



**HANOVER TOWNSHIP
LICKING COUNTY**

NON-GAGAS ENGAGEMENT

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

**HANOVER TOWNSHIP
LICKING COUNTY
DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



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Report on the Financial Statements, Internal Control, and Compliance

Hanover Township
Licking County
1525 Rock Haven Road
Newark, Ohio 43055

To the Board of Trustees:

We have selectively tested certain accounts, financial records, reports and other documentation of the Hanover Township, Licking County, (the Township), as of and for the years ended December 31, 2018 and 2017. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2018-001 through 2018-002, 2018-007, 2018-010 and 2018-014 through 2018-016 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Township, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2018-003 through 2018-006 and 2018-008 through 2018-013.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 25, 2021

Hanover Township
Licking County, Ohio

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018*

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$42,022	\$426,455	\$0	\$0	\$468,477
Licenses, Permits and Fees	9,600	0	0	0	9,600
Intergovernmental	34,587	125,560	0	0	160,147
Earnings on Investments	752	781	0	33	1,566
Miscellaneous	2,591	4,500	0	0	7,091
<i>Total Cash Receipts</i>	<u>89,552</u>	<u>557,296</u>	<u>0</u>	<u>33</u>	<u>646,881</u>
Cash Disbursements					
Current:					
General Government	84,570	0	0	0	84,570
Public Safety	0	289,918	0	0	289,918
Public Works	0	176,809	0	0	176,809
Health	6,251	1,133	0	0	7,384
Capital Outlay	18,651	6,078	0	0	24,729
<i>Total Cash Disbursements</i>	<u>109,472</u>	<u>473,938</u>	<u>0</u>	<u>0</u>	<u>583,410</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,920)</u>	<u>83,358</u>	<u>0</u>	<u>33</u>	<u>63,471</u>
<i>Fund Cash Balances, January 1</i>	<u>(99,203)</u>	<u>284,344</u>	<u>4,197</u>	<u>3,571</u>	<u>192,909</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	3,065	3,065
Restricted	0	367,702	4,197	539	372,438
Unassigned (Deficit)	(119,123)	0	0	0	(119,123)
<i>Fund Cash Balances, December 31</i>	<u>(\$119,123)</u>	<u>\$367,702</u>	<u>\$4,197</u>	<u>\$3,604</u>	<u>\$256,380</u>

See accompanying notes to the basic financial statements

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**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 - Reporting Entity

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township belongs to the Ohio Plan Risk Management, Inc. (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. Note 7 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Gas Tax Fund The Gas Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintained and repair of roads within the Township.

Road and Bridge Fund The Road and Bridge Fund accounts for and reports that portion of County property tax restricted for maintenance and repair of roads within the Township.

Fire Levy Fund The Fire Levy Fund accounts for and reports that portion of County property tax restricted for fire protection within the Township.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds

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

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 Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 Section 117-2-03 (D) permit.

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 or object level of control, and appropriations may not exceed estimated resources. The Board of 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, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 2018 budgetary activity appears in Note 4.

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.

Capital Assets

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

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.

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:

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

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.

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.

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.

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, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 - 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.

Note 3 - Compliance

Contrary to Ohio law, the Township did not file their certificate of estimated resources with the County for 2018, and did not file their permanent appropriations or certificate of estimated resources with the County. Expenditures exceeded appropriations by \$109,472 in the General Fund, and by \$473,938 in the Special Revenue funds. The General Fund had a negative cash balance of \$103,980 at fiscal year-end.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 89,552	\$ 89,552
Special Revenue	-	557,296	557,296
Capital Projects	-	-	-
Permanent	-	33	33
Total	\$ -	\$ 646,881	\$ 646,881

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 109,472	\$ (109,472)
Special Revenue	-	473,938	(473,938)
Capital Projects	-	-	-
Permanent	-	-	-
Total	\$ -	\$ 583,410	\$ (583,410)

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 5 - Deposits

The Township maintains a deposit and investments 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:

	2018
Demand Deposits	\$ 253,289
Certificates of Deposit	3,091
Total Deposits	<u>\$ 256,380</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with the qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 - Property Taxes

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 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.

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

Note 7 - Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 7 – Risk Management (Continued)

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent, of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and the combined plan was 0 percent during calendar year 2018.

