

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

REGULAR AUDIT

**FOR THE YEARS ENDED
DECEMBER 31, 2022 & 2021**



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Members of the Board of Trustees
Hanover Township
1525 Rockhaven Rd
Newark, OH 43055

We have reviewed the *Independent Auditor's Report* of Hanover Township, Licking County, prepared by Julian & Grube, Inc., for the audit period January 1, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery 1

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010).

John Osborn was the Fiscal Officer from April 1, 2016 until March 31, 2020, and Jennifer Nethers was Fiscal Officer from April 1, 2020 until March 31, 2024. During that time the following late fees were noted on Federal, State and OPERS withholdings prior to September 13, 2022:

- The law requires that employers withhold income and wage taxes from employees' paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. See **26 U.S.C. §§3102(a) and 3402(a)**. Those withholdings are considered to be held in "a special fund in trust for the United States." **26 U.S.C. § 7501(a)**. The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter. See **United States v. Farr**, 536 F.3d 1174, 1176 (10th Circ. 2008) (citing **26 U.S.C. § 3403**).

Late fees were issued for late Federal withholding payments and/or late Form 941 filings for quarters during 2017, 2020, 2021, and 2022. The total Federal late fees were \$4,627.17, with \$294.82 occurring while John Osborn was Fiscal Officer and \$4,332.35 occurring while Jennifer Nethers was the Fiscal Officer.

- **Ohio Rev. Code § 5747.07** requires an employing government to remit taxes which it withheld pursuant to **Ohio Rev. Code § 5705.06** (including the state payroll tax and school district income tax) to the appropriate authority.

Members of the Board of Trustees
Hanover Township
1525 Rockhaven Rd
Newark, OH 43055
Page -2-

Late fees were issued for late School District Income Tax, State tax, and Ohio Department of Jobs and Family Services withholdings payments for various months in 2018, 2019, 2020, 2021, and 2022. The total State late fees were \$2,427.61, with \$1,641.55 occurring while John Osborn was Fiscal Officer and \$786.06 occurring while Jennifer Nethers was Fiscal Officer.

- **Ohio Rev. Code § 145.47** requires each employer to report and pay amounts withheld from all employees for contributions to the Ohio Public Employees Retirement System (OPERS) within thirty days of the end of the reporting period in which amounts were withheld.

Late fees were issued for late OPERS payments for various months during 2020, 2021, and 2022. The total OPERS late fees were \$1,082.12, with \$51.82 occurring while John Osborn was Fiscal Officer and \$1,030.30 occurring while Jennifer Nethers was Fiscal Officer.

As a result, the Township incurred and paid \$8,136.90 in penalties, late fees and interest.

For conduct occurring after September 13, 2022, **Ohio Rev. Code 507.14** makes a township fiscal officer liable for a loss of public funds when a loss of public funds results from the township fiscal officer's negligence or other wrongful act. The failure to pay state and federal withholdings and OPERS pension withholding payments timely is considered gross negligence. Late payment fees and related charges incurred through gross negligence are illegal expenditures which do not serve a proper public purpose. These charges would have been avoided had the funds been remitted by the required due dates.

Jennifer Nethers was Fiscal Officer from April 1, 2020 until March 31, 2024. During that time the following late fees were noted on Federal, State and OPERS withholdings after September 13, 2022.

- Late fees were issued for late Federal withholding payments and/or late Form 941 filings for quarters during 2022 and 2023. The total Federal late fees were \$850.93 occurring while Jennifer Nethers was the Fiscal Officer.
- Late fees were issued for late School District Income Tax, State tax, and Ohio Department of Jobs and Family Services withholdings payments for various months in 2022 and 2023. The total State late fees were \$432.13 occurring while Jennifer Nethers was Fiscal Officer.
- Late fees were issued for late OPERS payments for various months during 2022, 2023 and 2024. The total OPERS late fees were \$374.33 occurring while Jennifer Nethers was Fiscal Officer.

As a result, the Township incurred and paid \$1,657.39 in penalties, late fees and interest.

In all, the Township incurred and paid \$9,794.29 in penalties, late fees, and interest.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against John Osborn and his bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$1,988.19, and against Jennifer Nethers and her bonding company, Selective Insurance Company of America, jointly and severally, in the amount of \$7,806.10, in favor of Hanover Township, Licking County, General Fund, in the amount of \$9,794.29.

Members of the Board of Trustees
Hanover Township
1525 Rockhaven Rd
Newark, OH 43055
Page -3-

Finding for Recovery 2

Ohio Rev. Code § 507.09(A) provides in calendar year 2018, the township fiscal officer shall be entitled to compensation as follows:

(4) In townships having a budget of more than \$750,000 but not more than \$1,500,000, \$18,717.
(5) In townships having a budget of more than \$1,500,000 but not more than \$3,500,000, \$21,836.

Ohio Rev. Code § 507.09(B) provides in calendar year 2019 and in each calendar year thereafter through calendar year 2028, the compensation determined under division (A) of this section shall be increased by one and three-quarters per cent.

Hanover Township's budget in 2020 and 2021 was between \$750,000 and \$1,500,000, and in 2022 was between \$1,500,000 and \$3,500,000. Thus, the Fiscal Officer was to be paid \$19,378 in 2020, \$19,717 in 2021, and \$23,406 in 2022.

