



**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



HANOVER TOWNSHIP  
ASHLAND COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Hanover Township  
Ashland County  
3004 Co Road 3-A  
Loudonville, Ohio 44842

To the Board of Trustees:

We have audited the accompanying financial statements of Hanover Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Hanover Township, Ashland County, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2001 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

**Jim Petro**  
Auditor of State

April 6, 2001

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**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$15,041	\$48,938		\$63,979
Intergovernmental	22,341	80,551		102,892
Earnings on Investments	343	804		1,147
Other	407	198		605
Total Cash Receipts	<u>38,132</u>	<u>130,491</u>		<u>168,623</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	22,923			22,923
Public Safety		9,316		9,316
Public Works	9,834	98,747		108,581
Health	939			939
Debt Service:				
Redemption of Principal		10,000		10,000
Capital Outlay	7,000	45,228	\$16,000	68,228
Total Cash Disbursements	<u>40,696</u>	<u>163,291</u>	<u>16,000</u>	<u>219,987</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(2,564)</u>	<u>(32,800)</u>	<u>(16,000)</u>	<u>(51,364)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Notes		40,000		40,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(2,564)	7,200	(16,000)	(11,364)
Fund Cash Balances, January 1	<u>11,866</u>	<u>29,264</u>	<u>16,000</u>	<u>57,130</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$9,302</b></u>	<u><b>\$36,464</b></u>		<u><b>\$45,766</b></u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**HANOVER TOWNSHIP  
ASHLAND COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$13,428	\$49,444		\$62,872
Intergovernmental	30,921	80,170		111,091
Earnings on Investments	300	682		982
Other	3,662	666		4,328
	<u>48,311</u>	<u>130,962</u>		<u>179,273</u>
<b>Total Cash Receipts</b>				
	<u>48,311</u>	<u>130,962</u>		<u>179,273</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	23,410			23,410
Public Safety		10,141		10,141
Public Works	5,732	100,769		106,501
Health	2,163			2,163
Capital Outlay	2,000	16,663		18,663
	<u>33,305</u>	<u>127,573</u>		<u>160,878</u>
<b>Total Cash Disbursements</b>				
	<u>33,305</u>	<u>127,573</u>		<u>160,878</u>
<b>Total Cash Receipts Over Cash Disbursements</b>	<u>15,006</u>	<u>3,389</u>		<u>18,395</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In			\$11,000	11,000
Transfers-Out	(11,000)			(11,000)
Other Sources	31			31
	<u>(10,969)</u>		<u>11,000</u>	<u>31</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>(10,969)</u>		<u>11,000</u>	<u>31</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</b>	4,037	3,389	11,000	18,426
<b>Fund Cash Balances, January 1</b>	<u>7,829</u>	<u>25,875</u>	<u>5,000</u>	<u>38,704</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$11,866</u></u>	<u><u>\$29,264</u></u>	<u><u>\$16,000</u></u>	<u><u>\$57,130</u></u>
<b>Reserve for Encumbrances, December 31</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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



**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Hanover Township, Ashland County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance and fire protection. The Township contracts with the Village of Perrysville and the Village of Loudonville to provide fire protection and emergency medical services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Certificates of deposit are valued at cost.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

Road and Bridge Fund - This fund receives property taxes and intergovernmental receipts for constructing, maintaining and repairing Township roads and bridges.

**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

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

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**3. Capital Project Funds**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital projects fund.

Capital Equipment Fund - This fund is used to account for the payment of capital equipment purchased by the Township.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation**

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

**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$43,768	\$55,207
Certificates of deposit	1,998	1,923
Total deposits	<u>\$45,766</u>	<u>\$57,130</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2000 and 1999 was as follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,631	\$38,132	(\$1,499)
Special Revenue	169,047	170,491	1,444
Capital Projects	5,000	0	(5,000)
Total	<u>\$213,678</u>	<u>\$208,623</u>	<u>(\$5,055)</u>

2000 Budgeted vs. Actual Budgetary Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,497	\$40,696	\$10,801
Special Revenue	198,311	163,291	35,020
Capital Projects	21,000	16,000	5,000
Total	<u>\$270,808</u>	<u>\$219,987</u>	<u>\$50,821</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,388	\$48,342	\$3,954
Special Revenue	123,293	130,962	7,669
Capital Projects	0	11,000	11,000
Total	<u>\$167,681</u>	<u>\$190,304</u>	<u>\$22,623</u>

**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1999 Budgeted vs. Actual Budgetary Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,217	\$44,305	\$7,912
Special Revenue	149,167	127,573	21,594
Capital Projects	5,000	0	5,000
Total	\$206,384	\$171,878	\$34,506

**4. PROPERTY TAX**

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

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$30,000	5.85%

A general obligation note in the amount of \$40,000 was issued in April of 2000 to finance the purchase of a new dump truck, the first payment being due in May of 2001. The Township elected to make a \$10,000 principal payment in November 2000.

**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**5. DEBT (Continued)**

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

Year ending December 31:	General Obligation Notes
2001	\$9,503
2002	9,503
2003	9,503
2004	<u>9,503</u>
Total	<u><u>\$38,012</u></u>

During the audit period the Township paid \$12,491 to retire their backhoe lease.

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 10.84% and 13.55% of participants' gross salaries for 2000 and 1999, respectively. The Township has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public officials' liability
- Employer's liability

The Township also provides health insurance to one full-time employee through a private carrier.

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

Hanover Township  
Ashland County  
3004 Co Road 3-A  
Loudonville, Ohio 44842

To the Board of Trustees:

We have audited the financial statements of Hanover Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 6, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

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

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

**Jim Petro**  
Auditor of State

April 6, 2001





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**HANOVER TOWNSHIP**

**ASHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 15, 2001**