



Mary Taylor, CPA  
Auditor of State



HANOVER TOWNSHIP  
COLUMBIANA COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Hanover Township  
Columbiana County  
30658 State Route 172  
East Rochester, Ohio 44625

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanover Township, Columbiana County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanover Township, Columbiana County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, Fire District and Road District Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The aforementioned revision to generally accepting accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

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

**Mary Taylor, CPA**  
Auditor of State

March 31, 2008

**Hanover Township, Columbiana County**

*Statement of Net Assets - Cash Basis*

*December 31, 2005*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$501,547</u>
<i>Total Assets</i>	<u><u>\$501,547</u></u>
<b>Net Assets</b>	
Restricted for:	
Permanent Fund	\$9,076
Debt Service	25,303
Other Purposes	382,315
Unrestricted	<u>84,853</u>
<i>Total Net Assets</i>	<u><u>\$501,547</u></u>

See accompanying notes to the basic financial statements

**Hanover Township, Columbiana County**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2005*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Total
<b>Governmental Activities</b>					
General Government	\$126,503	\$0	\$0	(\$126,503)	(\$126,503)
Public Safety	28,115	7,019	0	(21,096)	(21,096)
Public Works	278,281	6,061	97,219	(175,001)	(175,001)
Health	24,456	4,725	0	(19,731)	(19,731)
Human Services	0	10,682	0	10,682	10,682
Conservation-Recreation	3,250	0	0	(3,250)	(3,250)
Other	0	0	0	0	0
Capital Outlay	66,647	0	0	(66,647)	(66,647)
Debt Service	13,633	0	0	(13,633)	(13,633)
<i>Total Governmental Activities</i>	540,885	28,487	97,219	(415,179)	(415,179)
<b>Total</b>	<b>\$540,885</b>	<b>\$28,487</b>	<b>\$97,219</b>	<b>(415,179)</b>	<b>(415,179)</b>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes				307,600	307,600
Grants and Entitlements not					
Restricted to Specific Programs				88,738	88,738
Other				69,521	69,521
<i>Total General Receipts</i>				465,859	465,859
Change in Net Assets				50,680	50,680
<i>Net Assets Beginning of Year</i>				450,867	450,867
<i>Net Assets End of Year</i>				<b>\$501,547</b>	<b>\$501,547</b>

See accompanying notes to the basic financial statements

**Hanover Township, Columbiana County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	General	Gasoline Tax	Road And Bridge	Fire District	Road District	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$84,853	\$38,681	\$45,115	\$126,254	\$17,807	\$188,838	\$501,548
<i>Total Assets</i>	<u>\$84,853</u>	<u>\$38,681</u>	<u>\$45,115</u>	<u>\$126,254</u>	<u>\$17,807</u>	<u>\$188,838</u>	<u>\$501,548</u>
<b>Fund Balances</b>							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	84,853						84,853
Special Revenue Funds		38,681	45,115	126,254	17,807	154,458	382,315
Debt Service Fund						25,303	25,303
Permanent Fund					0	9,076	9,076
<i>Total Fund Balances</i>	<u>\$84,853</u>	<u>\$38,681</u>	<u>\$45,115</u>	<u>\$126,254</u>	<u>\$17,807</u>	<u>\$188,837</u>	<u>\$501,547</u>

See accompanying notes to the basic financial statements

**Hanover Township, Columbiana County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Gas Tax	Road And Bridge	Fire District	Road District	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$39,966	\$0	\$76,658	\$70,319	\$49,408	\$38,936	\$275,287
Charges for Services	0	0	0	0	0	0	0
Licenses, Permits and Fees	0	0	0	0	0	10,682	10,682
Fines and Forfeitures	0	0	0	0	0	0	0
Intergovernmental	93,511	75,966	13,714	8,236	5,590	27,314	224,331
Special Assessments	0	0	0	0	0	7,019	7,019
Interest	3,244	1,321	0	0	0	613	5,178
Other	10,065	0	53,554	0	0	5,449	69,068
<i>Total Receipts</i>	<u>146,786</u>	<u>77,287</u>	<u>143,926</u>	<u>78,555</u>	<u>54,998</u>	<u>90,013</u>	<u>591,565</u>
<b>Disbursements</b>							
Current:							
General Government	126,503	0	0	0	0	0	126,503
Public Safety	0	0	0	28,115	0	0	28,115
Public Works	0	77,431	107,465	0	60,965	32,420	278,281
Health	8,604	0	0	0	0	15,852	24,456
Conservation-Recreation	3,250	0	0	0	0	0	3,250
Capital Outlay	166	0	63,062	0	0	3,419	66,647
Debt Service:							
Principal Retirement	0	0	0	0	0	12,729	12,729
Interest and Fiscal Charges	0	0	0	0	0	903	903
<i>Total Disbursements</i>	<u>138,523</u>	<u>77,431</u>	<u>170,527</u>	<u>28,115</u>	<u>60,965</u>	<u>65,323</u>	<u>540,884</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,263</u>	<u>(144)</u>	<u>(26,601)</u>	<u>50,440</u>	<u>(5,967)</u>	<u>24,690</u>	<u>50,681</u>
<i>Fund Balances Beginning of Year</i>	<u>76,590</u>	<u>38,825</u>	<u>71,716</u>	<u>75,813</u>	<u>23,774</u>	<u>164,148</u>	<u>450,866</u>
<i>Fund Balances End of Year</i>	<u>\$84,853</u>	<u>\$38,681</u>	<u>\$45,115</u>	<u>\$126,253</u>	<u>\$17,807</u>	<u>\$188,838</u>	<u>\$501,547</u>