Fiscal Officer Jennifer Nethers was newly elected and started her term on April 1, 2020. Therefore, her salary during 2020 would have been limited to 9 months of the salary of \$19,378, which is \$14,533.50. During 2020 and 2021, the Fiscal Officer was underpaid what she was permitted by the ORC, and therefore, in 2022, she made a retroactive payment to correct prior years underpayments. However, the retroactive payment was not calculated correctly, resulting in the overpayment as noted in the table below:

Year	Salary per ORC	Actual Amount Paid	Variance
2020	\$14,533.50	\$11,697.75	(\$2,835.75)
2021	19,717.00	15,597.00	(4,120.00)
2022	23,406.00	20,061.96	(3,344.04)
Retroactive pay in 2022		11,800.26	11,800.26
Overpayment			<u>\$1,500.47</u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jennifer Nethers and her bonding company, Selective Insurance Company of America, jointly and severally, in the amount of \$1,500.47, in favor of Hanover Township, Licking County, General Fund, in the amount of \$510.16, Motor Vehicle License Tax Fund in the amount of \$75.02, Gasoline Tax Fund in the amount of \$180.06, Road and Bridge Fund in the amount of \$690.22, Cemetery Fund in the amount of \$30.01, and Fire Levy Fund in the amount of \$15.

Members of the Board of Trustees
Hanover Township
1525 Rockhaven Rd
Newark, OH 43055
Page -4-

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Hanover Township is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

April 15, 2025

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2022.....	4
Notes to the Financial Statement For the Year Ended December 31, 2022.....	5 - 12
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2021.....	13
Notes to the Financial Statement For the Year Ended December 31, 2021.....	14 - 21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	22 - 23
Schedule of Findings and Responses.....	24 - 35
Summary Schedule of Prior Audit Findings.....	36 - 38

This page intentionally left blank.

Independent Auditor's Report

Hanover Township
Licking County
1525 Rock Haven Rd.
Newark, Ohio 43055

To the Members of the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Hanover Township, Licking County, Ohio, which comprises the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts, and disbursements for each governmental fund type of Hanover Township, as of and for the years ended December 31, 2022 and 2021 in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) as described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “*Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*” section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Hanover Township, as of December 31, 2022 and 2021, or changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the “*Auditor's Responsibilities for the Audit of the Financial Statements*” section of our report. We are required to be independent of Hanover Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Hanover Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), to meet the requirements of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and GAAP, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hanover Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hanover Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hanover Township's ability to continue as a going concern for a reasonable period of time.

Hanover Township
Licking County
Independent Auditor's Report

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2024 on our consideration of Hanover Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hanover Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hanover Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Julian & Grube, Inc." The signature is fluid and cursive, with "Julian" and "Grube" connected by a horizontal line.

Julian & Grube, Inc.
July 19, 2024

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, 2022

	General	Special Revenue	Permanent	Combined Total
Cash Receipts				
Property and Other Local Taxes	\$ 49,683	\$458,806	\$ -	\$ 508,489
Licenses, Permits and Fees	- -	4,145	- -	4,145
Intergovernmental	33,793	277,824	- -	311,617
Earnings on Investments	4,512	2,169	49	6,730
Miscellaneous	- -	33,064	- -	33,064
<i>Total Cash Receipts</i>	<i>87,988</i>	<i>776,008</i>	<i>49</i>	<i>864,045</i>
Cash Disbursements				
Current:				
General Government	79,262	10,816	- -	90,078
Public Safety	- -	190,212	- -	190,212
Public Works	2,080	327,167	- -	329,247
Health	- -	14,021	- -	14,021
<i>Total Cash Disbursements</i>	<i>81,342</i>	<i>542,216</i>	<i>- -</i>	<i>623,558</i>
<i>Net Change in Fund Cash Balances</i>	<i>6,646</i>	<i>233,792</i>	<i>49</i>	<i>240,487</i>
<i>Fund Cash Balances, January 1</i>	<i>7,477</i>	<i>840,115</i>	<i>3,666</i>	<i>851,258</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 14,123</i>	<i>\$ 1,073,907</i>	<i>\$ 3,715</i>	<i>\$ 1,091,745</i>

See accompanying notes to the financial statement

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. REPORTING ENTITY

Description of the Entity

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

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

Public Entity Risk Pool

The Township belongs to the Ohio Plan Risk Management, Inc. 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 6 to the financial statement provides additional information for this entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statement consists 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.

B. 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:

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

Fire Levy Fund – This fund receives property tax monies to pay for fire protection and emergency medical services.

Gas Tax Fund – This fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Permanent Funds

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

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

C. Basis of Accounting

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(C) permit.

D. 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.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2022 budgetary activity appears in Note 3.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. Capital Assets

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave

H. 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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosures related to fund balance is included in Note 10.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2022 follows:

Fund Type	2022 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 79,300	\$ 87,988	\$ 8,688
Special Revenue	731,732	776,008	44,276
Permanent	-	49	49
Total	\$ 811,032	\$ 864,045	\$ 53,013

Fund Type	2022 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 70,449	\$ 82,076	\$ (11,627)
Special Revenue	816,724	550,510	266,214
Permanent	-	-	-
Total	\$ 887,173	\$ 632,586	\$ 254,587

4. DEPOSITS

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

<u>2022</u>	
Cash Management Pool:	
Demand deposits	\$ 1,088,680
Certificates of deposit	3,065
Total deposits	\$ 1,091,745

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

4. DEPOSITS (Continued)

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflects net payroll plus all remitted payroll withholdings. At December 31, 2022, the Township is holding approximately \$16,021 in unremitted 2022 employee payroll withholdings.

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

5. PROPERTY TAX

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

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

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

6. RISK MANAGEMENT

Workers' Compensation

Worker's Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

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.

