

**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004-2003**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Hanover Township, Ashland County  
3004 CR 3-A  
Loudonville, Ohio 44842

We have reviewed the *Independent Accountant's Report* of Hanover Township, Ashland County, prepared by Knox & Knox CPAs, for the audit period January 1, 2003, to December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountant's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountant's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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, Ashland County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 9, 2005

**This Page is Intentionally Left Blank.**

**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2004.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2003.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	10

**This page intentionally left blank.**

# KNOX & KNOX

---

Accountants and Consultants

## Independent Accountants' Report

Hanover Township  
Ashland County  
3004 County Road 3-A  
Loudenville, 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, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of the State of Ohio permits, but does not require, governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Hanover Township, Ashland County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

*Knox & Knox*

Orrville, Ohio  
October 10, 2005



**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, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 17,766	\$ 58,320	\$ 76,086
Intergovernmental	21,877	102,116	123,993
Earnings on Investments	39	63	102
Other	<u>31</u>	<u>24,187</u>	<u>24,218</u>
Total Cash Receipts	<u>39,713</u>	<u>184,686</u>	<u>224,399</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	28,444		28,444
Public Safety		11,052	11,052
Public Works	14,000	142,712	156,712
Health	885		885
Capital Outlay		<u>4,400</u>	<u>4,400</u>
Total Cash Disbursements	<u>43,329</u>	<u>158,164</u>	<u>201,493</u>
Total Receipts Over/(Under) Disbursements	<u>&lt; 3,616 &gt;</u>	<u>26,522</u>	<u>22,906</u>
Fund Cash Balances, January 1	<u>12,638</u>	<u>39,447</u>	<u>52,085</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 9,022</u>	<u>\$ 65,969</u>	<u>\$ 74,991</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, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Local Taxes	\$ 17,674	\$ 57,061		\$ 74,735
Intergovernmental	27,122	84,440		111,562
Earnings on Investments	61	106		167
Other	<u>          </u>	<u>19,209</u>	<u>          </u>	<u>19,209</u>
Total Cash Receipts	<u>44,857</u>	<u>160,816</u>	<u>          </u>	<u>205,673</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	30,868			30,868
Public Safety		10,091		10,091
Public Works	11,000	129,695		140,695
Health	875			875
Debt Service:				
Redemption of Principal			14,219	14,219
Interest and Fiscal Charges	<u>          </u>	<u>          </u>	<u>3,773</u>	<u>3,773</u>
Total Cash Disbursements	<u>42,743</u>	<u>139,786</u>	<u>17,992</u>	<u>200,521</u>
Total Cash Receipts				
Over/(Under) Cash Disbursements	<u>2,114</u>	<u>21,030</u>	<u>&lt;17,992&gt;</u>	<u>5,152</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers-In			17,992	17,992
Transfers-Out		<17,992>		<17,992>
Other Sources	<u>36</u>	<u>          </u>	<u>          </u>	<u>36</u>
Total Other Financing Receipts/(Disbursements)	<u>36</u>	<u>&lt;17,992&gt;</u>	<u>17,992</u>	<u>36</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	2,150	3,038		5,188
Fund Cash Balances, January 1	<u>10,488</u>	<u>36,409</u>	<u>          </u>	<u>46,897</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 12,638</u></u>	<u><u>\$ 39,447</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 52,085</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, 2004 AND 2003

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Hanover Township, Ashland County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance. 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 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**

Certificates of Deposit are valued at cost.

**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, 2004 AND 2003  
(Continued)**

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

**Fund Accounting (Continued)**

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

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

**3. Debt Service Funds**

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township has the following significant Debt Service Fund:

*Note Retirement Fund* - This fund is used to account for the retirement of Township notes.

**Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, which is the Township's legal level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve the appropriation measure 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 2004 and 2003 budgetary activity appears in Note 3.

**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.

**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**A. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH**

The Township maintains a cash 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>2004</u>	<u>2003</u>
Demand deposits	\$72,821	\$49,934
Certificates of deposit	<u>2,170</u>	<u>2,151</u>
Total deposits	<u>\$74,991</u>	<u>\$52,085</u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

	<u>2004 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Fund Type	Receipts	Receipts	Receipts
General	\$ 38,866	\$ 39,713	\$ 847
Special Revenue	<u>146,992</u>	<u>184,686</u>	<u>37,694</u>
Total	<u>\$185,858</u>	<u>\$224,399</u>	<u>\$38,541</u>

	<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
Fund Type	Authority	Expenditures	Expenditures
General	\$ 51,504	\$ 43,329	\$ 8,175
Special Revenue	<u>186,439</u>	<u>158,164</u>	<u>28,275</u>
Total	<u>\$237,943</u>	<u>\$201,493</u>	<u>\$36,450</u>

**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,866	\$ 44,893	\$ 6,027
Special Revenue	146,992	160,816	13,824
Debt Service	<u>17,992</u>	<u>17,992</u>	<u>          </u>
Total	<u>\$203,850</u>	<u>\$223,701</u>	<u>\$19,851</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 48,844	\$ 42,743	\$ 6,101
Special Revenue	176,871	157,778	19,093
Debt Service	<u>17,992</u>	<u>17,992</u>	<u>          </u>
Total	<u>\$243,707</u>	<u>\$218,513</u>	<u>\$25,194</u>

**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 to the County by each April 30.

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

**HANOVER TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. RETIREMENT SYSTEM**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2004 and 2003, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2003. The Township has paid all contributions required through December 31, 2004.

**6. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance to two full-time employees through a private carrier.

# KNOX & KNOX

---

Accountants and Consultants

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

Hanover Township  
Ashland County  
3004 County Road 3-A  
Loudenville, 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, 2004 and 2003, and have issued our report thereon dated October 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

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

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Township in a separate letter dated October 10, 2005.



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

*KNOX & KNOX*

Orrville, Ohio  
October 10, 2005





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
NOVEMBER 22, 2005**