



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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HANOVER TOWNSHIP
BUTLER COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2015 and 2014
Fiscal Years Audited Under GAGAS: 2015 and 2014



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Hanover Township, Butler County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 19, 2015

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Hanover Township
Butler County
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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Hanover Township, Butler County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 of America, to satisfy requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Government 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, 2015 and 2014, 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, Butler County, as of December 31, 2015 and 2014, 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 our report dated June 24, 2016, 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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
June 24, 2016

**HANOVER TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Taxes	\$ 151,458	\$ 740,077	\$ -	\$ 891,535
Charges for Services	-	140,242	-	140,242
Licenses, Permits and Fees	65,134	69,310	-	134,444
Fines and Forfeitures	3,200	-	-	3,200
Intergovernmental	170,777	209,351	-	380,128
Earnings on Investments	-	15	-	15
Miscellaneous	29,844	190,441	-	220,285
	<u>420,413</u>	<u>1,349,436</u>	<u>-</u>	<u>1,769,849</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	356,001	3,795	-	359,796
Public Safety	134,895	356,179	-	491,074
Public Works	-	693,893	-	693,893
Health	47,662	104,942	-	152,604
Conservation/Recreation	9,582	-	-	9,582
Capital Outlay	879	156,114	-	156,993
Debt Service:				
Redemption of Principal	-	-	65,000	65,000
Interest and Fiscal Charges	-	-	73,350	73,350
	<u>549,019</u>	<u>1,314,923</u>	<u>138,350</u>	<u>2,002,292</u>
Total Cash Disbursements				
Excess of Receipts Over/(Under) Disbursements	(128,606)	34,513	(138,350)	(232,443)
Other Financing Receipts/(Disbursements):				
Transfers-In	-	-	138,350	138,350
Transfers-Out	-	(138,350)	-	(138,350)
	<u>-</u>	<u>(138,350)</u>	<u>138,350</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)				
Net Change in Fund Cash Balances	(128,606)	(103,837)	-	(232,443)
Fund Cash Balances, January 1	<u>592,983</u>	<u>690,574</u>	<u>-</u>	<u>1,283,557</u>
Fund Cash Balances, December 31				
Restricted	-	586,737	-	586,737
Unassigned	<u>464,377</u>	<u>-</u>	<u>-</u>	<u>464,377</u>
Fund Cash Balances, December 31	<u>\$ 464,377</u>	<u>\$ 586,737</u>	<u>\$ -</u>	<u>\$ 1,051,114</u>

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

**HANOVER TOWNSHIP
BUTLER COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Taxes	\$ 146,548	\$ 727,179	\$ -	\$ 873,727
Charges for Services	-	124,142	-	124,142
Licenses, Permits and Fees	70,093	64,224	-	134,317
Fines and Forfeitures	3,479	-	-	3,479
Intergovernmental	209,986	192,365	-	402,351
Earnings on Investments	-	11	-	11
Miscellaneous	32,667	73,748	-	106,415
	<u>462,773</u>	<u>1,181,669</u>	<u>-</u>	<u>1,644,442</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	373,399	2,072	-	375,471
Public Safety	170,195	364,095	-	534,290
Public Works	-	587,803	-	587,803
Health	-	97,689	-	103,313
Human Services	-	5,624	-	5,624
Conservation/Recreation	11,489	-	-	11,489
Capital Outlay	6,729	20,381	-	27,110
Debt Service:				
Redemption of Principal	-	-	60,000	60,000
Interest and Fiscal Charges	-	-	75,030	75,030
	<u>561,812</u>	<u>1,077,664</u>	<u>135,030</u>	<u>1,774,506</u>
Total Cash Disbursements				
Excess of Receipts Over/(Under) Disbursements	(99,039)	104,005	(135,030)	(130,064)
Other Financing Receipts/(Disbursements):				
Transfers-In	-	-	135,030	135,030
Transfers-Out	-	(135,030)	-	(135,030)
	<u>-</u>	<u>(135,030)</u>	<u>135,030</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)				
Net Change in Fund Cash Balances	(99,039)	(31,025)	-	(130,064)
Fund Cash Balances, January 1	692,022	721,599	-	1,413,621
	<u>692,022</u>	<u>721,599</u>	<u>-</u>	<u>1,413,621</u>
Fund Cash Balances, December 31				
Restricted	-	690,574	-	690,574
Unassigned	592,983	-	-	592,983
	<u>592,983</u>	<u>-</u>	<u>-</u>	<u>592,983</u>
Fund Cash Balances, December 31	<u>\$ 592,983</u>	<u>\$ 690,574</u>	<u>\$ -</u>	<u>\$ 1,283,557</u>

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

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The 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 Auditor of State prescribes or permits.

