



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

HANOVER TOWNSHIP
BUTLER COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 430-0590 • FAX (614) 448-4519
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

www.bhmcpgroup.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Hanover Township
2595 Old Oxford Road
Hamilton, Ohio 45013

We have reviewed the *Independent Auditor's Report* of Hanover Township, Butler County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2020 through December 31, 2021. 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.

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.

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Keith Faber
Auditor of State
Columbus, Ohio

June 30, 2022

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Hanover Township
Butler County
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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Hanover Township, Butler County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020, 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 as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, 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 do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2021 and 2020, or the 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 the 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 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 an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 12 to the 2021 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. 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 misstatement, 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 the 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 GAAS and the financial audit standards in the Comptroller General of the United States' *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 GAAS 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 the 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 the Township's ability to continue as a going concern for a reasonable period of time.

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 May 23, 2022, 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 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 the 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 the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
May 23, 2022

Hanover Township
Butler 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	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property Taxes	\$ 525,262	\$ 1,160,946	\$ -	\$ 1,686,208
Charges for Services	-	172,760	-	172,760
Licenses, Permits and Fees	99,521	134,784	-	234,305
Fines and Forfeitures	1,803	-	-	1,803
Intergovernmental	214,662	750,021	-	964,683
Miscellaneous	25,376	122,481	-	147,857
<i>Total Cash Receipts</i>	<u>866,624</u>	<u>2,340,992</u>	<u>-</u>	<u>3,207,616</u>
Cash Disbursements				
Current:				
General Government	431,236	764	-	432,000
Public Safety	207,477	683,446	-	890,923
Public Works	-	523,415	-	523,415
Health	-	202,186	-	202,186
Conservation-Recreation	14,753	-	-	14,753
Capital Outlay	13,217	238,525	-	251,742
Debt Service:				
Redemption of Principal	-	127,013	1,407,102	1,534,115
Payment to Refunded Bond Escrow Agent	-	-	29,400	29,400
Interest and Fiscal Charges	-	17,538	49,928	67,466
<i>Total Cash Disbursements</i>	<u>666,683</u>	<u>1,792,887</u>	<u>1,486,430</u>	<u>3,946,000</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	199,941	548,105	(1,486,430)	(738,384)
Other Financing Receipts (Disbursements)				
Sale of Refunding Bonds	-	-	1,365,051	1,365,051
Other Debt Proceeds	-	195,475	-	195,475
Transfers-In	-	25,000	138,330	163,330
Transfers-Out	(25,000)	(138,330)	-	(163,330)
Other Financing Sources	8,804	25	-	8,829
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(16,196)</u>	<u>82,170</u>	<u>1,503,381</u>	<u>1,569,355</u>
<i>Net Change in Fund Cash Balances</i>	183,745	630,275	16,951	830,971
<i>Fund Cash Balances, January 1</i>	<u>867,175</u>	<u>1,571,482</u>	<u>5</u>	<u>2,438,662</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,050,920</u>	<u>\$ 2,201,757</u>	<u>\$ 16,956</u>	<u>\$ 3,269,633</u>

See accompanying notes to the basic financial statements

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

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

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Emergency Medical Services and Fire Fund This fund receives tax levy revenue as well as payments for services provided.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Fire House Debt Fund This fund is used to account for debt service requirements for the repayment of the fire house debt.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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 disclosure related to fund balance is included in Note 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2021 follows:

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Budgetary Activity (Continued)

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$788,000	\$875,428	\$87,428
Special Revenue	2,285,493	2,561,492	275,999
Debt Service	138,990	1,503,381	1,364,391
Total	\$3,212,483	\$4,940,301	\$1,727,818

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,341,464	\$754,557	\$586,907
Special Revenue	2,940,715	2,010,827	929,888
Debt Service	138,990	1,486,430	(1,347,440)
Total	\$4,421,169	\$4,251,814	\$169,355

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit accounts are as follows:

