

**HANOVER TOWNSHIP  
LICKING COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2013 - DECEMBER 31, 2014**





# Dave Yost • Auditor of State

Township Trustees  
Hanover Township  
18088 Crawmer Road SE  
Newark, Ohio 43056

We have reviewed the *Independent Auditors' Report* of Hanover Township, Licking County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2013 through December 31, 2014. 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 "Dave Yost".

Dave Yost  
Auditor of State

November 2, 2015

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**HANOVER TOWNSHIP  
LICKING COUNTY  
JANUARY 1, 2013 - DECEMBER 31, 2014**

**TABLE OF CONTENTS**

Table of Contents	( i )
Independent Auditors' Report	1-2
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2014	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2013	4
Notes to the Financial Statements	5-11
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	13
Schedule of Findings	14

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

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

To the Township Trustees:

**Report on the Financial Statements**

We have audited the accompanying financial statements and related notes of the Hanover Township, Licking County, as of and for the years ended December 31, 2014 and 2013.

**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 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 opinion.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 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, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonable 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 permitted 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 Hanover Township, Licking County as of December 31, 2014 and 2013, or 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 combined cash balances of Hanover Township, Licking County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements 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 1.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated July 21, 2015, on our consideration of Hanover 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.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
July 21, 2015

**HANOVER TOWNSHIP  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 33,508	\$ 248,640	\$ -	\$ -	\$ 282,148
Licenses, Permits and Fees	10,500	-	-	-	10,500
Intergovernmental	19,413	132,173	-	-	151,586
Earnings on Investments	759	283	-	-	1,042
Miscellaneous	3,001	16,850	-	-	19,851
<b>Total Cash Receipts</b>	<u>67,181</u>	<u>397,946</u>	<u>-</u>	<u>-</u>	<u>465,127</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	143,778	-	-	-	143,778
Public Safety	-	152,088	-	-	152,088
Public Works	51,316	333,156	-	-	384,472
Health	-	306	-	-	306
Capital Outlay	176,353	2,212	-	-	178,565
<b>Total Cash Disbursements</b>	<u>371,447</u>	<u>487,762</u>	<u>-</u>	<u>-</u>	<u>859,209</u>
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements</b>	(304,266)	(89,816)	-	-	(394,082)
<b>Other Cash Financing Sources/ (Uses)</b>					
Sale of Notes	139,118	-	-	-	139,118
Other Financing Uses	(9,973)	-	-	-	(9,973)
<b>Total Other Cash Financing Sources/ (Uses)</b>	<u>129,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,145</u>
<b>Net Change in Fund Cash Balances</b>	(175,121)	(89,816)	-	-	(264,937)
<b>Fund Cash Balances, January 1</b>	<u>647,452</u>	<u>367,053</u>	<u>4,197</u>	<u>3,443</u>	<u>1,022,145</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	-	-	-	3,065	3,065
Restricted	-	277,237	4,197	378	281,812
Unassigned (Deficit)	472,331	-	-	-	472,331
<b>Fund Cash Balances, December 31</b>	<u>\$ 472,331</u>	<u>\$ 277,237</u>	<u>\$ 4,197</u>	<u>\$ 3,443</u>	<u>\$ 757,208</u>

See notes to financial statements.

**HANOVER TOWNSHIP  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 33,579	\$ 248,471	\$ -	\$ -	\$ 282,050
Licenses, Permits and Fees	12,420	-	-	-	12,420
Intergovernmental	23,097	127,305	-	-	150,402
Earnings on Investments	972	400	-	-	1,372
Miscellaneous	2,373	17,200	-	-	19,573
<b>Total Cash Receipts</b>	<u>72,441</u>	<u>393,376</u>	<u>-</u>	<u>-</u>	<u>465,817</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	146,776	-	-	-	146,776
Public Safety	-	186,970	-	-	186,970
Public Works	4,453	203,949	-	-	208,402
Health	928	17,452	-	-	18,380
<b>Total Cash Disbursements</b>	<u>152,157</u>	<u>408,371</u>	<u>-</u>	<u>-</u>	<u>560,528</u>
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements</b>	(79,716)	(14,995)	-	-	(94,711)
<b>Other Cash Financing (Uses)</b>					
Other Financing Uses	(6,913)	-	-	-	(6,913)
<b>Total Other Cash Financing (Uses)</b>	<u>(6,913)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,913)</u>
<b>Net Change in Fund Cash Balances</b>	(86,629)	(14,995)	-	-	(101,624)
<b>Fund Cash Balances, January 1</b>	<u>734,081</u>	<u>382,048</u>	<u>4,197</u>	<u>3,443</u>	<u>1,123,769</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	-	-	-	3,065	3,065
Restricted	-	367,053	4,197	378	371,628
Unassigned (Deficit)	647,452	-	-	-	647,452
<b>Fund Cash Balances, December 31</b>	<u>\$ 647,452</u>	<u>\$ 367,053</u>	<u>\$ 4,197</u>	<u>\$ 3,443</u>	<u>\$ 1,022,145</u>

See notes to financial statements.

