



**Auditor of State  
Betty Montgomery**



HANOVER TOWNSHIP  
LICKING COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Hanover Township  
Licking County  
18880 Johnson Road, SE  
Newark, Ohio 43055

To the Board of Trustees:

We have audited the accompanying financial statements of Hanover Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001. 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 auditing standards generally accepted in the United States of America 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 accounting principals generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002, and December 31, 2001, 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 May 28, 2003, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
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This report is intended solely for the information and use of management, the Board of Trustees 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.

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

**BETTY MONTGOMERY**  
Auditor of State

May 28, 2003

**HANOVER TOWNSHIP  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Non Expendable Trust</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$25,563	\$183,364	\$0	\$208,927
Intergovernmental	275,082	76,737	0	351,819
Licenses, Permits, and Fees	9,075	0	0	9,075
Earnings on Investments	6,940	988	109	8,037
Other Revenue	0	4,250	0	4,250
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	316,660	265,339	109	582,108
<b>Cash Disbursements:</b>				
Current:				
General Government	85,802	0	0	85,802
Public Safety	0	107,060	0	107,060
Public Works	20,035	160,516	0	180,551
Health	11,044	546	0	11,590
Supplies and Materials	0	0	52	52
Capital Outlay	700	15,059	0	15,759
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	117,581	283,181	52	400,814
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	199,079	(17,842)	57	181,294
<b>Other Financing Receipts:</b>				
Sale of Fixed Assets	3,172	0	0	3,172
Other Sources	3,269	0	0	3,269
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	6,441	0	0	6,441
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	205,520	(17,842)	57	187,735
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	238,176	101,293	3,179	342,648
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$443,696</b>	<hr/> <b>\$83,451</b>	<hr/> <b>\$3,236</b>	<hr/> <b>\$530,383</b>

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

**HANOVER TOWNSHIP  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Non- Expendable Trust</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$24,365	\$158,244	\$0	\$182,609
Intergovernmental	363,067	72,790	0	435,857
Licenses, Permits, and Fees	4,525	0	0	4,525
Earnings on Investments	5,373	3,257	143	8,773
Other Revenue	0	6,943	0	6,943
	<u>397,330</u>	<u>241,234</u>	<u>143</u>	<u>638,707</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	81,210	0	81	81,291
Public Safety	0	78,788	0	78,788
Public Works	124,573	143,736	0	268,309
Health	17,024	4,739	0	21,763
	<u>222,807</u>	<u>227,263</u>	<u>81</u>	<u>450,151</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>174,523</u>	<u>13,971</u>	<u>62</u>	<u>188,556</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	0	8,000	0	8,000
Transfers-Out	(8,000)	0	0	(8,000)
Other Sources	6,597	0	0	6,597
	<u>(1,403)</u>	<u>8,000</u>	<u>0</u>	<u>6,597</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	173,120	21,971	62	195,153
<b>Fund Cash Balances, January 1</b>	<u>65,056</u>	<u>79,322</u>	<u>3,117</u>	<u>147,495</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$238,176</u></u>	<u><u>\$101,293</u></u>	<u><u>\$3,179</u></u>	<u><u>\$342,648</u></u>

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



**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Hanover Township, Licking County, (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 road and bridge maintenance and cemetery maintenance. The Township contracts with the Hanover Volunteer Fire Department to provide fire protection and emergency medical services.

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 Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

**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.

**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*Fire Levy Fund* - This fund accounts for the proceeds of two special levies used to support the Township's fire protection and emergency medical services.

**3. Fiduciary Fund (Trust Fund)**

*Cemetery Bequest Fund* - This fund receives gifts and donations from benefactors and uses the interest earned on the fund balance from a certificate of deposit for improving the Township's cemetery.

**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 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. 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.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**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. Accumulated Leave**

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

**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	2002	2001
Demand deposits	\$527,318	\$339,583
Certificates of deposit	3,065	3,065
Total deposits	\$530,383	\$342,648

**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 ended December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$528,363	\$323,101	(\$205,262)
Special Revenue	292,281	265,339	(26,942)
Non Expendable Trust	0	109	109
Total	\$820,644	\$588,549	(\$232,095)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$228,001	\$117,581	\$110,420
Special Revenue	387,301	283,181	104,120
Non Expendable Trust	52	52	0
Total	\$615,354	\$400,814	\$214,540

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$372,813	\$403,927	\$31,114
Special Revenue	254,793	249,234	(5,559)
Non Expendable Trust	67	143	76
Total	\$627,673	\$653,304	\$25,631

**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$437,062	\$230,807	\$206,255
Special Revenue	334,052	227,263	106,789
Non Expendable Trust	81	81	0
Total	\$771,195	\$458,151	\$313,044

Contrary to Ohio law expenditure transactions were not always certified by the Clerk at the time the commitment was incurred.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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.

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

**5. RETIREMENT SYSTEMS**

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 postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**HANOVER TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

**7. SUBSEQUENT EVENT**

On February 7, 2003, the Board of Tax Appeals of the State of Ohio remanded to the Licking County Budget commission with orders to make an allocation of the 1997-2002 Undivided Local Government Fund (ULGF) and the 1997-2002 Undivided Local Government Revenue Assistance Fund (ULGRAF) in compliance with provisions of Ohio Revised Code Sections 5747.51 and 5747.62. In summary, the Board of Tax Appeals found that no alternative apportionment or formula allowed under Ohio Revised Code 5747.53 and 5747.63 was legally effective.

The County Budget Commission plans to appeal the ruling and the effect on future local government distributions cannot be determined at this time.

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## Auditor of State Betty Montgomery

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

Hanover Township  
Licking County  
18880 Johnson Road, SE  
Newark, Ohio 43055

To the Board of Trustees:

We have audited the accompanying financial statements of Hanover Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated May 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Finding as item 2002-001.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 May 28, 2003.

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Hanover Township  
Licking County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

**BETTY MONTGOMERY**  
Auditor of State

May 28, 2003



HANOVER TOWNSHIP  
LICKING COUNTY

SCHEDULE OF FINDING  
DECEMBER 31, 2002 AND DECEMBER 31, 2001

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

<b>Finding Number</b>	<b>2002-001</b>
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**Certification of Funds**

Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance by the issuance of a regular certificate, a blanket certificate, or a super blanket certificate. Blanket certificates can be issued for an amount not exceeding \$5,000 against any specific line item account over a period not exceeding three months, and not extending beyond the end of the current fiscal year. A super blanket certificate may be issued for any amount from a specific line item appropriation account in a specific fund, for most recurring or reasonably predictable operating expenditures.

This section also provides two exceptions to the above requirements:

- A. If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees. As of April 7, 2003, this amount was increased to three thousand dollars.

53% of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township funds being over expended or exceeding budgetary spending limitations, we recommend that the Township Clerk certify that the funds are or will be available prior to obligation by Township personnel. When prior certification is not possible, then and now certification should be utilized.

HANOVER TOWNSHIP  
LICKING COUNTY

SCHEDULE OF PRIOR AUDIT FINDING  
DECEMBER 31, 2000 AND DECEMBER 31, 1999

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-40645-001	Expenditures Exceeding Estimated Resources	Yes	Fully Corrected



**Auditor of State  
Betty Montgomery**

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**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  
JULY 15, 2003**