C. Cash and Deposits

The township deposits all available funds in a non-interest bearing checking account at a local commercial bank. All deposits are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. 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:

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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

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

3. Deb Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant and Equipment

The Township records disbursements for acquisition 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

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

	2015	2014
Demand deposits	\$1,051,114	\$1,283,557

Deposits: Deposits are 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 year ending December 31, 2015 and 2014 as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 425,480	\$ 420,413	\$ (5,067)
Special Revenue	1,268,778	1,349,436	80,658
Debt Service	138,350	138,350	-
Total	\$ 1,832,608	\$ 1,908,199	\$ 75,591

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,016,862	\$ 549,019	\$ 467,843
Special Revenue	1,998,463	1,453,273	545,190
Debt Service	138,350	138,350	-
Total	\$ 3,153,675	\$ 2,140,642	\$ 1,013,033

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. Budgetary Activity (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 482,357	\$ 462,773	\$ (19,584)
Special Revenue	1,286,840	1,181,669	(105,171)
Debt Service	135,030	135,030	-
Total	\$ 1,904,227	\$ 1,779,472	\$ (124,755)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,127,091	\$ 561,812	\$ 565,279
Special Revenue	1,961,294	1,212,694	748,600
Debt Service	135,030	135,030	-
Total	\$ 3,223,415	\$ 1,909,536	\$ 1,313,879

4. Property Tax

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

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Firehouse Bonds	\$ 1,680,000	4.36%

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

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

	General Obligation Firehouse bonds
Year Ending December 31:	
2016	\$ 136,530
2017	139,450
2018	137,210
2019	139,960
2020	136,990
2021-2025	686,890
2026-2030	688,625
2031-2033	411,100
Total	\$ 2,476,755

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. Retirement Systems

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. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of the participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. Risk Management

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014:

**HANOVER TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. Risk Management (Continued)

	<u>2015</u>	<u>2014</u>
Assets	\$ 37,313,311	\$ 35,970,263
Liabilities	(8,418,518)	(8,912,432)
Net Position	\$ 28,894,793	\$ 27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township’s share of these unpaid claims collectible in future years is approximately \$12,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Township Contributions to OTARMA</u>		
2015	\$	22,862
2014		22,564

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Related Party Transactions

A Township Trustee also holds the position of Deputy of Administration with the Butler County Engineer’s Office. The Township joins in on contracts with the Butler County Engineer’s Office for road paving contracts that the Butler County Engineer’s Office competitively bids.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Hanover Township, Butler County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 24, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider findings 2015-001 and 2015-002 to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
June 24, 2016

**HANOVER TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDING NUMBER 2015-001

Significant Deficiency- *Internal Controls related to service organization*

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

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed
- Ensure adequate security of assets and records
- Plan for adequate segregation of duties or compensating controls
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records
- Perform analytical procedures to determine the reasonableness of financial data
- Ensure the collection and compilation of that data needed for the timely preparation of financial statements
- Monitor activities performed by service organizations.

The Township has delegated ambulance service billing processing, which is a significant accounting function to a third-party administrator (MBI Solutions). SSAE No. 116 requires service organizations to have a report conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective state. MBI Solutions does have the SSAE No. 16 report, however the Township did not review the report. Furthermore, the Township has not implemented internal controls to monitor the ambulance service billing process.

The Township should implement internal control measures to monitor the ambulance service billing process. The Township receives monthly EMS billing reports from MBI Solutions, however, there is no documentation of supervisory review of these monthly reports. To improve internal controls, we recommend that the Township document their review of the monthly billing reports received from MBI Solutions. The monthly billing reports should be marked with the reviewer's initials (or signature) and the date. The monthly billing reports should also be compared to the EMS run sheets or run logs to ensure they are accurate and complete. Additionally, the Township should reconcile to the receipts received and posted by the Township and report to MBI as received to ensure all revenue is reported correctly by MBI Solutions on the monthly reports.

Client Response: The Client did not provide a response for the above finding.

FINDING NUMBER 2015-002

Significant Deficiency- *Internal Controls related to financial reporting*

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

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- Multiple reclassifications and adjustments were noted in 2015 and 2014 to property tax revenues, intergovernmental revenues and miscellaneous revenues.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

Client Response: The Client did not provide a response for the above finding.

**HANOVER TOWNSHIP
BUTLER COUNTY
DECEMBER 31, 2015 AND 2014**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Significant Deficiency- Lack of internal controls over service organization	No	Reissued as Finding 2015-001



Dave Yost • Auditor of State

HANOVER TOWNSHIP

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 1, 2016**