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 773 members as of December 31, 2022.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2022.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

6. RISK MANAGEMENT (Continued)

Assets	\$ 21,662,291
Liabilities	<u>(18,158,351)</u>
Members' Equity	<u><u>\$ 3,503,940</u></u>

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

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2022, OPERS members contributed 10 percent of their gross wages and the Township contributed an amount equal to 14 percent of participant's gross salaries. The Township has \$5,721 of unremitted withholdings at December 31, 2022 that were paid in 2023.

8. POSTEMPLOYMENT BENEFITS

OPERS offers 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 combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

9. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 and the national state of emergency expired in May, 2023. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. The impact on the Township's future operating costs, receipts, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2022, the Township received \$104,056 of American Rescue Plan Act funding.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

10. FUND BALANCES

Included in fund balances are amounts the Township cannot spend, including the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or service. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Total</u>
Fund Balances:				
Nonspendable	\$ -	\$ -	\$ 3,065	\$ 3,065
Encumbrances	734	8,294	-	9,028
Total	\$ 734	\$ 8,294	\$ 3,065	\$ 12,093

The fund balance of special revenue funds is either restricted or committed. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

11. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

12. NONCOMPLIANCE

Contrary to 5705.41(B) and 5705.40 the Township had expenditures in excess of appropriations in the General Fund and in certain funds within the Special Revenue Fund Type. Contrary to 5705.36(A)(1) the Township did not certify the proper beginning unencumbered balances to the County Budget Commission. Contrary to Ohio Administrative Code 117-2-02(C)(1), the financial accounting system appropriations and estimated receipts did not agree to what was approved by the Board of Trustees and County Budget Commission.

Contrary to Ohio Administrative Code Section 117-2-02(D), payroll withholdings and remittances were either not completed or completed subsequent to filing deadlines.

Contrary to 26 US Code Sections 3102 and 3402 the Township did not file or submit timely Federal withholdings and any applicable employer portions.

Contrary to Ohio Revised Code Section 5747.06 and 5747.07(B) the Township did not file or remit timely Ohio, School District and OPERS employee withholdings and if applicable employer portions.

Contrary to 26 CFR Section 1.6041-1, the Township was unable to provide an evaluated W-9 or an issued 1099-MISC forms for payments of \$600 or more to persons not treated as employees for services performed.

Contrary to Ohio Revised Code Sections 109.43(B), 149.43(E)(1), 149.43(E)(2), and 149.42, the Township's elected officials did not attend -- or have a designee attend -- the required public records training, display the public records policy conspicuously in all offices, or distribute the public records policy to the records custodian, or provide evidence of a records commission meeting or approved records retention schedule as required.

Contrary to Ohio Revised Code Section 117.103(B), the Township did not make its current employees aware of the fraud reporting system, nor make new employees confirm receipt of this information.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

12. NONCOMPLIANCE (Continued)

Contrary to Ohio Revised Code Section 135.22(B), the Township's fiscal officer did not attend the required annual continuing education programs required, nor provide a notice of exemption approved by the Treasurer of State.

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not properly certify the availability of funds prior to expenditure, nor follow the allowed exceptions.

Contrary to Ohio Sections 505.24 and 505.09, the Township did not pass the required resolution nor maintain proper certifications in order for the Township's fiscal officer and trustees to be paid from funds other than the General Fund.

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, 2021

	General	Special Revenue	Permanent	Combined Total
Cash Receipts				
Property and Other Local Taxes	\$ 46,092	\$ 432,534	\$ -	\$ 478,626
Licenses, Permits and Fees	- -	1,750	- -	1,750
Intergovernmental	30,624	287,667	- -	318,291
Earnings on Investments	179	35	- -	214
Miscellaneous	1,784	24,204	- -	25,988
<i>Total Cash Receipts</i>	<i>78,679</i>	<i>746,190</i>	<i>- -</i>	<i>824,869</i>
Cash Disbursements				
Current:				
General Government	60,071	11,370	- -	71,441
Public Safety	- -	197,470	- -	197,470
Public Works	2,830	252,161	- -	254,991
Health	220	9,042	- -	9,262
<i>Total Cash Disbursements</i>	<i>63,121</i>	<i>470,043</i>	<i>- -</i>	<i>533,164</i>
<i>Net Change in Fund Cash Balances</i>	<i>15,558</i>	<i>276,147</i>	<i>- -</i>	<i>291,705</i>
<i>Fund Cash Balances, January 1, Restated</i>	<i>(8,081)</i>	<i>563,968</i>	<i>3,666</i>	<i>559,553</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 7,477</i>	<i>\$ 840,115</i>	<i>\$ 3,666</i>	<i>\$ 851,258</i>

See accompanying notes to the financial statement

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. REPORTING ENTITY

Description of the Entity

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

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

Public Entity Risk Pool

The Township belongs to the Ohio Plan Risk Management, Inc. 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 6 to the financial statement provides additional information for this entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statement consists 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.

B. 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:

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

Fire Levy Fund – This fund receives property tax monies to pay for fire protection and emergency medical services.

Gas Tax Fund – This fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (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 capital project fund:

Public Works Commission Projects Fund – This fund accounts for receipts restricted to acquiring or constructing major capital projects. The only activity was the prior period restatement, see Note 11.

Permanent Funds

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

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

C. Basis of Accounting

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(C) permit.

D. 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 STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2021 budgetary activity appears in Note 3.

