to pay for these services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) a 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, which are organized on a fund type basis.

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

Gasoline Tax Fund 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.

Motor Vehicle License Tax Fund The motor vehicle tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund accounts for the funds generated by property tax and the Road Improvement Tax Levy. These funds are used for the upkeep of the Township.

Fire Fund The fire fund accounts for the funds generated by the Fire Levy voted by the residents of the township and is used for contracted Fire and Emergency services.

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

Note 2 – Summary of Significant Accounting Policies *(continued)*

Fund Accounting - Special Revenue Funds *(continued)*

Cemetery Fund This fund accounts for the funds transferred to the township upon transfer of the Sandridge Cemetery assets to the township in 2016. Additionally, this fund reflects any lot sales, grave services and necessary expenses associated with cemeteries.

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

Equipment Bond Retirement Fund The bond retirement fund receives tax money to pay for the debt service requirements on the 2018 GMC Truck.

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. Appropriations lapse at year-end.

Estimated Resources: Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 2019 budgetary activity appears in Note 3.

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.

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

Note 2 – Summary of Significant Accounting Policies *(continued)*

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
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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	\$90,329	\$164,631	\$74,302
Special Revenue	259,890	231,855	(28,035)
Debt Service	-	4,930	4,930
Total	\$350,219	\$401,416	\$51,197

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$172,724	\$160,763	\$11,961
Special Revenue	431,140	195,232	235,908
Debt Service	-	4,930	(4,930)
Total	\$603,864	\$360,925	\$242,939

Contrary to Ohio Rev. Code § 5705.09, the Township failed to establish the required debt service fund to account for activity related to the Township’s debt.

Note 4 – Deposits and Investments

The Township maintains a deposits 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	2019 \$232,426
Certificates of deposit	2,409
Total deposits	234,835

Deposits

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

Investments

The Township values certificates of deposits at cost.

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

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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

Workers' Compensation

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

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:

- 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

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township’s elected officials and 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, 2019.

Note 8 – Postemployment Benefits

OPERS offer 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:

	Principal	Interest Rate
Equipment Bond - Truck	\$31,838	4.1%

On January 31, 2019, the Township issued Equipment Bonds totaling \$36,343 for the purpose of purchasing a one-ton dump truck through First Knox National Bank, a division of Park National Bank, in the amount of \$36,343 at a rate of 4.1%. The first payment was made in July, 2019. The bond payments are in semi-annual installments of \$4,929.71, with the final payment due January, 2023. The semi-annual installments will be made from the Permissive Excise Tax Fund.

Amortization

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

Year Ending December 31:	Bond
2020	\$9,859
2021	9,859
2022	9,859
2023	4,930
Total	\$34,507

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

Note 10 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Hanover Township
Ashland County
PO Box 136
706 County Road 3374
Loudonville, Ohio 44842

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, Ashland County, Ohio (the Township) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements and have issued our report thereon dated April 28, 2021 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. In addition, during 2020 we noted the Township changed their cash basis-reporting model of the fund balance classification presentation as disclosed in Note 11 of the 2020 financial statements. Also, as disclosed in Note 12 of the 2020 financial statements' footnotes, we noted the financial impact of COVID-19 and ensuing emergency measures on 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) as a basis for designing 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 finding that we consider material weaknesses. We consider findings 2020-002 and 2020-003 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 item 2020-001 and 2020-002.


Township's Responses to Findings

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Karen S
Alger, CPA



Digitally signed by Karen S
Alger, CPA
DN: cn=Karen S Alger, CPA,
o=Alger & Associates, Inc, ou,
email=ksalger46@att.net, c=US
Date: 2021.05.03 10:07:18 -04'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

April 28, 2021

Hanover Township
Ashland County
Schedule of Findings
December 31, 2020 and 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Noncompliance Citation

Ohio Rev. Code § 5705.09(C) requires each subdivision to establish a bond retirement fund into which it must pay sufficient revenues to retire serial bonds, notes and certificates of indebtedness at maturity. Ohio Rev. Code § 5705.10(B) requires all revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund.

The Township paid principal and interest payments on the Bond from the Permissive Excise Tax Fund in both 2019 and 2020. The County Auditor did not allocate taxes on the tax settlement sheets to pay the principal and interest amount. The Fiscal Officer did not make the required transfer to a debt service fund. The debt instrument drafted by bond counsel, under item (F)(3) requires the use of a debt service fund.

We recommend the Township contact the County Auditor to request a portion of the property taxes be allocated to a debt service fund and the Township account for the receipts and expenditures pertaining to the bonded debt in a debt service fund.