	2021
<i>Cash Management Pool:</i>	
Demand deposits	\$3,269,633
<i>Total carrying amount of deposits held in the Pool</i>	\$3,269,633

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution public entity risk pool.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include 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.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 5 – Property Taxes (Continued)

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

Note 6 – Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31 (latest information available):

	<u>2020</u>
Cash and investments	\$36,348,066
Actuarial liabilities	\$10,894,146

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% percent of their gross salaries, and the Township contributed an amount equaling 14% percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2021.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Postemployment Benefits

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

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Firehouse Bonds Refinanced	\$1,282,954	1.78%
Tanker/Pumper Lease/Purchase Agreement	320,106	2.98%
Dump Truck Lease/Purchase Agreement	81,099	4.19%
Motorola Radio Lease/Purchase Agreement	195,475	3.96%
Total	<u>\$1,879,634</u>	

The Township refinanced General Obligation Firehouse Construction Bonds on July 1, 2021. The bonds will be repaid in annual installments, with an interest rate of 1.78%, over a twenty-four-year period, maturing in December 2033. The bonds are secured by a levy on all taxable property in the Township.

Leases

The Township entered into a Tax-Exempt Lease/Purchase agreement with Leasing 2, Inc. to acquire a new Tanker/Pumper vehicle for the Fire Department in October 2018. The loan will be repaid in annual installments, with an interest rate of 2.976%, over a ten-year period, maturing in October 2027. The loan is secured by a levy on all taxable property in the Township.

The Township entered into a lease agreement to acquire a Western Star dump truck for the Road Department in June of 2019. The loan will be repaid in annual installments, with a fixed interest rate of 4.19%, over a four-year period, maturing in June 2023.

The Township entered into a lease agreement to acquire portable radios and accessories in January of 2021. The loan will be repaid in annual installments, with a fixed interest rate of 3.96%, over a three-year period, beginning February of 2022 and maturing in February 2024.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Debt (Continued)

Amortization

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

Year Ending December 31:	General Obligation Bond	Tanker/Pumper/ L ease/Purchase Agreement	Motorola Radio Lease/Purchase	Western Star Dump Truck Lease/Purchase
2022	\$118,178	\$59,044	\$70,482	\$43,118
2023	119,978	\$59,044	70,482	\$43,118
2024	121,493	\$59,044	70,482	
2025	117,803	\$59,044		
2026	119,113	\$59,044		
2027-2031	601,656	\$59,044		
2032-2033	238,065			
Total	<u>\$1,436,286</u>	<u>\$354,263</u>	<u>\$211,446</u>	<u>\$86,237</u>

Note 10 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance 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:

Fund Balances	General	Special Revenue	Debt Service	Total
Outstanding Encumbrances	\$62,873	\$79,610	\$0	\$142,483
Total	<u>\$62,873</u>	<u>\$79,610</u>	<u>\$0</u>	<u>\$142,483</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds is restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and debt service funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 11 - Transfers

During 2021, transfers were made from the General Fund to the Cemetery Fund to subsidize operations and from the Emergency Medical Services and Fire Fund to the Fire House Debt Fund to pay General Obligation Bonds in accordance with the Ohio Revised Code.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2021 due to the COVID19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The Township received federal American Relief Plan funding totaling \$448,386.90 to offset costs incurred by the COV19 virus. These amounts were recorded in the American Relief Plan Fund. The funds have not been distributed as of 2021 awaiting further legal guidelines from Federal and State agencies.