E. 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.

F. Capital Assets

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

H. 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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosures related to fund balance is included in Note 10.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$ 81,500	\$ 78,679	\$ (2,821)
Special Revenue	388,000	746,190	358,190
Permanent	-	-	-
Total	<u>\$ 469,500</u>	<u>\$ 824,869</u>	<u>\$ 355,369</u>

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgetary	Appropriation	Variance
	Expenditures	Authority	
General	\$ 63,738	\$ 36,685	\$ (27,053)
Special Revenue	483,924	399,161	(84,763)
Permanent	-	-	-
Total	<u>\$ 547,662</u>	<u>\$ 435,846</u>	<u>\$ (111,816)</u>

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

4. DEPOSITS

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

<i>Cash Management Pool:</i>		<u>2021</u>
Demand deposits		\$ 848,193
Certificates of deposit		<u>3,065</u>
Total deposits		<u><u>\$ 851,258</u></u>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflects net payroll plus all remitted payroll withholdings. At December 31, 2021, the Township is holding approximately \$24,200 in unremitted employee payroll withholdings.

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

5. PROPERTY TAX

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

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

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

6. RISK MANAGEMENT

Workers' Compensation

Worker's Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

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 STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

6. RISK MANAGEMENT (Continued)

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u><u>\$ 6,740,056</u></u>

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

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2021, OPERS members contributed 10 percent of their gross wages and the Township contributed an amount equal to 14 percent of participant's gross salaries. The Township has paid all 2021 contributions required through December 31, 2021.

8. POSTEMPLOYMENT BENEFITS

OPERS offers 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 combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member- directed plan was 4.0 percent during calendar year 2021.

9. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 and the national state of emergency expired in May, 2023. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2021, the Township received American Rescue Plan Act funding in the amount of \$103,232.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

10. FUND BALANCES

Included in fund balances are amounts the Township cannot spend, including the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or service. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Total</u>
Fund Balances:				
Nonspendable	\$ -	\$ -	\$ 3,065	\$ 3,065
Encumbrances	617	13,881	-	14,498
Total	<u>\$ 617</u>	<u>\$ 13,881</u>	<u>\$ 3,065</u>	<u>\$ 17,563</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

11. FUND BALANCE RESTATEMENT

The Township restated the beginning General Fund, Special Revenue Fund Type, and the Capital Projects Fund Type balances due an old outstanding audit adjustment that was never recorded by the Township. Below are the restated amounts:

<u>Fund Type</u>	<u>Balance January 1, 2021</u>	<u>Adjustment</u>	<u>Restated Balance</u>
General	(\$12,278)	\$4,197	(\$8,081)
Capital Projects	\$4,197	(\$4,197)	\$0

12. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

13. NONCOMPLIANCE

Contrary to Ohio Rev. Code § 5705.38(A), the Township was unable to provide evidence of approval of appropriations submitted to the County. Contrary to 5705.41(B) and 5705.40 the Township had expenditures in excess of appropriations in the General Fund and in certain funds within the Special Revenue Fund Type. Contrary to 5705.36(A)(1) the Township did not certify the proper beginning unencumbered balances to the County Budget Commission. Contrary to Ohio Administrative Code 117-2-02(C)(1), the financial accounting system appropriations and estimated receipts did not agree to what was approved by the Board of Trustees and County Budget Commission.

Contrary to Ohio Administrative Code Section 117-2-02(D), payroll withholdings and remittances were either not completed or completed subsequent to filing deadlines.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

13. NONCOMPLIANCE (Continued)

Contrary to 26 US Code Sections 3102 and 3402 the Township did not file or submit timely Federal withholdings and any applicable employer portions.

Contrary to Ohio Revised Code Section 5747.06 and 5747.07(B) the Township did not file or remit timely Ohio, School District and OPERS employee withholdings and if applicable employer portions.

Contrary to 26 CFR Section 1.6041-1, the Township was unable to provide an evaluated W-9's or issued 1099-MISC forms for payments of \$600 or more to persons not treated as employees for services performed.

Contrary to Ohio Revised Code Sections 109.43(B), 149.43(E)(1), 149.43(E)(2), and 149.42, the Township's elected officials did not attend -- or have a designee attend -- the required public records training, display the public records policy conspicuously in all offices, distribute the public records policy to the records custodian, or provide evidence of a records commission meeting or approved records retention schedule as required.

Contrary to Ohio Revised Code Section 117.103(B), the Township did not make its current employees aware of the fraud reporting system, nor make new employees confirm receipt of this information, within thirty days after taking office of beginning employment.

Contrary to Ohio Revised Code Section 135.22(B), the Township's fiscal officer did not attend the required annual continuing education programs required, nor provide a notice of exemption approved by the Treasurer of State.

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not properly certify the availability of funds prior to expenditure, nor follow the allowed exceptions.

Contrary to Ohio Sections 505.24 and 505.09, the Township did not pass the required resolution nor maintain proper certifications in order for the Township's fiscal officer and trustees to be paid from funds other than the General Fund.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Hanover Township
Licking County
1525 Rock Haven Rd.
Newark, Ohio 43055

To the Members of the Board of Trustees:

We have audited, in accordance with the 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, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type of Hanover Township, Licking County, Ohio, as of and for the years ended December 31, 2022, and 2021 and the related notes to the financial statements and have issued our report thereon dated July 19, 2024, wherein we noted Hanover Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hanover Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hanover Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Hanover Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Hanover Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-002 through 2022-006, 2022-008, and 2022-014 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001, 2022-013, and 2022-015 to be significant deficiencies.

Hanover Township
Licking County
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hanover Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-003 through 2022-007, 2022-009 through 2022-012, and 2022-016.

Hanover Township's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Hanover Township's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. Hanover Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hanover Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hanover Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
July 19, 2024

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

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

Finding Number	2022-001
----------------	----------

Significant Deficiency – 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 bank reconciliations throughout the audit period and maintained all financial reports in UAN. However, the Board failed to monitor the monthly financial reports, bank reconciliations, budgeted versus actual financial activity, and cash balances to help ensure accuracy.