Note 10 - Financial Condition

As of December 31, 2018, the Township had a deficit cash-basis fund balance of \$119,123 in its General Fund. The Local Government Services Division of the Ohio Auditor of State Keith Faber Office is currently monitoring and assisting the Township in implementing a combination of cost-cutting and other changes (as determined by the Township Trustees) to address this deficit and negative General Fund cash balance.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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Hanover Township
Licking County, Ohio

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$38,442	\$359,061	\$0	\$0	\$397,503
Licenses, Permits and Fees	18,685	0	0	0	18,685
Intergovernmental	36,349	141,286	0	0	177,635
Earnings on Investments	876	376	0	46	1,298
Miscellaneous	1,225	8,500	0	0	9,725
<i>Total Cash Receipts</i>	<u>95,577</u>	<u>509,223</u>	<u>0</u>	<u>46</u>	<u>604,846</u>
Cash Disbursements					
Current:					
General Government	86,574	0	0	0	86,574
Public Safety	0	234,495	0	0	234,495
Public Works	16,568	161,533	0	0	178,101
Health	7,823	33,661	0	0	41,484
Debt Service:					
Principal Retirement	0	33,409	0	0	33,409
Interest and Fiscal Charges	0	1,076	0	0	1,076
<i>Total Cash Disbursements</i>	<u>110,965</u>	<u>464,174</u>	<u>0</u>	<u>0</u>	<u>575,139</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,388)</u>	<u>45,049</u>	<u>0</u>	<u>46</u>	<u>29,707</u>
<i>Fund Cash Balances, January 1</i>	<u>(83,815)</u>	<u>239,295</u>	<u>4,197</u>	<u>3,525</u>	<u>163,202</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	3,065	3,065
Restricted	0	284,344	4,197	506	289,047
Unassigned (Deficit)	(99,203)	0	0	0	(99,203)
<i>Fund Cash Balances, December 31</i>	<u>(\$99,203)</u>	<u>\$284,344</u>	<u>\$4,197</u>	<u>\$3,571</u>	<u>\$192,909</u>

See accompanying notes to the basic financial statements

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**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 - Reporting Entity

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Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds

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

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Permanent Funds

These funds account for and report financial 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 or 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.

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 Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 Section 117-2-03 (D) permit.

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 or object level of control, and appropriations may not exceed estimated resources. The Board of 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, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 2017 budgetary activity appears in Note 4.

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.

Capital Assets

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

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.

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:

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

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.

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.

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.

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, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - 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.

Note 3 - Compliance

Contrary to Ohio law, the Township did not file their certificate of estimated resources with the County for 2017, and did not file their permanent appropriations or certificate of estimated resources with the County. Expenditures exceeded appropriations by \$95,822 in the General Fund, and by \$479,317 in the Special Revenue funds. The General Fund had a negative cash balance of \$84,060 at fiscal year-end.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 95,577	\$ 95,577
Special Revenue	-	509,223	509,223
Capital Projects	-	-	-
Permanent	-	46	46
Total	\$ -	\$ 604,846	\$ 604,846

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 110,965	\$ (110,965)
Special Revenue	-	464,174	(464,174)
Capital Projects	-	-	-
Permanent	-	-	-
Total	\$ -	\$ 575,139	\$ (575,139)

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 5 - Deposits

The Township maintains a deposit and investments 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:

	2017
Demand Deposits	\$ 189,818
Certificates of Deposit	3,091
Total Deposits	<u>\$ 192,909</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 - Property Taxes

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 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.

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

Note 7 - Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 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 fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 - Debt

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. For 2020, \$33,409 in principal was paid from the Gas Tax Fund. This lease-purchase was paid in full as of December 31, 2017.

Note 11 - Financial Condition

As of December 31, 2017, the Township had a deficit cash-basis fund balance of \$99,203 in its General Fund. The Local Government Services Division of the Ohio Auditor of State Keith Faber Office is currently monitoring and assisting the Township in implementing a combination of cost-cutting and other changes (as determined by the Township Trustees) to address this deficit and negative General Fund cash balance.

