



**VILLAGE OF HANOVER
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

VILLAGE OF HANOVER
LICKING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	20

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Mary Taylor, CPA

Auditor of State

Village of Hanover
Licking County
224 Valley Blvd. NE
Newark, OH 43055

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 3, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hanover
Licking County
224 Valley Blvd. NE
Newark, OH 43055

To the Village Council:

We have audited the accompanying financial statements of the Village of Hanover, Licking County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village'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 the Comptroller General of the United States' *Government Auditing Standards*. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Hanover, Licking County, Ohio as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village 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 August 3, 2007, on our consideration of the Village'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 *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 3, 2007

**VILLAGE OF HANOVER
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$ 40,253	\$ 40,932	\$ -	\$ 81,185
Intergovernmental	40,928	49,858	5,200	95,986
Special Assessments	-	-	93,951	93,951
Charges for Services	-	-	5,000	5,000
Fines, Licenses and Permits	7,688	-	-	7,688
Earnings on Investments	717	810	-	1,527
Miscellaneous	612	186	-	798
Total Cash Receipts	90,198	91,786	104,151	286,135
Cash Disbursements:				
Current:				
Security of Persons and Property	10,244	46,142	-	56,386
Public Health Services	2,001	-	-	2,001
Basic Utility Service	3,376	-	-	3,376
Transportation	-	24,862	-	24,862
General Government	64,741	-	-	64,741
Debt Service:				
Redemption of Principal	-	-	33,813	33,813
Interest and Fiscal Charges	-	-	2,643	2,643
Capital Outlay	-	-	66,327	66,327
Total Cash Disbursements	80,362	71,004	102,783	254,149
Total Receipts Over Disbursements	9,836	20,782	1,368	31,986
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Debt Proceeds	-	-	14,002	14,002
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	9,836	20,782	15,370	45,988
Fund Cash Balances, January 1	30,966	37,590	11,625	80,181
Fund Cash Balances, December 31	\$ 40,802	\$ 58,372	\$ 26,995	\$ 126,169

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

**VILLAGE OF HANOVER
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 34,623	\$ 36,194	\$ -	\$ 70,817
Intergovernmental	37,766	38,390	-	76,156
Special Assessments	-	-	89,095	89,095
Fines, Licenses and Permits	11,538	-	-	11,538
Earnings on Investments	209	85	-	294
Miscellaneous	2,412	-	-	2,412
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	86,548	74,669	89,095	250,312
Cash Disbursements:				
Current:				
Security of Persons and Property	13,917	40,627	-	54,544
Public Health Services	2,125	-	-	2,125
Basic Utility Service	21,951	-	-	21,951
Transportation	-	24,537	-	24,537
General Government	73,607	-	-	73,607
Debt Service:				
Redemption of Principal	-	-	56,566	56,566
Interest and Fiscal Charges	-	-	10,042	10,042
Capital Outlay	-	-	123,691	123,691
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	111,600	65,164	190,299	367,063
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(25,052)	9,505	(101,204)	(116,751)
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Debt Proceeds	-	-	107,625	107,625
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(25,052)	9,505	6,421	(9,126)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	56,018	28,085	5,204	89,307
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 30,966	\$ 37,590	\$ 11,625	\$ 80,181

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

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Hanover, Licking County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village contracts with the Hanover Fire Department for fire protection services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

C. Cash

The Village maintains a checking account and a sweep account.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Wastewater Treatment Fund – This fund receives proceeds of federal loans and special assessments. The proceeds are being used to construct a new wastewater treatment facility and collection system.

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 Village Council 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 Village to reserve (encumber) appropriations when individual commitments are made. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH

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

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

	2006	2005
Total deposits	\$126,169	\$80,181

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 as follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$123,995	\$90,198	(\$33,797)
Special Revenue	128,022	91,786	(36,236)
Capital Projects	696,000	118,153	(577,847)
Total	\$948,017	\$300,137	(\$647,880)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$111,750	\$80,362	\$31,388
Special Revenue	108,311	71,004	37,307
Capital Projects	660,000	102,783	557,217
Total	\$880,061	\$254,149	\$625,912

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$158,843	\$86,548	(\$72,295)
Special Revenue	118,885	74,669	(44,216)
Capital Projects	448,221	196,720	(251,501)
Total	\$725,949	\$357,937	(\$368,012)

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,149	\$111,600	\$26,549
Special Revenue	74,750	65,164	9,586
Capital Projects	448,221	190,299	257,922
Total	\$661,120	\$367,063	\$294,057

In 2005, budgetary expenditures exceeded appropriation authority in the Street Construction Maintenance and Repair Fund by \$377. In 2006, expenditures exceeded appropriations in the Street Construction Maintenance and Repair Fund by \$4,862.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

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

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
OWDA Loan (3901)	\$150,649	3%
OWDA Loan (4359)	\$80,000	0%
Total	\$230,649	

Ohio Water Development Authority (OWDA) loans 3901 and 4359 are for a drinking water planning project and a wastewater and storm water project.