Failure to monitor the monthly financial reports, bank reconciliations, budgeted versus actual financial activity, and cash balances 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, reviewing bank reconciliations, and ensuring they accurately represent underlying budgeted versus actual financial activities and cash balances. While some evidence of the Board's reviews are documented in the minutes, evidence of the Board's reviews should also be documented by having them sign and date the reports they reviewed.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

Finding Number	2022-002
----------------	----------

Material Weakness – Financial Reporting

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. Presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. In either case, it is important that control procedures are developed related to the financial statements that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In general, an accounting and information system should be designed to provide management with accurate and timely information.

The following adjustments were made to the Township's financial statements and related notes:

2022:

- In the General Fund, advances out and beginning cash fund balance were decreased in the amount of \$100,000 to remove return of a previous year advance that did not exist.
- In the Special Revenue Fund Type, advances in were decreased and beginning cash fund balance was increased each in the amount of \$100,000 to remove return of a previous year advance that did not exist.
- In the General Fund, general government disbursements were increased and cash was decreased in the amount of \$1,988, and in the Special Revenue Fund Type, public works disbursements were decreased \$3,967 and health disbursements were increased \$1,981, for the net effect being an increase in cash of \$1,988, related to benefit disbursement allocations.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

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

Finding Number	2022-002 – (Continued)
----------------	------------------------

2022 (continued):

- In the General Fund, property and other local taxes receipts and cash were increased by \$354, and in the Special Revenue Fund Type, intergovernmental receipts and cash were decreased \$354 due to improper posting of a hotel/motel receipt.

2021:

- In the Capital Projects Fund Type, beginning cash fund balance was decreased by \$4,197, to properly record a prior audit adjustment not recorded in the Township's financial accounting system until 2022.
- In the General Fund, beginning cash fund balance was increased by \$4,197, to properly record a prior audit adjustment not recorded in the Township's financial accounting system until 2022.
- In the General Fund, general government disbursements were increased \$11,262, and other financing uses disbursements were decreased \$11,262, to properly state normal recurring activity/disbursements.
- In the Special Revenue Fund Type, intergovernmental receipts were increased and beginning cash fund balance were decreased by \$8,222, to properly record grant receipts in the current year instead of a fund balance adjustment to beginning balances.
- In the General Fund, licenses, permits and fees receipts and cash were decreased by \$1,750, and in Special Revenue Fund Type, licenses, permits and fees receipts and cash were increased by \$1,750, to properly record cemetery fees received.
- In the General Fund, general government disbursements were increased and cash was decreased by \$3,182, and in the Special Revenue Fund Type, public works disbursements were decreased by \$7,082 and health disbursements were increased \$3,900, for the net effect being an increase in cash of \$3,182, related to benefit disbursement allocations.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Township implement additional internal controls to help ensure receipts and disbursements are properly recorded and reflected in the Township's records. We further recommend the Township implement additional internal controls over financial reporting to help ensure accurate financial reports throughout the year and at year end. We also recommend the Township consult their auditors, local government services or UAN for proper posting of transactions if questions arise.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

Finding Number	2022-003
----------------	----------

Material Weakness/Noncompliance – Budgetary Requirements

- 1) 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.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED	
Finding Number	2022-003 – (Continued)

- 2) Ohio Rev. Codes §§ 5705.41(B) and 5705.40 prohibit 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.
- 3) 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.
- 4) 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.
 - 1a) For 2021, the Township submitted appropriations to the County Auditor via the Appropriation Status Report. However, approval was unable to be located in the Board of Trustee minutes.
 - 2a) The Township had expenditures over appropriations in the General Fund and in certain funds within the Special Revenue Fund Type throughout the year and at year end for 2022 and 2021.
 - 3a) The Township's unencumbered fund cash balances for January 1, 2021, submitted to the County Budget Commission, did not agree to the financial accounting system.
 - 4a) The Township utilizes the financial accounting system to maintain budgetary information (estimated receipts and appropriations). The Township's financial accounting system for 2021 (estimated receipts) and 2022 (estimated receipts and appropriations) did not agree to what was certified to and approved by the County Budget Commission and/or approved by the Board of Trustees.
 - 1b) Approval of any appropriations should be clearly stated in the Board of Trustees meeting minutes.
 - 2b) Failure to have adequate appropriations approved could result in expenditures exceeding appropriations.
 - 3b) Failure to submit proper unencumbered balances to the County affects total estimated resources and allowable appropriations, which could cause deficit spending.
 - 4b) Failure to properly update the financial accounting system budgetary amounts 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 noncompliance.
 - 1c) The Township's Board of Trustees should adopt a permanent appropriation measure by April 1st each year and file it with the County Auditor, and evidence such approval in a clear and concise manner in the Trustee meeting minutes.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED	
Finding Number	2022-03 – (Continued)

- 2c) 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, amounts which agree to audited numbers or financial accounting system amounts if an audit has not taken place.
- 3c) The Township Fiscal Officer should also update the Official Certificate of Estimated Resources and the Annual Appropriation measures in the financial accounting system when the need arises, based on the aforementioned requirements.
- 4c) Budget information should be input timely and accurately into the financial accounting system, the Township should then review monthly budget to actual reports to help ensure expenditures do not exceed appropriations.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

Finding Number	2022-004
----------------	----------

Material Weakness/Noncompliance – Payroll Records

Ohio Admin. Code Section 117-2-02(D) provides all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Further, all local public offices should maintain or provide a report similar to the following accounting records:

- a. Payroll records including:
 - i. W-2's, W-4's, I-9's, and other withholding records and authorizations.
 - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, the employee's identification number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
 - iii. Check register that includes, in numerical sequence, the check or electronic fund transfer number, payee, net amount, and the date.
 - iv. Information regarding nonmonetary benefits such as car usage, employer provided cell phones, life insurance, and health insurance.
 - v. Information, by employee, regarding leave balances and usage.