**HANOVER TOWNSHIP
LICKING COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING 2018-001

Internal Control – Board Monitoring

Strong monitoring practices of Township financial activities are the responsibility of the Township's Board and are essential to ensure proper financial reporting. The Board should be provided with and review on a regular basis, the monthly financial reports, bank reconciliations, budgeted versus actual financial activity and cash balances for the Township.

The Township completed monthly reconciliations throughout the audit period and maintained all financial reports in UAN. However, the Board failed to monitor all financial information to ensure accuracy.

Failure to monitor bank reconciliations and financial information could lead to noncompliance, errors and irregularities in the financial statements.

The Township Board should ensure strong monitoring practices of Township financial activities are implemented and operating effectively. This includes, but is not limited to, the Board reviewing monthly financial reports, bank reconciliations and ensuring they accurately represent underlying budgeted and actual financial activities and cash balances. While some evidence of the Board's reviews are documented in the minutes, evidence of management's reviews should also be documented by having them sign and date the reports they reviewed.

FINDING 2018-002

Internal Control – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Lack or failure of controls over posting of financial transactions led to the following issue for 2017:

Fund	Posting Error	Amount
Special Revenue	To reclass debt service payments from capital outlay in the Gas Tax Fund.	\$34,485

This reclassification was posted to the Township's financial statements.

This control weakness can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The Township should implement effective control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes. The Board of Trustees should review the financial information for accuracy and completeness and review the Ohio Township Handbook to improve controls and proper postings. Once the financial statements are prepared by the Fiscal Officer, the Board of Trustees should review the compiled financial statements and note disclosures prior to submitting to the Auditor of State's office.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2018-003

Noncompliance – Budgetary Requirements

Ohio Rev. Code § 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure be passed. The Township may pass a temporary appropriation measure to meet their ordinary expenses until April 1st, at which time a permanent appropriation measure must be passed.

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Township is the level at which the Board of Trustees adopts the original appropriation measure.

Ohio Rev. Code § 5705.36(A)(1) requires on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any encumbered balances that existed at the end of the preceding year. In addition, **Ohio Rev. Code § 5705.36(A)(3)** allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenues to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Admin. Code § 117-2-02(C)(1) states in part, all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Township utilizes the UAN system to maintain budgetary information and the Township's budgetary statements should reflect what is certified to and approved by the County.

The Township did not adopt a permanent appropriation measure for fiscal years 2018 or 2017, and did not certify to the county auditor the total amount from all sources available for expenditures from each fund in 2018 or 2017. As a result, budgetary expenditures exceeded appropriations at December 31, 2018 and 2017 in the General and Special Revenue funds due to not adopting appropriations.

Failure to have adequate appropriation authority in place at the time of expenditure resulted in expenditures exceeding available resources, and has resulted in deficit spending.

Failure to properly update the accounting system does not provide the Township's management and Board with accurate budgetary information on the system generated reports. This increases the Township's risk of expending more money than it receives because the related controls that are implemented in the system would not prevent instances of non-compliance.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2018-003 (Continued)

Noncompliance – Budgetary Requirements (Continued)

The Township Trustees should adopt a permanent appropriation measure by April 1st each year and file it with the County Auditor. In addition, the Township should certify with the County Auditor the total amount from all sources available for expenditures from each fund by January 1st each year. The Township should consult its legal counsel and review the Auditor of State's Ohio Compliance Supplement, and develop a budgetary schedule and timeline to assure all annual budgetary filings and compliance requirements are met. The Fiscal Officer should also update the Official Certificate of Estimated Resources and the Annual Appropriation measures in the UAN system when the need arises, based on the aforementioned requirements. With the budget information input into the UAN system, the Township should then review monthly budget to actual reports to help ensure expenditures do not exceed appropriations.

FINDING 2018-004

Noncompliance – Negative Fund Balances

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The General Fund had a deficit fund balance of \$119,123 and \$99,203 at December 31, 2018 and 2017, respectively. Negative fund balances could result in the use of restricted receipts for unallowable purposes. A procedure(s) and control(s), such as the Management and/or Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Township should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2018-005

Noncompliance – Late Remittances of Payroll Withholdings

Ohio Rev. Code § 145.47 (B) states the head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor's earnable salary at such intervals and in such form as the system shall require. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period.

Ohio Rev. Code § 5747.06 requires the employing government to withhold state income taxes. It also requires the government to report and remit those tax matters to the appropriate tax authorities and to the recipients.