FINDING NUMBER 2020-002

Noncompliance Citation/ Material Weakness

Ohio Administrative Code § 117-2-02 (A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Revised Code § 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Revised Code § 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

On January 31, 2019, the Board of Trustees issued Equipment Bonds totaling \$36,343 for the purpose of purchasing a 2018 GMC Sierra 3500 truck with related equipment. The financial institution associated with the debt issuance made the check payable directly to the vendor. The Township Fiscal Officer did not post the debt proceeds or capital outlay expenditure within its accounting records. As a result, the receipts and disbursements were understated with the Township's accounting records and financial statements.

Additionally, the Township did not obtain an amended certificate for the debt proceeds and the Township Trustees did not amend appropriations for the amounts identified.

Hanover Township
Ashland County
Schedule of Findings
December 31, 2020 and 2019

FINDING NUMBER 2020-002 *(continued)*

Noncompliance Citation/ Material Weakness *(continued)*

Adjustments with which the Township agrees are reflected in the accompanying financial statements.

We recommend the Township record all debt proceeds and the corresponding expenditures in the Township's accounting records.

FINDING NUMBER 2020-003

Material Weakness - Fund Balance and Fund Type Classification

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.

The Township did not have sufficient internal controls in place to help ensure receipts, expenditures, and fund balances were properly classified on the financial statements. The following material reclassifications were agreed to by the Township Fiscal Officer and posted to the Township's financial statements for the years ended December 31, 2020 and December 31, 2019:

The following deficiencies were noted relating to fund type and balance classification and adjusted/reclassified to the financial statements by management:

- In 2019, the Permissive Excise Tax Fund which did not have specific revenue sources or external restrictions or internal commitments were reported as Special Revenue Funds. However, per the fund definitions in GASB 54, the activity should have been reported in the General Fund for financial reporting purposes. For 2019, the Township's financial statements have been adjusted to reflect the Permissive Excise Tax fund's beginning balance, receipts, disbursements and ending balance of \$59,301, \$68,870, \$77,902, and \$59,301 respectively, from the Special Revenue funds to the General Fund.

The activity of the Permissive Excise Tax Fund can still be maintained separate for day-to-day operations. However, these funds' activity should be reported in the year-end General Fund activity. Hanover Township implemented the UAN in 2020, for purposes of end of the year financial statements, the Permissive Sales Tax Fund (Bed Tax Bund) was mapped to the General Fund.

In addition, the Township misclassified few expenditures to the annual report submitted in the Hinkle System for fiscal year 2019. These misstatements had the following effect on the Township's financial statements:

- Gasoline Tax Fund – a decrease in General Government and increase in Public Works of \$88,014. In addition, a decrease to Property and Other Local Taxes and an increase to Intergovernmental Receipts of \$99,401.
- Road and Bridge Fund – a decrease in General Government and increase in Public Works of \$25,716.
- The entire fund balance for the Special Revenue Funds opinion unit was not classified in the report as restricted.

Hanover Township
Ashland County
Schedule of Findings
December 31, 2020 and 2019

FINDING NUMBER 2020-003 *(continued)*

Material Weakness - Fund Balance and Fund Type Classification *(continued)*

- The General Fund's fund balances were not classified in the report as either assigned or unassigned. The Township's subsequent year's appropriations exceeding estimated receipts in the General Fund; by \$35,993 and should be classified as Assigned Fund Balance. The residual amount of any fund balance in the General Fund should be classified as unassigned fund balance.

The Township should review GASB 54 and Auditor of State Bulletin 2011-004 for proper classification of fund balances and fund types on the year-end financial statements. In 2020, the Township converted to the UAN accounting system and implement GASB 84 which no longer reports the fund balance classifications on the face of the financial statements but within the footnotes.

Additionally, the 2019 notes to the financial statements had not included the required footnotes such as the Risk Management, defined benefit pension plans and postemployment benefits.

Failure to properly classify funds and fund balances could result in material financial statement errors and irregularities that may go undetected and decrease the reliability of the financial data throughout the year. These misstatements were caused by confusion over proper classifications.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and footnotes by the Fiscal Officer and Board of Trustees to identify and correct errors and omissions.

We recommend Fiscal Officer refer to the Ohio Township Handbook for proper classification to ensure the year-end financial statements reflect the appropriate activity for the Township's receipts and expenditures.

Public Officials Response: Hanover Township Fiscal Officer and Trustees have taken appropriated corrective action & believe these should be no further issues in these matters.

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OHIO AUDITOR OF STATE KEITH FABER



HANOVER TOWNSHIP

ASHLAND 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 6/3/2021

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