The Township lacked proper payroll records consisting of evidence of filing certain payroll withholdings and employer match payments.

The Township did not submit payroll withholdings or remit them timely for the following: Federal withholdings for 2021 were not remitted timely, and for 2022 were not remitted timely or at all (February 2022 – December 2022, estimated amount of \$10,300). State of Ohio withholdings and Ohio School District withholdings for 2022 and 2021 were not remitted timely. Ohio Public Employees Retirement System (OPERS) withholdings for 2022 and 2021 were not remitted timely. In addition, the Township paid \$3,468 in penalties and interest to the various agencies due to late filings.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

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

Finding Number	2022-004 – (Continued)
----------------	------------------------

Lack of timely filing and payments of certain payroll withholdings and employer match payments could put the Township at risk for penalties and interest, lead to a more costly audit, and increase the risk for misappropriations.

We recommend that the Township contact the applicable agencies and arrange to file and make payment of outstanding payroll withholdings and applicable employer match payments. This could be addressed by contracting with a CPA firm to assist.

Client Response: The Township Fiscal Officer is working on filing withholding payments outstanding.

Finding Number	2022-005
----------------	----------

Material Weakness/Noncompliance – Federal Withholdings

26 US Code Sections 3102 and 3402 require the employing government to withhold federal and employment-related taxes (such as Medicare and Social Security) from each employee. Furthermore, these chapters hold employers liable for reporting and payment of these taxes.

The Township did not submit payroll withholdings or remit them timely for the following: Federal withholdings for 2021 were not remitted timely, and for 2022 were not remitted timely or at all (February 2022 – December 2022, estimated amount of \$10,300).

Lack of filing timely reports and taxes owed to the IRS may result in fines and penalties.

We recommend that the Township contact the IRS and work to immediately submit Federal withholdings and applicable employer match payments to the IRS in a timely fashion.

Client Response: The Township Fiscal Officer is working on filing withholding payments outstanding, difficulties with obtaining access for federal.

Finding Number	2022-006
----------------	----------

Material Weakness/Noncompliance – Other Withholdings

Ohio Revised Code Section 5747.06 requires every employer, including political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to any employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year.

Ohio Revised Code Section 5747.07 (B) provides that, with certain exceptions, every employer is required to deduct and withhold any amount under Ohio Revised Code Section 5747.06 shall file a return and shall pay the amount required by law in accordance with guidelines provided by this section.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

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

Finding Number	2022-006 – (Continued)
----------------	------------------------

The Township did not file timely Ohio, School District, or OPERS employee withholdings, and where applicable, the related employer match payments.

Lack of filing timely reports and taxes owed to the applicable agencies may result in fines and penalties.

We recommend that the Township immediately contact the respective agencies owed the delinquent amounts and submit/remit any filings/payments owed for employee withholding amounts and where applicable, the employer match payments.

Client Response: The Township is attempting to get current with filings and remittances.

Finding Number	2022-007
----------------	----------

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 was unable to provide evidence of any 1099-MISC issued, or evidence that W-9's were completed and reviewed to determine no 1099s were required to be issued. Certain payments to potentially eligible independent contractors whose compensation exceeded the \$600 threshold were noted.

Failure to prepare and maintain 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.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

Finding Number	2022-008
----------------	----------

Material Weakness – 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 receipts and disbursements are made for a proper public purpose.

The Township only used pre-numbered receipt books for the collection of cemetery receipts in certain situations, additionally there was not an organized ledger of receipts related to cemetery sales of graves or for the opening and closing of graves. Additionally, although approved by the Board, the Township was unable to provide a finalized signed agreement for fire protection and emergency medical protection payments in 2022 and 2021.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

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

Finding Number	2022-008 – (Continued)
----------------	------------------------

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 disbursements that are not for a proper public purpose.

The Township should consider using pre-numbered receipts issued by the Fiscal Officer that are maintained in chronological order to support the cemetery receipts. Additionally, the Township should develop additional procedures to help ensure all agreements are signed and maintained in the files for review upon request. This will help ensure the information in the financial statements is complete and accurate.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

Finding Number	2022-009
----------------	----------

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) further requires all public offices take certain actions with regard to their public record policy such as 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 (see finding 2022-015) of its general policies and procedures for all employees, include the public records policy in that manual or handbook.

Ohio Rev. Code § 149.43(B) requires the public office shall have a copy of its current retention schedule at a location readily available to the public (see Finding 2022-015).

Ohio Rev. Code § 149.42 requires the appropriate records commission to review the schedules of records retention and disposition, as well as any applications for one-time disposal of obsolete records. This commission shall meet once every twelve months and upon the call of the chairperson.

None of the Township's elected officials, during their term of office, attended the required Certified Public Records Training or had an appropriate designee attend the training, due to deficiencies in internal controls over public record laws training procedures and monitoring. Furthermore, while the Township has a formal written public records policy, the Township failed to display the policy publicly on a poster in the Township Hall. In addition, the Township was unable to provide evidence the Records Commission met as required or that there was a current record retention schedule approved by the Ohio History Connection office.

Failure to follow the aforementioned requirements could result in improper education of public offices regarding the offices' duties related to public records requests, improper withholding of information from stakeholders, and ultimately could result in records requests not being fulfilled in accordance with Ohio law.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

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

Finding Number	2022-009 – (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 records retention schedule should be readily available. Furthermore, 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. The Township should ensure evidence exists that the Township records commission met once every twelve months.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

Finding Number	2022-010
----------------	----------

Noncompliance – Fraud Reporting System

Ohio Rev. Code § 117.103(B) 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 taking office or beginning employment.