See accompanying notes to the basic financial statements

**Hanover Township, Columbiana County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$33,260	\$33,260	\$39,966	\$6,706
Intergovernmental	88,366	88,366	93,511	5,145
Interest	952	952	3,244	2,292
Other	9,580	9,580	10,065	485
<i>Total receipts</i>	132,158	132,158	146,786	14,628
<b>Disbursements</b>				
Current:				
General Government	148,334	148,334	126,503	21,831
Health	15,000	15,000	8,604	6,396
Conservation-Recreation	5,500	5,500	3,250	2,250
Capital Outlay	39,914	39,914	166	39,748
<i>Total Disbursements</i>	208,748	208,748	138,523	70,225
<i>Excess of Receipts Over (Under) Disbursements</i>	(76,590)	(76,590)	8,263	84,853
<i>Net Change in Fund Balance</i>	(76,590)	(76,590)	8,263	84,853
<i>Fund Balance Beginning of Year</i>	76,590	76,590	76,590	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$84,853	\$84,853

See accompanying notes to the basic financial statements

**Hanover Township, Columbiana County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Gasoline Tax Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$55,902	\$55,902	\$75,966	\$20,064
Interest on Investments	215	215	1,321	1,106
<i>Total receipts</i>	56,117	56,117	77,287	21,170
<b>Disbursements</b>				
Current:				
Public Works	91,937	91,937	77,431	14,506
Capital Outlay	3,000	3,000	0	3,000
<i>Total Disbursements</i>	94,937	94,937	77,431	17,506
<i>Excess of Receipts Over (Under) Disbursements</i>	(38,820)	(38,820)	(144)	38,676
<i>Net Change in Fund Balance</i>	(38,820)	(38,820)	(144)	38,676
<i>Fund Balance Beginning of Year</i>	38,825	38,825	38,825	0
<i>Fund Balance End of Year</i>	\$5	\$5	\$38,681	\$38,676

See accompanying notes to the basic financial statements

**Hanover Township, Columbiana County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Road and Bridge Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$82,990	\$82,990	\$76,658	(\$6,332)
Intergovernmental	14,000	14,000	13,714	(286)
Other	5,000	46,024	53,554	7,530
<i>Total receipts</i>	<u>101,990</u>	<u>143,014</u>	<u>143,926</u>	<u>912</u>
<b>Disbursements</b>				
Current:				
Public Safety	147,706	147,706	107,465	40,241
Capital Outlay	26,000	67,024	63,063	3,961
<i>Total Disbursements</i>	<u>173,706</u>	<u>214,730</u>	<u>170,528</u>	<u>44,202</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(71,716)</u>	<u>(71,716)</u>	<u>(26,602)</u>	<u>45,114</u>
<i>Net Change in Fund Balance</i>	(71,716)	(71,716)	(26,602)	45,114
<i>Fund Balance Beginning of Year</i>	<u>71,716</u>	<u>71,716</u>	<u>71,716</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$45,114</u></u>	<u><u>\$45,114</u></u>

See accompanying notes to the basic financial statements

**Hanover Township, Columbiana County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Fire District Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		Actual	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$61,964	\$61,964	\$70,319	\$8,355
Intergovernmental	8,433	8,433	8,237	(196)
<i>Total receipts</i>	<u>70,397</u>	<u>70,397</u>	<u>78,556</u>	<u>8,159</u>
<b>Disbursements</b>				
Current:				
Public Safety	77,400	77,400	28,115	49,285
Capital Outlay	68,810	68,810	0	68,810
<i>Total Disbursements</i>	<u>146,210</u>	<u>146,210</u>	<u>28,115</u>	<u>118,095</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(75,813)</u>	<u>(75,813)</u>	<u>50,441</u>	<u>126,254</u>
<i>Net Change in Fund Balance</i>	(75,813)	(75,813)	50,441	126,254
<i>Fund Balance Beginning of Year</i>	<u>75,813</u>	<u>75,813</u>	<u>75,813</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$126,254</u></u>	<u><u>\$126,254</u></u>