Section 278, Public Law 97-248, H. R. 4961 states that Medicare should be deducted from employees' compensation for all employees hired after March 31, 1986. Furthermore, employers are liable for reporting and remitting these taxes.

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

The Fiscal Officer withheld the required Ohio Public Employees Retirement System (OPERS), state payroll taxes, federal income taxes, and Medicare for both 2018 and 2017; however, the withholdings were not always remitted to the proper entity in a timely manner. As a result of not timely remitting withholdings, the Township paid \$39 and \$114 of late fees in 2018 and 2017, respectively.

We recommend the required tax returns and OPERS reports be prepared and submitted, and the amounts withheld be properly remitted, as prescribed in accordance with the taxing authorities and OPERS' due dates.

This matter will be referred to the Internal Revenue Service, Ohio Department of Taxation and Ohio Public Employees Retirement System.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2018-006

Noncompliance – 1099-Miscellaneous

26 CFR § 1.6041-1 states that you must file Form 1099-MISC, Miscellaneous Income, to report payments of \$600 or more to persons not treated as employees (for example, independent contractors) for services performed for your trade or business.

The Township did not prepare 1099-MISC forms during 2018 or 2017. Per testing over non-payroll disbursements, we noted one eligible independent contractor whose compensation exceeded the \$600 threshold in 2017, in which a 1099 was not issued. Failure to prepare the required forms could result in fines and penalties being levied against the Township.

The Township should establish policies and procedures to verify that payments in excess of \$600 to its independent contractors are reported on the 1099-Misc form. The Township should also review the relationship of the above mentioned party to determine whether they are an independent contractor or employee.

This matter will be referred to the Internal Revenue Service.

FINDING 2018-007

Internal Control – Maintenance of Supporting Documentation

Maintaining organized documentation and support for financial transactions is essential in assuring the Township's financial statements are accurately presented and that all expenditures are made for a proper public purpose.

The Township did not maintain underlying documentation and support for the instances noted below:

- The Township did not use a pre-numbered receipt book for the collection of cemetery receipts during 2018 and 2017. We were unable to trace cemetery receipts tested to the deed book.
- The Township could not provide a finalized agreement for Fire Protection and Emergency Medical Protection payments in 2018 and 2017.
- The Township could not provide supporting documentation for mileage expense totaling \$119.90 for a conference in 2018.
- The Township could not provide supporting documentation, including signature of receipt, for a \$50 gift card purchased and distributed in 2017.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and could result in expenditures that are not for a proper public purpose.

The Township should maintain all agreements, receipts, invoices, purchase orders, and additional support as needed and records should be maintained in an orderly manner to support all transactions. In addition, the Township should consider using a pre-numbered receipt book to support the cemetery receipts. This will help ensure the information in the financial statements is complete and accurate.

HANOVER TOWNSHIP
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2018-008

Noncompliance – Public Records Policy and Training

Ohio Rev. Code §§ 109.43(B) and 149.43(E)(1) require all state and local elected officials, or their designees, to attend 3 hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof of completion of training must include documentation either from the Attorney General's Office or from another entity certified by the Attorney General to provide the training to the elected official or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

Ohio Rev. Code § 149.43(E)(2) provides that every public office must have a policy in place for responding to public records requests. Generally, a public records policy cannot: (1) limit the number of public records the office will make available to a single person; (2) limit the number of public records the office will make available during a fixed period of time; and (3) establish a fixed period of time before the office will respond to a request for inspection/copying of public records unless that period is less than eight hours. However, pursuant to **Ohio Rev. Code § 149.43(B)(7)(c)**, the policy may limit the number of public records the public office will physically deliver by U.S. Mail or other delivery service to ten per month unless the person certifies to the office in writing that the person does not intend to use or forward the requested records, or the information contained in them, for commercial purposes. "Commercial" is narrowly construed and does not include reporting or gathering news, reporting or gathering information to assist citizen oversight or understanding of the operation or activities of government, or nonprofit educational research.