The total amount drawn down on these loans as of December 31, 2006 was \$321,280. The loans will be paid in semi-annual payments as required by the OWDA. In 2004, the Village started assessing fees from residents to pay off the loans and to help offset future costs associated with the projects.

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	OWDA Loan 3901	OWDA Loan 4359
2006	\$26,456	\$20,000
2007	52,912	20,000
2008	52,913	20,000
2009	26,456	20,000
Total	<u>\$158,737</u>	<u>\$80,000</u>

6. RETIREMENT SYSTEMS

The Village had no employees during 2006 and 2005. All Village elected officials opted not to participate in PERS which is allowable under PERS membership definitions.

7. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 and 2004 (the latest information available)

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	\$5,470,791	\$4,457,714

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

8. RELATED PARTY TRANSACTIONS

A Village Council member in 2005 was owner of a company (Hains Company) in which the Village used for maintenance related services. For the year ended December 31, 2005, the Village paid \$22,181 for such services. This matter did not occur in 2006 as the Council member was not in office.

The Village entered into a lease agreement for a parking lot with the Village Zoning Director in which the Village paid him \$1,200 during 2005. The Zoning Director was not employed by the Village during 2006.

9. SUBSEQUENT EVENT

In 2007, the Village was awarded financing and grants totaling \$5,131,389 from OWDA and the Army Corps of Engineers for wastewater treatment plant construction.



Mary Taylor, CPA

Auditor of State

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

Village of Hanover
Licking County
224 Valley Blvd. NE
Newark, OH 43055

To the Village Council:

We have audited the financial statements of the Village of Hanover, Licking County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 3, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-001 through 2006-005 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Village's management in a separate letter dated August 3, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-002 and 2006-004.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 3, 2007.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 3, 2007

**VILLAGE OF HANOVER
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Waste Water Treatment Assessment Fee – Material Weakness

In June 2004, the Village entered into a contract with ADR and Associates to set up resident accounts, bill residents, and collect payment from the residents for the waste water treatment assessment fee. ADR and Associates purchased CORE Utility Billing System software, a program that tracks billing, account status, accounts receivable, etc. As payments are collected from the Village residents, ADR and Associates collect the monies, enter the information into the CORE Utility Billing System software, deposit the monies into the Village's bank account, and then provides the Village Clerk-Treasurer a copy of the deposit slip so that the Clerk-Treasurer can record the activity.

The following internal control weaknesses were noted over waste water treatment assessment receipts:

- a. The Clerk-Treasurer does not obtain monthly posted payment detail reports from ADR and Associates listing by resident the amount paid and date paid to verify what was posted to the bank account and to the Village's receipt ledger.
- b. Management of the Village does not monitor monthly reports produced by ADR and Associates to ensure that all residents who should be billed are being properly billed.
- c. The Village does not have a policy in place stating how the Village will address residents who have delinquent accounts.
- d. The Village does not maintain monthly accounts receivable reports. This could lead to delinquent accounts for long periods of time and monies owed to the Village not being collected.

The above weaknesses can result in an inability to manage and monitor departmental operations in an effective manner.

To strengthen existing operations, we recommend:

- a. The Clerk-Treasurer should obtain monthly posted payment detail reports from ADR and Associates. Using the CORE Utility Billing System, ADR and Associates can print monthly posted payment detail reports that list when the payment was received, account number, the resident making payment, address of the resident, and how much the payment is for. This report should be compared to the deposit slips received by ADR and Associates to ensure all pay-ins being made are being properly deposited and recorded on the Village's receipt ledger.
- b. The Clerk-Treasurer and management of the Village should also compare the monthly posted payment detail reports with the accounts receivable detail listing (delinquent accounts) already being obtained by the Village to ensure that all residents are appearing either on the monthly pay-in report or on the accounts receivable detail listing report which will ensure that all residents are being billed properly.

**VILLAGE OF HANOVER
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-001 (Continued)

Waste Water Treatment Assessment Fee – Material Weakness (Continued)

- c. Due to Village citizens not paying their water bills, we recommend the Village adopt a policy over how to handle delinquent accounts.
- d. The Village should maintain a monthly accounts receivable report listing. This should be part of the financial information presented at the monthly Village Council meetings.