Hanover Township
Butler 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, 2020*

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property Taxes	\$ 499,997	\$ 1,100,860	\$ -	\$ 1,600,857
Charges for Services	-	121,501	-	121,501
Licenses, Permits and Fees	99,208	110,501	-	209,709
Fines and Forfeitures	675	-	-	675
Intergovernmental	213,496	904,636	-	1,118,132
Miscellaneous	41,338	177,913	-	219,251
<i>Total Cash Receipts</i>	<u>854,714</u>	<u>2,415,411</u>	<u>-</u>	<u>3,270,125</u>
Cash Disbursements				
Current:				
General Government	501,960	229,135	-	731,095
Public Safety	16,557	796,108	-	812,665
Public Works	-	513,397	-	513,397
Health	-	199,142	-	199,142
Conservation-Recreation	307	-	-	307
Capital Outlay	-	67,289	-	67,289
Debt Service:				
Redemption of Principal	-	122,568	74,995	197,563
Interest and Fiscal Charges	-	21,982	61,990	83,972
<i>Total Cash Disbursements</i>	<u>518,824</u>	<u>1,949,621</u>	<u>136,985</u>	<u>2,605,430</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	335,890	465,790	(136,985)	664,695
Other Financing Receipts (Disbursements)				
Transfers-In	-	50,000	136,990	186,990
Transfers-Out	(50,000)	(136,990)	-	(186,990)
Other Financing Sources	500	-	-	500
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(49,500)</u>	<u>(86,990)</u>	<u>136,990</u>	<u>500</u>
<i>Net Change in Fund Cash Balances</i>	286,390	378,800	5	665,195
<i>Fund Cash Balances, January 1 As restated, Note 12</i>	<u>580,785</u>	<u>1,192,682</u>	<u>-</u>	<u>1,773,467</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 867,175</u>	<u>\$ 1,571,482</u>	<u>\$ 5</u>	<u>\$ 2,438,662</u>

See accompanying notes to the basic financial statements

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

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

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Emergency Medical Services and Fire Fund This fund receives tax levy revenue as well as payments for services provided.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Fire House Debt Fund This fund is used to account for debt service requirements for the repayment of the fire house debt.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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 2020 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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 disclosure related to fund balance is included in Note 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 3 – Budgetary Activity (Continued)

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$876,575	\$855,214	(\$21,361)
Special Revenue	2,482,793	2,465,411	(17,382)
Debt Service	136,990	136,990	0
Total	\$3,496,358	\$3,457,615	(\$38,743)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,368,841	\$610,288	\$758,553
Special Revenue	3,566,869	2,246,177	1,320,692
Debt Service	136,985	136,985	0
Total	\$5,072,695	\$2,993,450	\$2,079,245

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit accounts are as follows:

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$2,438,662
<i>Total carrying amount of deposits held in the Pool</i>	\$2,438,662

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution public entity risk pool.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include 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.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – Property Taxes (Continued)

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

Note 6 – Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and investments	\$36,348,066
Actuarial liabilities	\$10,894,146

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% percent of their gross salaries, and the Township contributed an amount equaling 14% percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
General Obligation Firehouse Bonds	\$1,325,005	4.36%
Tank/Pumper Lease/Purchase Agreement	368,192	2.98%
Government Obligation Contract	40,809	3.87%
Dump Truck Lease/Purchase Agreement	119,217	4.19%
Total	\$1,853,223	

The Township issued General Obligation Firehouse Construction Bonds on October 1, 2009 to construct and acquire an addition to the existing firehouse. The bonds will be repaid in annual installments, with an interest rate of 4.36%, over a twenty-four-year period, maturing in December 2033. The bonds are secured by a levy on all taxable property in the Township.

Leases

The Township entered into a Tax-Exempt Lease/Purchase agreement with Leasing 2, Inc. to acquire a new Tanker/Pumper vehicle for the Fire Department in October 2018. The loan will be repaid in annual installments, with an interest rate of 2.976%, over a ten-year period, maturing in October 2027. The loan is secured by a levy on all taxable property in the Township.

The Township entered into a Government Obligation Contract with KS State Bank to acquire a New Holland Tractor Mower for the Road Department in September 2019. The loan will be repaid in annual installments, with a fixed interest rate of 3.870%, over a three-year period, maturing in September 2021.