See accompanying notes to the basic financial statements

**Hanover Township, Columbiana County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Road District Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		Actual
<b>Receipts</b>				
Property and Other Local Taxes	\$42,145	\$42,145	\$49,408	\$7,263
Intergovernmental	5,869	5,869	5,590	(279)
<i>Total receipts</i>	48,014	48,014	54,998	6,984
<b>Disbursements</b>				
Current:				
Public Safety	56,782	71,782	60,965	10,817
Capital Outlay	15,000	0	0	0
<i>Total Disbursements</i>	71,782	71,782	60,965	10,817
<i>Excess of Receipts Over (Under) Disbursements</i>	(23,768)	(23,768)	(5,967)	17,801
<i>Net Change in Fund Balance</i>	(23,768)	(23,768)	(5,967)	17,801
<i>Fund Balance Beginning of Year</i>	23,774	23,774	23,774	0
<i>Fund Balance End of Year</i>	\$6	\$6	\$17,807	\$17,801

See accompanying notes to the basic financial statements

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Hanover Township  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 1 – Reporting Entity**

The Hanover Township, Columbiana County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Clerk (Fiscal Officer).

The reporting entity is comprised of the primary government.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Hanover Township Volunteer Fire Association for fire protection.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

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**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

Hanover Township  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies - (Continued)**

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no Business-type funds.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. All Township funds are classified as governmental.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Township's major governmental funds:

Hanover Township  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies - (Continued)**

**B. Fund Accounting (continued)**

**Governmental Funds (continued)**

General Fund – The general fund is used to account for all financial resources, except those required to be accounted for 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.

Gasoline Tax – The gasoline tax fund receives tax revenue which is used for public works expenditures.

Road & Bridge – The road and bridge fund receives tax revenue which is used for public works expenditures.

Fire District – The fire levy fund receives tax revenue for fire protection provided by Hanover Township Volunteer Fire Association.

Road District – The road district fund receives revenue which is used for public works expenditures.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Hanover Township  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies - (Continued)**

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. 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 negative receipts (contra revenue), respectively.

During 2005, the Township investments were limited an interest bearing checking account.

The interest bearing checking account is reported at the amount reported by depository on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$3,244.

Hanover Township  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies - (Continued)**

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent:

Permanent Fund	\$ 9,076
Debt Service Fund	\$ 25,303
Other Purposes	\$382,315

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

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

**Note 2 – Summary of Significant Accounting Policies - (Continued)**

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, gasoline tax fund, road and bridge fund, fire district fund and road district fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$0 for the general fund and \$0 for the major special revenue funds.

Hanover Township  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 5 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Hanover Township  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 5 - Deposits and Investments - (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$407,043 of the Township's bank balance of \$510,743 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Township had no undeposited cash on hand and held no investments.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Hanover Township  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 6 – Property Taxes - (Continued)**

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$100 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$41,246,860
Agriculture	
Commercial/Industrial/Mineral	2,106,820
Public Utility Property	
Real	69,170
Personal	3,346,820
Tangible Personal Property	316,155
Total Assessed Value	<u>\$47,085,825</u>

**Note 7 – Capital Assets**

Township chooses not to report and depreciate capital assets resulting from cash transactions in the financial statements and elects not to report capital asset activity in the notes to the financial statements.

**Note 8 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries property and liability insurance.

Hanover Township  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 9 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, was \$14,626.52. The full amount has been contributed for 2005. The Township has no participation in the member direct plan.

**Note 10 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Hanover Township  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 10 - Postemployment Benefits - (Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 11 - Debt**

A summary of the note transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
<u>Bond Anticipation Notes:</u>					
2002 Note	3.50%	\$25,459	0	\$(12,729)	\$12,730
2005 Issue	4.40%	0	\$41,024	0	41,024
		<u>\$25,459</u>	<u>\$41,024</u>	<u>\$12,729</u>	<u>\$53,754</u>

Note for 2005 Ford F-550 with Dump Body, Plow and Spreader. All note proceeds had been spent at December 31, 2005.

Hanover Township  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 11 – Debt - (Continued)**

The general obligation notes are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements:

Year	NOTES	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 22,985	\$ 2,251
2007	10,256	1,354
2008	10,256	903
2009	10,256	451
Totals	<u>\$ 53,753</u>	<u>\$ 4,959</u>



# Mary Taylor, CPA

Auditor of State

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

Hanover Township  
Columbiana County  
30658 State Route 172  
East Rochester, Ohio 44625

To the Board Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover Township (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated March 31, 2008, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. 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 the Comptroller General of the United States' *Government Auditing Standards*. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, we noted a certain matter we reported to the Township in a separate letter dated March 31, 2008.

### **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, providing an opinion 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 that we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated March 31, 2008, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 31, 2008



**Mary Taylor, CPA**  
Auditor of State

**HANOVER TOWNSHIP**

**COLUMBIANA 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  
MAY 13, 2008**