Ohio Rev. Code § 149.43(E)(2) further requires all public offices take certain actions with regard to their public record policy. Public offices must distribute their Public Records Policy to the employee who is the records custodian/manager or otherwise has custody of the records of that office and have that employee acknowledge receipt of the Public Records Policy; create and display in a conspicuous place in all locations where the public office has branch offices a poster describing the public records policy; and, if the public office has a manual or handbook of its general policies and procedures for all employees, include the public records policy in that manual or handbook.

None of the Township's elected officials, during their term of office, attended a required Certified Public Records Training or had an appropriate designee attend a training, due to deficiencies in internal controls over public record laws training procedures and monitoring. This could result in improper education of public offices regarding the offices' duties related to public records requests as well as improper withholding of information from stakeholders.

The Township has a formal written public records policy, but the Township failed to display the policy publicly on a poster in the Township Hall or in the Township Handbook. The Township also did not distribute the policy to the records custodian/manager and obtain written receipt of this. This could result in records requests not being fulfilled in accordance with Ohio law.

HANOVER TOWNSHIP
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2018-008 (Continued)

Noncompliance – Public Records Policy and Training (Continued)

The elected officials, or their designee(s), should, during their term of office, attend public records training and maintain proof of completion of the training. In addition, the public records policy shall be distributed to the records custodian/manager and the Township should have a written acknowledgement of receipt from the records custodian/manager. In addition, a poster describing the public records policy must be conspicuously displayed in all of the Township's branch offices and the public records policy must be included in policy manuals or handbooks if any exist.

FINDING 2018-009

Noncompliance – Hinkle System Filing

Ohio Rev. Code § 117.38 states that each public office shall file a financial report for each fiscal year and shall file their reports within 60 day after the close of the fiscal year end. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

The Township filed its annual financial reports with the Auditor of State for both fiscal years ended December 31, 2017 and 2018 on May 28, 2020, which is more than 60 days after fiscal year end.

Failure to file final financial statements for audit within the deadline is an indication the control process over the compilation is not operating efficiently and could cause delays in the audit process.

The Township should improve controls over its preparation of the annual financial statements to help ensure its annual financial report is filed with the Auditor of State within 60 days of the fiscal year end via the HINKLE System.

FINDING 2018-010

Noncompliance – Fraud Reporting System

Ohio Rev. Code § 117.103 (B)(1) states that a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment. Furthermore, **Ohio Rev. Code § 117.103 (B)(2)** states that on the effective date of this section (May 4, 2012), each public office shall make all its employees aware of the fraud-reporting system.

For 2018 and 2017, the Township neither made its current employees aware of the new fraud reporting system nor made new employees confirm receipt of this information. Failure to notify employees of the fraud reporting system could lead to instances of unreported fraud.

In order to prevent unreported instances of fraud, the Township should communicate the fraud reporting system to its current employees and implement a process for informing new employees.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2018-011

Noncompliance – Continuing Professional Education

Ohio Rev Code § 135.22 (B) states that to enhance the background and working knowledge of treasurers in investments, cash management, and ethics, the treasurer of state shall provide annual continuing education programs for treasurers. A treasurer annually shall complete the continuing education programs described, unless the treasurer annually provides a notice of exemption.

The Fiscal Officer did not attend the annual continuing education programs provided by the Treasurer of State or complete the annual exemption certified by the Treasurer of State and filed with the Auditor of State's office.

Not attending continuing education or filing the annual exemption can lead to possible improper investments and noncompliance.

In order to maintain and/or enhance the working knowledge and prevent future occurrences of noncompliance, the Fiscal Officer shall attend the annual training or complete an annual exemption certified by the Treasurer of State and submit to the Auditor of State's office.

FINDING 2018-012

Noncompliance – Use of Purchase Orders

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer'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 Rev. Code.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Trustees can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2018-012 (Continued)

Noncompliance – Use of Purchase Orders (Continued)

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions 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 expenditures by the Township.

2. Blanket Certificate – The auditor or fiscal officer may prepare “blanket” certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Board of Trustees 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, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, 100 percent of the transactions tested at year-end were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 help ensure purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

**HANOVER TOWNSHIP
LICKING COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2018-013

Noncompliance – Expenditure Adjustment

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used only for the purposes for which such fund was established.

During 2017, we noted Gasoline tax revenues were used to pay for a portion of the cemetery mowing in the amount of \$15,143. This expense should belong to the Cemetery Fund; however there is not enough funds in the Cemetery Fund to cover the expense. As a result, the adjustment was posted to the General Fund.