The Township neither made its current employees aware of the 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, we recommend the Township communicate the fraud reporting system to its current employees and implement a process for informing new employees, within thirty days after taking office or beginning employment, of the system. We further recommend they obtain and maintain this for all current employees.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

Finding Number	2022-011
----------------	----------

Noncompliance – Continuing Education

Ohio Rev. Code § 135.22(B) states that to enhance the background and working knowledge of treasurers in investments, cash management, the collection of taxes, ethics, and in any other subject area that the treasurer of state determines is reasonably related to the duties of a treasurer, the treasurer of state shall provide annual continuing education programs for treasurers. A treasurer annually shall complete the continuing education programs described in this section, unless the treasurer annually provides a notice of exemption. Additionally, a Township Fiscal Officer in accordance with Ohio Rev. Code § 507.12 a newly elected or appointed fiscal officer shall complete at least six hours of initial education programs before commencing, or during the first year of office.

The Fiscal Officer did not provide proof of attending 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, nor the six hours.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED	
Finding Number	2022-011 – (Continued)

Not attending continuing education or filing the annual exemption can lead to possible improper investments and noncompliance and could inhibit the ability to perform the position requirements.

In order to maintain and/or enhance the working knowledge and prevent future occurrences of noncompliance, we recommend the Fiscal Officer attend the required annual training or complete an annual exemption certified by the Treasurer of State and participate in the required position trainings.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

Finding Number	2022-012
----------------	----------

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.
2. 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.
3. 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.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED	
Finding Number	2022-012 – (Continued)

4. 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.

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.

The Township had disbursements that were not properly evidenced by a properly executed purchase order nor were the allowable exemptions met.

We recommend the Township develop and implement 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.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

Finding Number	2022-013
----------------	----------

Significant Deficiency – Payroll Vacation Leave Policies and Procedures

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

The Township did not have any policies or procedures regarding vacation leave.

Failure to have policies and procedures in place for 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 vacation leave is earned/accrued, and how vacation leave is to be requested for use.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED	
Finding Number	2022-014

Material Weakness – Personnel Files not Maintained

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

Certain employment actions and approvals were documented in the minutes of the Board, however, not all were approved in a consistent or easily identifiable manner. In addition, the Township was unable to provide up-to-date personnel files for its employees containing all the necessary documents. Although employee acknowledged withholding forms were not available for review, the Township appeared to withhold required agency deductions.

Failure to maintain complete personnel files for each employee may result in unapproved and unauthorized compensation. In addition, failure to maintain withholding and enrollment forms may result in deductions not being properly withheld from the employee's paychecks.

The Township Board should maintain all employee compensation related information in an employee personnel file. We further recommend the Township develop and implement procedures and/or a checklist for the required documents to be maintained in each employee personnel file.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

Finding Number	2022-015
----------------	----------

Significant Deficiency – Township Policies and Procedures

A policy manual is essential to ensure 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.

Without key policies in place, the Township is unable to monitor procedures to be followed by the Township.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022 AND 2021**

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

Finding Number	2022-015 – (Continued)
----------------	------------------------

The Township should adopt, at minimum, the aforementioned policies, and update them as necessary going forward. We further recommend the Township establish a policy manual that encompasses all key policies and have it easily available to all employees.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

Finding Number	2022-016
----------------	----------

Noncompliance - Payroll Allocation/Elected Official Pay

Ohio Revised Code § 505.24 states both the allowable compensation amounts of a board of township trustees and its related allowable methods of compensation its annual salary that is to be paid in equal monthly payments. The amount shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Ohio Revised Code § 507.09 states both the allowable compensation amounts of a township fiscal officer and what fund the compensation may be paid from based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

For 2021 the Township was unable to provide any certifications or approved percentages in the Trustee minutes. For 2022, monthly certifications were completed, however amounts posted in the financial accounting system did not always agree to the percentages in the monthly certifications.

During 2022, the Trustees and the Fiscal Officer were paid a retro payment for underpayment of prior year wages. For the Fiscal Officer, this payment was incorrectly calculated and resulted in an overpayment.

Failure to follow these requirements could result in payroll disbursements being made improperly in total and improper fund allocations for payroll disbursements.

The Township Trustees and Fiscal Officer should certify the percentage of the time spent working on matters and to which fund they should be paid from.

