



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of Hanover Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

March 14, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1999**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Local Taxes	\$21,719	\$216,505	\$18,884	\$0	\$257,108
Intergovernmental	328,836	169,125	0	0	497,961
Charges for Services	0	31,622	0	0	31,622
Licenses, Permits, and Fees	0	40,135	0	0	40,135
Fines, Forfeitures, and Penalties	7,050	0	0	0	7,050
Earnings on Investments	8,488	2,316	0	0	10,804
Other Revenue	61,145	57,830	10,349	0	129,324
Total Cash Receipts	427,238	517,533	29,233	0	974,004
Cash Disbursements:					
Current:					
General Government	99,735	0	0	0	99,735
Public Safety	128,730	33,240	0	1	161,971
Public Works	30,242	338,755	0	0	368,997
Health	4,600	68,372	0	0	72,972
Conservation - Recreation	1,967	0	0	0	1,967
Miscellaneous	0	0	0	0	0
Debt Service:					
Redemption of Principal	0	0	66,249	0	66,249
Interest and Fiscal Charges	0	0	11,723	0	11,723
Capital Outlay	730	151,737	0	0	152,467
Total Cash Disbursements	266,004	592,104	77,972	1	936,081
Total Receipts Over/(Under) Disbursements	161,234	(74,571)	(48,739)	(1)	37,923
Other Financing Receipts/(Disbursements):					
Transfers-In	0	0	48,739	0	48,739
Advances-In	0	10,000	0	0	10,000
Transfers-Out	(48,739)	0	0	0	(48,739)
Advances-Out	(10,000)	0	0	0	(10,000)
Other Sources	4,425	0	0	0	4,425
Total Other Financing Receipts/(Disbursements)	(54,314)	10,000	48,739	0	4,425
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	106,920	(64,571)	0	(1)	42,348
Fund Cash Balances, January 1	137,032	350,947	0	1	487,980
Fund Balance Adjustments	0	895	0	0	895
Fund Balance After Adjustments	137,032	351,842	0	0	488,874
Fund Cash Balances, December 31	\$243,952	\$287,271	\$0	\$0	\$531,223
Reserve for Encumbrances, December 31	\$679	\$7,643	\$0	\$0	\$8,322

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1998**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Local Taxes	\$39,907	\$212,178	\$0	\$0	\$252,085
Intergovernmental	280,294	162,252	0	0	442,546
Charges for Services	0	3,218	0	0	3,218
Licenses, Permits, and Fees	0	25,795	0	0	25,795
Fines, Forfeitures, and Penalties	4,485	0	0	0	4,485
Earnings on Investments	8,616	2,703	0	0	11,319
Other Revenue	33,033	38,434	0	18,000	89,467
Total Cash Receipts	366,335	444,580	0	18,000	828,915
Cash Disbursements:					
Current:					
General Government	88,984	0	0	0	88,984
Public Safety	121,803	2,644	0	0	124,447
Public Works	6,068	328,133	0	0	334,201
Health	3,995	51,404	0	0	55,399
Conservation - Recreation	330	0	0	0	330
Debt Service:					
Redemption of Principal	0	0	40,610	0	40,610
Interest and Fiscal Charges	0	0	2,727	0	2,727
Capital Outlay	4,936	16,456	0	275,806	297,198
Total Cash Disbursements	226,116	398,637	43,337	275,806	943,896
Total Receipts Over/(Under) Disbursements	140,219	45,943	(43,337)	(257,806)	(114,981)
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes	0	39,500	0	215,111	254,611
Transfers-In	0	43,000	43,316	42,696	129,012
Transfers-Out	(129,012)	0	0	0	(129,012)
Other Sources	7,636	11,348	0	0	18,984
Total Other Financing Receipts/(Disbursements)	(121,376)	93,848	43,316	257,807	273,595
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	18,843	139,791	(21)	1	158,614
Fund Cash Balances, January 1	118,189	211,156	21	0	329,366
Fund Cash Balances, December 31	\$137,032	\$350,947	\$0	\$1	\$487,980
Reserve for Encumbrances, December 31	\$3,970	\$80,900	\$0	\$0	\$84,870

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

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

Note Retirement Fund - This fund accounts for the payment of principal and interest on the Township's fire truck and life squad.

4. Capital Project Funds

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

Fire Truck Fund - This fund receives money used in to retire debt on the Township's new fire truck.

E. Budgetary Process

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

1. Appropriations

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

2. 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 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. The Township did not record certain encumbrances at December 31, 1999 in the appropriation ledger. However, encumbrances are included in the financial statements.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. POOLED CASH AND DEPOSITS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$431,223	\$387,980
Certificates of deposit	<u>100,000</u>	<u>100,000</u>
Total deposits	<u><u>\$531,223</u></u>	<u><u>\$487,980</u></u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$308,433	\$431,663	\$123,230
Special Revenue	507,860	517,533	9,673
Debt Service	<u>77,972</u>	<u>77,972</u>	<u>0</u>
Total	<u><u>\$894,265</u></u>	<u><u>\$1,027,168</u></u>	<u><u>\$132,903</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$445,463	\$315,422	\$130,041
Special Revenue	858,807	599,747	259,060
Debt Service	77,972	77,972	0
Capital Projects	1	1	0
Total	<u>\$1,382,243</u>	<u>\$993,142</u>	<u>\$389,101</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$339,901	\$373,971	\$34,070
Special Revenue	518,210	538,428	20,218
Debt Service	43,316	43,316	0
Capital Projects	275,807	275,807	0
Total	<u>\$1,177,234</u>	<u>\$1,231,522</u>	<u>\$54,288</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$466,012	\$359,098	\$106,914
Special Revenue	729,368	479,537	249,831
Debt Service	43,337	43,337	0
Capital Projects	275,806	275,806	0
Total	<u>\$1,514,523</u>	<u>\$1,157,778</u>	<u>\$356,745</u>

4. PROPERTY TAX

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. PROPERTY TAX (Continued)

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, 1999 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$188,222	5.39%

The general obligation notes were issued to finance the purchase of a new fire truck. The notes are collateralized solely by the Township's taxing authority.

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

Year ending December 31:	General Obligation Notes
2000	\$37,034
2001	35,585
2002	34,135
2003	32,686
2004	31,237
Subsequent	58,126
Total	\$228,803

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' salaries. The Township has paid all contributions required through December 31, 1999.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Public official's liability



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

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

To the Board of Trustees:

We have audited the accompanying financial statements of Hanover Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However we did note an immaterial instance of noncompliance, that we have reported to the management of the Township in a separate letter dated March 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 14, 2000.

Hanover Township
Butler County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 14, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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HANOVER TOWNSHIP

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 27, 2000**