It should be noted that the Village's contract with ADR ended in July 2005. The Village Clerk-Treasurer currently maintains the process at the Village Hall.

Officials Response: The Village now processes these transactions at Village Hall.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency/Material Weakness

Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to make any expenditure of money unless it has been appropriated as provided in such chapter.

In 2005, expenditures exceeded appropriations in the Street, Maintenance and Repair fund by \$377. In 2006, expenditures exceeded appropriations in the Street, Maintenance and Repair Fund by \$4,862.

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk-Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if unencumbered balances are available for appropriations.

Official's Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-003

Financial Statement Presentation – Material Weakness

A monitoring system by the Clerk-Treasurer should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

The Clerk-Treasurer did not always accurately post receipts and disbursements to the Village's accounting system. The following posting errors were noted:

**VILLAGE OF HANOVER
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-003 (Continued)

Financial Statement Presentation – Material Weakness (Continued)

- Intergovernmental receipts were posted as License, Permits and Fees. (\$580-2006)
- License, Permits and Fees were posted as Miscellaneous Receipts. (\$661-2006, \$4,231-2005)
- Homestead and Rollback receipts were posted as Taxes. (\$9,756-2006, \$4,946-2005)
- Principal and Interest payments were posted as capital outlay expenditures. (\$36,456-2006, \$66,608-2005)
- Debt proceeds were posted as special assessments. (\$14,002-2006, \$107,625-2005)
- Grant revenues were posted as Charges for Services. (\$5,200-2006)
- Tap fees were posted as Special Assessments. (\$5,000-2006)
- Special Assessments were posted as Charges for Services. (\$93,800-2006)
- Budgetary receipts and disbursements were not always posted to the system to correspond with amounts approved by the Council and filed with the County Auditor.

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring numerous audit adjustments and reclassification entries, as well as inaccurate accounting records making it difficult for the Village Council to effectively manage and budget for the Village's activities.

We recommend the Village's Clerk-Treasurer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and AOS Bulletins. Also, budgeted receipts and disbursements should be posted to the ledgers that agree with properly filed budgetary documents with the County Auditor. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

The Village's financial statements have been adjusted to accurately reflect the proper receipt and disbursement line item classifications.

Official's Response: The Clerk/Treasurer will take steps to post items more accurately in the future.

FINDING NUMBER 2006-004

Noncompliance Citation and Significant Deficiency/Material Weakness

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Clerk-Treasurer is attached thereto. The Clerk-Treasurer must certify that the amount required to meet such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due therein.

VILLAGE OF HANOVER
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-004 (Continued)

Noncompliance Citation and Significant Deficiency/Material Weakness (Continued)

There are several exceptions to the standard requirement stated above that a Clerk-Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts of less than \$3,000 may be paid by the Clerk-Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

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

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Clerk-Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Forty (40) percent of the transactions tested were not certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

VILLAGE OF HANOVER
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-004 (Continued)

Noncompliance Citation and Significant Deficiency/Material Weakness (Continued)

We recommend the Clerk-Treasurer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response: The Village will start using blanket and then and now certificates in the future.

FINDING NUMBER 2006-005

Significant Deficiency /Material Weakness

Signing of Checks in Advance

Implementing and maintaining internal controls is an important responsibility of management.

On several occasions, the Village Mayor signed checks prior to them being completely filled out by the Village Clerk/Treasurer.

Checks being signed in advance could lead to improper use of Village funds and errors and irregularities to occur and go undetected by management.

We recommend the Village Mayor refrain from signing checks in advance, and only sign them after they have been completely filled out by the Village's Clerk-Treasurer to ensure proper accountability over all Village funds.

Official's Response: Village Ordinance Number 2005-17 allows the Clerk/Treasurer to process purchase orders and pay bills prior to regular Council meetings.

Auditor of State's Analysis: Since the Clerk/Treasurer performs all accounting functions, including receipting, reconciling, depositing and writing checks we feel signing checks in advance does not contribute to segregation of duties, between the Clerk/Treasurer and Council, nor does it allow for proper monitoring of expenditures prior to actual payment.

**VILLAGE OF HANOVER
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Water Assessment Fee	No	Reissued as Finding 2006-001
2004-002	Ohio Rev. Code 5705.41 (B) - Expenditures Exceeding Appropriations	No	Reissued as Finding 2006-002
2004-003	Ohio Rev. Code 5705.39 - Appropriations Exceeding Estimated Resources	Yes	Corrected



Mary Taylor, CPA
Auditor of State

VILLAGE OF HANOVER

LICKING 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 13, 2007**