Client Response: The Township will work to provide a sound fiscal environment and implement additional policies and procedures to help correct these issues moving forward.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2022 AND 2021**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2020-001	2016	<u>Significant Deficiency – Board Monitoring</u> – Strong monitoring practices of financial activities are the responsibility of the Township's Board and are essential to ensure proper financial reporting. The Township Board did not monitor all financial information to ensure accuracy.	Not Corrected	Repeated as finding 2022-001 as the Board did not monitor the financial information to ensure accuracy.
2020-002	2014	<u>Material Weakness – Financial Reporting</u> – Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. Lack or failure of controls over posting of financial transactions resulted in certain audit adjustments.	Not Corrected	Repeated as finding 2022-002 as adjustments were necessary to properly state financial statement amounts.
2020-003	2014	<u>Material Weakness/Noncompliance – Budgetary Requirements</u> – Ohio Revised Code Section 5705.38(A), 5705.41(B), 5705.36(A)(1), Ohio Administrative Code Section 117-2-02(C)(1) all require various items that relate to appropriations, estimated resources, system data and beginning unencumbered fund balances. The Township did not adopt a permanent appropriation measure and did not certify to the county auditor the total amount from all sources available for expenditures, nor include accurate budgetary estimates in their financial accounting system. As a result, budgetary expenditures exceeded appropriations.	Not Corrected	Repeated as finding 2022-003 as the Township was unable to provide evidence of the Board approved budgetary items and had expenditures in excess of appropriations. Additionally, the Township did not accurately report their beginning audited unencumbered fund cash balances to the County Auditor. Lastly, the Township did not properly record the board approved appropriations and the County Budget Commission estimated receipts into the financial accounting system.
2020-004	2016	<u>Material Weakness/Noncompliance – Late Remittances of Payroll Withholdings</u> – Ohio Revised Code Sections 145.47(B), 5747.06, Section 278, Public Law 97-248, H.R. 4961, 26 U.S.C. Sections 3402(a)(1) and 3403 require various payroll withholdings and remittances to certain agencies. Payroll withholdings were not always remitted to the proper entity in a timely manner, resulting in penalties and late fees being charged.	Not Corrected	Repeated as finding 2022-004 as the Township did not submit payroll withholdings or remit them timely to the proper entities.
2020-005	2016	<u>Noncompliance – 1099 Miscellaneous</u> – The Township did not prepare 1099-MISC forms for eligible independent contractors as required.	Not Corrected	Repeated as finding 2022-007 as the Township did not prepare 1099-MISC forms during 2022 or 2021.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2022 AND 2021**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2020-06	2018	<u>Material Weakness – Maintenance of Supporting Documentation</u> – The Township did not maintain underlying documentation and support for various fiscal transactions.	Not Corrected	Repeated as finding 2022-008 as the Township did not maintain organized underlying documentation or supporting documentation.
2020-007	2018	<u>Noncompliance – Public Records Policy and Training</u> – The Township's elected officials did not attend the required public records training. Additionally, the Township did not conspicuously display the public records policy in the Township Hall or obtain receipt of distribution of the public records policy to the records custodian/manager.	Not Corrected	Repeated as finding 2022-009 as the Township elected officials did not attend the required public records trainings and did not have the required public records poster/policy displayed publicly. Additionally, the Township was unable to provide evidence that the appropriate records commission met or that there was a current record retention schedule approved by the Ohio History Connection office during 2022 or 2021 as required.
2020-008	2018	<u>Noncompliance – Fraud Reporting System</u> – Ohio Revised Code Sections 117.103(B)(1) and (2) state the requirements related to the fraud reporting system and educating employees on it. The Township neither made its current employees aware of the fraud reporting system nor made new employees confirm receipt of this information.	Not Corrected	Repeated as finding 2022-010 as the Township did not make its current or newly hired employees aware of the fraud reporting system, nor did the Township make its new employees confirm receipt of this information.
2020-009	2018	<u>Noncompliance – Continuing Professional Education</u> – Ohio Revised Code Section 135.22(B) states the requirements related to the fiscal officers' knowledge of investments and cash management. The Fiscal Officer did not attend the annual continuing education programs provided by the Treasurer of State or complete the annual notice of exemption.	Not Corrected	Repeated as finding 2022-011 as the Fiscal Officer did not attend the required annual continuing education programs.
2020-010	2018	<u>Noncompliance – Use of Purchase Orders</u> – Ohio Revised Code Sections 5705.41(D)(1) and (3) state the requirements related to purchase orders and the necessary items prior to disbursement of monies. Disbursements were not certified by the Fiscal Officer at the time the commitments were incurred.	Not Corrected	Repeated as finding 2022-012 as the Township had disbursements that were not certified by the Fiscal Officer at the time the commitments were incurred.

**HANOVER TOWNSHIP
LICKING COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2022 AND 2021**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2020-011	2018	<u>Significant Deficiency – Payroll Leave Policies and Procedures</u> – A Township should have a resolution, policy, or collective bargaining agreement outlining who is eligible to earn vacation leave, how vacation leave is earned/accrued and how leave is to be requested for use. The Township did not have any policies or procedures regarding vacation leave.	Not Corrected	Repeated as finding 2022-013 as the Township did not have any policies or procedures in place for vacation leave.
2020-012	2018	<u>Material Weakness – Personnel Files not Maintained</u> – All employment information should be maintained in each employee personnel file. The Township did not provide accurate and up-to-date personnel files for its staff.	Not Corrected	Repeated as finding 2022-014 as employee personnel files did not include accurate, up-to-date documentation of Board approved personnel actions and pay rates.
2020-013	2018	<u>Significant Deficiency – Township Policies and Procedures</u> – A policy manual is essential to help ensure key areas of operations are fully documented (in written form) and understood by employees, management, and elected officials. The Township was operating without certain key policies in place.	Not Corrected	Repeated as finding 2022-015 as the Township did not have key policies in place.
2020-014	2020	<u>Noncompliance – Payroll Allocation</u> – Ohio Revised Code Sections 505.24 and 507.09 outline the allowable amounts and how to document the funds' elected officials are to be paid. The township did not pass the required resolution or maintain proper certification for the Township Trustees to be paid from funds other than the General Fund.	Not Corrected	Repeated as finding 2022-016 as the Township had overpayments in 2022, no certifications or percentages were approved for 2021 and allocations for 2022 did not agree to financial accounting system for the elected officials.
2020-015	2016	<u>Significant Deficiency/Noncompliance – Negative Fund Balance</u> – Ohio Revised Code Section 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established and cannot maintain a negative fund balance unless certain exceptions are met. The Township had deficit fund balances in certain funds.	Corrective Action Taken and Finding is Fully Corrected	N/A

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 5/8/2025

65 East State 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