The Township entered into a lease agreement to acquire a Western Star dump truck for the Road Department in June of 2019. The loan will be repaid in annual installments, with a fixed interest rate of 4.19%, over a four-year period, maturing in June 2023.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Debt (Continued)

Amortization

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

Year Ending December 31:	General Obligation Bond	Tanker/Pumper/L ease/Purchase Agreement	Government Obligation Contract	Western Star Dump Truck Lease/Purchase
2021	\$138,990	\$59,044	\$42,389	\$43,118
2022	135,790	\$59,044		\$43,118
2023	137,590	\$59,044		\$43,118
2024	139,105	\$59,044		
2025	135,415	\$59,044		
2026-2030	688,625	\$118,088		
2030-2033	411,101			
Total	<u>\$1,786,616</u>	<u>\$413,308</u>	<u>\$42,389</u>	<u>\$129,354</u>

Note 10 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance 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:

Fund Balances	General	Special Revenue	Debt Service	Total
Outstanding Encumbrances	\$41,464	\$159,566	\$0	\$201,030
Total	<u>\$41,464</u>	<u>\$159,566</u>	<u>\$0</u>	<u>\$201,030</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds is restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and debt service funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 11 - Transfers

During 2020, transfers were made from the General Fund to the Cemetery Fund to subsidize operations and from the Emergency Medical Services and Fire Fund to the Fire House Debt Fund to pay General Obligation Bonds in accordance with the Ohio Revised Code.

Hanover Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 12 – Restatement of Beginning Balances

The beginning fund balances for the Special Revenue funds were restated as follows:

	General:	*Special Revenue:
2020 Beginning Fund Balances:	\$ 578,694	\$ 1,183,066
2019 voided disbursements:	2,091	9,616
2020 Restated Beginning Fund Balances:	\$ 580,785	\$ 1,192,682

*Adjustment was made to the Motor Vehicle License Tax fund, the Road and Bridge fund, the Cemetery fund, the Road District fund, the Permissive Motor Vehicle License Tax fund, and the Fire/EMS fund in the amounts of \$85, \$864, \$184, \$834, \$1,572, and \$6,077, respectively.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. During 2020, the Township received COVID-19 funding totaling \$554,753 to offset costs incurred by the COVID-19 virus. These amounts were recorded in the Coronavirus Relief Fund. The funds were used to pay for EMS and Law Enforcement operating supplies/PPE and personnel costs, reducing the COVID-19 impact on township finances during 2020. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Hanover Township, Butler County, (the Township) and have issued our report thereon dated May 23, 2022, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Report on Internal Control Over Financial Reporting

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

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 the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 the 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 the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
May 23, 2022

HANOVER TOWNSHIP
BUTLER COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

FINDING NUMBER 2021-001

Material Weakness- *Internal Controls related to financial reporting*

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- Reclassifications were noted in 2021 to Health and Public Safety disbursements.
- Principal and interest reclassifications were noted in 2021 and 2020. Related adjustments were noted in 2021 and 2020 to Other Debt Proceeds receipts and Capital Outlay disbursements to recognize the entrance into leases on the financial statements. Additional adjustments were noted related to the refinancing of General Obligation Bonds

The following errors were noted in the footnotes that required audit adjustment:

- The Budgetary Activity footnote required adjustments in 2021 and 2020.
- The Debt footnote required adjustments in 2021 and 2020.
- The Restatement of Beginning Balances footnote for 2020 was not included in the footnotes filed in the Hinkle system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township and the footnote shell published on the Auditor of State's website for guidance on the correct information to be disclosed in the footnotes.

Officials' Response: We did not receive a response from the Township regarding this finding.

HANOVER TOWNSHIP
 BUTLER COUNTY
 DECEMBER 31, 2021 AND 2020

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2019-001	Material Weakness – Internal Controls related to financial reporting	No	Reissued as Finding Number 2021-001
2019-002	Significant Deficiency – Internal Controls related to Disbursements	Yes	

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OHIO AUDITOR OF STATE KEITH FABER



HANOVER TOWNSHIP

BUTLER 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 7/12/2022

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

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