**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Township participates in the Ohio Government Risk Management Plan public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association providing a formalized, jointly administered self insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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

**B. Basis of Accounting**

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

**C. 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.

**D. Fund Accounting**

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

**General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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** – This fund receives gasoline tax monies to pay for constructing, maintaining, and repairing Township roads.

**Road and Bridge Fund** – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads.

Fire District Fund – This fund receives property tax monies to be used for fire protection.

**Capital Projects Funds**

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

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

**Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government of its citizenry). The Township had the following significant permanent fund:

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

**E. 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 and object level of control and appropriations may not exceed estimated resources. The 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.

**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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 2014 and 2013 budgetary activity appears in Note 3.

**F. 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:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. 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.

**3. 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.

**4. 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.

**5. 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.

**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**G Property, Plant and Equipment**

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. 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.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a deposit and investment 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:

	2014	2013
Demand deposits	\$ 754,143	\$ 1,019,080
Certificates of Deposits	3,065	3,065
	\$ 757,208	\$ 1,022,145

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 37,361	\$ 206,299	\$ 168,938
Special Revenue	277,882	397,946	120,064
Total	\$ 315,243	\$ 604,245	\$ 289,002

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 381,420	\$ (381,420)
Special Revenue	-	487,762	(487,762)
Total	\$ -	\$ 869,182	\$ (869,182)

**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY (Continued)**

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 36,797	\$ 72,441	\$ 35,644
Special Revenue	275,311	393,376	118,065
Total	\$ 312,108	\$ 465,817	\$ 153,709

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 159,070	\$ (159,070)
Special Revenue	-	408,371	(408,371)
Total	\$ -	\$ 567,441	\$ (567,441)

Contrary to ORC 5705.41(D), the Township had invoices dated prior to certification.  
 Contrary to ORC 575705.38 (A), the Township did not pass an appropriation measure for 2014 and 2013.  
 Contrary to ORC 5705.41(B), the Township spent more than appropriated for all funds in 2014 and 2013.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

**5. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest rate
Western Star Truck with plow Master Lease-Purchase	\$ 139,118	1.90%
Total	\$ 139,118	

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

**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**5. DEBT (Continued)**

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

<u>Year Ended December 31</u>	<u>Truck</u>
2015	\$ 36,450
2016	36,450
2017	36,450
2018	36,450
Total	<u>\$ 145,800</u>

**6. RETIREMENT SYSTEMS**

The Township's full-time employees and elected officials belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.00% of participant's gross salaries. The Township has paid all contributions required through December 31, 2014.

**7. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

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

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan, (The Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses of the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014, respectively.

**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**7. RISK MANAGEMENT (Continued)**

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pools audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014 the latest information available.

	<u>2013</u>	<u>2014</u>
Assets	\$ 13,774,304	\$ 14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Retained Earnings	<u>\$ 5,805,909</u>	<u>\$ 5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

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

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

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Hanover Township, Licking County as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 21, 2015, 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.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered Hanover Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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. We consider Finding 2014-04 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Hanover 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-01, 2014-02 and 2014-03.

***Entity's Response to Finding***

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response 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.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
July 21, 2015

**HANOVER TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-01**

**Noncompliance – Certification of Funds**

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- If the fiscal officer can certify that both at the time that the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Township.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Township has approved their use and established maximum amounts.
- Super Blanket Certificates. The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**HANOVER TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-01 (Continued)**

The Township did not certify the availability of funds prior to the purchase commitment for 32% of expenditures tested. For these items the Township also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: We received no response from client.

**FINDING NUMBER 2014-02**

**Noncompliance – Appropriations**

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

An appropriation measure was not presented for audit and the county auditor confirmed no appropriation measure was presented to them for certification for 2014 and 2013.

We recommend an annual appropriation measure be passed on or about the first day of each fiscal year and certify them to the county auditor.

Client Response: We received no response from client.

**FINDING NUMBER 2014-03**

**Noncompliance – Expenditure of Monies**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Since no appropriation measure was passed in 2014 or 2013, all expenditures were made greater than appropriations. We recommend an annual appropriation measure be passed on or about the first day of each fiscal year and certify them to the county auditor, therefore all expenditures will be in compliance with ORC 5705.41(B).

Client Response: We received no response from client.

**HANOVER TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-04**

**Material Weakness and Reclassifications**

All local 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.

The Ohio Township Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2014 and 2013, the Township's receipts were not always posted into accurate classifications. The following misclassifications were noted:

- In 2013, homestead and rollback receipts in the amount of \$4,650, \$12,947 and \$19,697, respectively, were posted to Property and Other Local taxes within the General Fund, Road & Bridge Fund and Fire Levy Fund instead of intergovernmental receipts.
- In 2014, homestead and rollback receipts in the amount of \$37,563 was posted to the General Fund only instead of allocating to the General Fund, Road & Bridge Fund and Fire Levy Fund, which required adjustments of (\$32,868), \$13,034 and \$19,834 to the General Fund, Road & Bridge Fund and Fire Levy Fund, respectively.

Adjustments and reclassifications are reflected within the accompanying financial statements.

Client Response: We received no response from client.

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# Dave Yost • Auditor of State

**HANOVER TOWNSHIP**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 17, 2015**