The Township's financial statements and ledgers were corrected for the error noted above.

Failure to post expenses to the proper funds could lead to spending restricted funds on an expense that does not meet that restriction.

The Township should ensure expenses posted to restricted funds agree with the restriction of that fund. If there is not enough funds in the proper restricted fund, the unrestricted funds in the General Fund can be used. This will help ensure restricted funds are used appropriately and will help ensure the financial statements are accurate.

FINDING 2018-014

Internal Control – Payroll Leave Policies and Procedures

A Township should have a resolution, policy or collective bargaining agreement outlining who is eligible to earn vacation leave, how leave is earned/accrued and how leave is to be requested for use. Vacation leave should also be approved by the Township.

During the course of the audit, we noted the Township did not have any policies or procedures regarding vacation leave.

Failure to have policies and procedures in place to track vacation leave can put the Township at risk of paying incorrect amounts or providing leave to employees who have not earned it.

The Township should implement written policies and procedures that state who is eligible to earn vacation leave, how leave is earned/accrued and how leave is to be requested for use. Vacation leave should also be approved by the Township.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2018-015

Internal Control – Personnel Files not Maintained

Approval of personnel actions such as hiring and setting of compensation or employment contracts should be authorized by the Board. All Board approved employment actions should be maintained in employee personnel files in addition to contracts and withholding and enrollment forms to support employee deductions.

Employment actions and approvals were documented in the minutes of the Board. However, we noted not all employee actions and approvals were documented in the minutes. In addition, the Township did not provide accurate and up-to-date personnel files for its staff including employment contracts, withholding authorization forms and retirement enrollment forms. Despite not having withholding forms available for review, the Township appeared to withhold federal, state and retirement contributions as required.

Failure to document Board authorized personnel actions and pay rates may result in unapproved and unauthorized compensation of employees. In addition, failure to maintain contracts and withholding forms may result in deductions not being properly withheld from the employee's paychecks and improper pay amounts.

The Township should approve all personnel actions, including authorization of employment contracts and compensation in the minutes of the Board. We further recommend the Township develop and implement procedures to provide for the maintenance of all completed and current retirement membership forms, withholding forms, and employee contracts in the employee's personnel file.

FINDING 2018-016

Internal Control – Township Policies and Procedures

A policy manual is essential to assure key areas of operations are fully documented (in written form) and understood by employees, management and elected officials.

The Township is operating without key policies in place and should approve, as needed, and monitor the following policies:

- Travel Reimbursement Policy
- Receipt and Disbursement Policies
- Records Retention Policy
- Personal Information Policy
- Leave Policies
- Online Banking Activity and Electronic Fund Transaction Policies

While the Township has passed some policies in the minutes, the Township has not formally adopted a policy manual addressing the above topics.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2018-016 (Continued)

Internal Control – Township Policies and Procedures (Continued)

Without clearly defined policies, the Township is unable to monitor procedures to be followed by the Township.

The Township should adopt, at minimum, the aforementioned policies, and update them as necessary going forward.

Township's Response

We did not receive a response from the Township to these findings.

**HANOVER TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2016-001	Bank to Book Reconciliations & Board Monitoring – Material Weakness	No	Partially Corrected. Re-issued Board Monitoring as Finding 2018-001.
2016-002	Posting of Receipts – Noncompliance/Material Weakness	Yes	
2016-003	Financial Statement Presentation – Material Weakness	No	Not Corrected. Re-issued as Finding 2018-002.
2016-004	Budgetary Deficiencies – Noncompliance (Finding initially occurred in 2014)	No	Not Corrected. Re-issued as Finding 2018-003.
2016-005	Illegal Transfer Activity/Negative Fund Balance – Noncompliance/Material Weakness	No	Partially Corrected. Re-issued Negative Fund Balance as Finding 2018-004.
2016-006	Late Remittances of Payroll Withholdings – Noncompliance	No	Not Corrected. Re-issued as Finding 2018-005.
2016-007	1099-MISC – Noncompliance	No	Not Corrected. Re-issued as Finding 2018-006.

OHIO AUDITOR OF STATE KEITH FABER



HANOVER TOWNSHIP

LICKING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/6/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov