



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, 2008.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements	9
Federal Awards Expenditures Schedule.....	15
Notes to the Federal Awards Expenditures Schedule	16
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	19
Schedule of Findings.....	21
Schedule of Prior Audit Findings.....	24

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Mary Taylor, CPA
Auditor of State

Village of Hanover
Licking County
224 Valley Boulevard NE
Newark, Ohio 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.

Mary Taylor

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Auditor of State

October 27, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hanover
Licking County
224 Valley Boulevard NE
Newark, Ohio 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, 2008 and 2007. 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, 2008 and 2008 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable 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, 2008 and 2007, 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 October 27, 2009, 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.

We conducted our audit to opine on the Village's financial statements. The Federal Awards Expenditures Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the Village's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

October 27, 2009

**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, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 40,157	\$ 101,285	\$ 141,442
Intergovernmental	41,763	63,365	105,128
Fines, Licenses and Permits	5,651	-	5,651
Earnings on Investments	3,827	1,809	5,636
Miscellaneous	319	-	319
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	91,717	166,459	258,176
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	16,854	63,021	79,875
Public Health Services	5,524	-	5,524
Basic Utility Service	8,549	-	8,549
Transportation	-	179,942	179,942
General Government	68,987	-	68,987
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	99,914	242,963	342,877
	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(8,197)	(76,504)	(84,701)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts			
Proceeds from Sale of Public Debt:			
Sale of Notes	-	70,000	70,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	-	70,000	70,000
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(8,197)	(6,504)	(14,701)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	36,676	79,092	115,768
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 28,479</u>	<u>\$ 72,588</u>	<u>\$ 101,067</u>

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

VILLAGE OF HANOVER
LICKING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 321,693
Total Operating Cash Receipts	<u>321,693</u>
Operating Cash Disbursements:	
Personal Services	10,589
Employee Fringe Benefits	2,027
Contractual Services	105,083
Supplies and Materials	11,519
Other	617
Total Operating Cash Disbursements	<u>129,835</u>
Operating Income	<u>191,858</u>
Non-Operating Cash Receipts:	
Intergovernmental	45,455
OWDA Debt Proceeds	490,644
Total Non-Operating Cash Receipts	<u>536,099</u>
Non-Operating Cash Disbursements:	
Capital Outlay	593,897
Redemption of Principal	232,069
Total Non-Operating Cash Disbursements	<u>825,966</u>
Net Receipts (Under) Disbursements	(98,009)
Fund Cash Balance, January 1	<u>219,803</u>
Fund Cash Balance, December 31	<u><u>\$ 121,794</u></u>

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, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 40,277	\$ 55,931	\$ 96,208
Intergovernmental	41,126	54,987	96,113
Fines, Licenses and Permits	4,499	-	4,499
Earnings on Investments	4,998	3,286	8,284
Miscellaneous	2,924	324	3,248
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	93,824	114,528	208,352
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	12,619	63,457	76,076
Public Health Services	3,995	-	3,995
Basic Utility Service	9,875	-	9,875
Transportation	-	30,351	30,351
General Government	71,461	-	71,461
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	97,950	93,808	191,758
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(4,126)	20,720	16,594
Fund Cash Balances, January 1 (Restated)	40,802	58,372	99,174
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 36,676</u>	<u>\$ 79,092</u>	<u>\$ 115,768</u>

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

**VILLAGE OF HANOVER
LICKING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 181,362
Total Operating Cash Receipts	<u>181,362</u>
Operating Cash Disbursements:	
Personal Services	9,894
Employee Fringe Benefits	1,097
Contractual Services	71,039
Supplies and Materials	8,031
Other	<u>502</u>
Total Operating Cash Disbursements	<u>90,563</u>
Operating Income	<u>90,799</u>
Non-Operating Cash Receipts:	
Intergovernmental	823,276
OWDA Debt Proceeds	<u>4,035,350</u>
Total Non-Operating Cash Receipts	<u>4,858,626</u>
Non-Operating Cash Disbursements:	
Capital Outlay	4,508,260
Redemption of Principal	230,649
Interest and Other Fiscal Charges	<u>17,708</u>
Total Non-Operating Cash Disbursements	<u>4,756,617</u>
Net Receipts Over Disbursements	192,808
Fund Cash Balance, January 1 (Restated)	<u>26,995</u>
Fund Cash Balance, December 31	<u><u>\$ 219,803</u></u>

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, 2008 AND 2007**

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 provides sewer utility services. The Licking County Sheriff's department provides police protection services. The Village contracts with Hanover Fire Department for fire protection and emergency medical services.

The Village participates in the Ohio Government Risk Management Plan public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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. Deposits

The Village maintains a checking account and a sweep account.

D. Fund Accounting

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

General Fund

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

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 Funds:

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

Fire Fund - This fund receives real estate and personal property taxes for providing fire protection and emergency medical services to Village residents.

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Enterprise Fund

This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges.

The Village had the following significant Enterprise Fund:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. 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 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.

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.

Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 4.

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.

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Change in Fund Balance

In the prior year, funds received for sewer charges were improperly reported in the Capital Projects Fund. This activity should have been reported in the Enterprise Fund. The restatement had the following effect on the cash fund balances on January 1, 2007:

	Capital Projects Fund	Enterprise Fund
Cash fund balance as of December 31, 2006, as previously reported	\$26,995	\$0
Restatement to properly report enterprise fund activity	(26,995)	26,995
Restated cash fund balance as of January 1, 2007	\$0	\$26,995

3. Equity in Pooled Deposits

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

	2008	2007
Total Deposits	\$222,861	\$335,571

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,109	\$91,717	(\$1,392)
Special Revenue	246,696	236,459	(10,237)
Enterprise	905,642	857,792	(47,850)
Total	\$1,245,447	\$1,185,968	(\$59,479)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$114,900	\$99,914	\$14,986
Special Revenue	298,000	242,963	55,037
Enterprise	1,032,641	955,801	76,840
Total	\$1,445,541	\$1,298,678	\$146,863

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,967	\$93,824	(\$7,143)
Special Revenue	183,726	114,528	(69,198)
Enterprise	5,020,000	5,039,988	19,988
Total	\$5,304,693	\$5,248,340	(\$56,353)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,600	\$97,950	\$15,650
Special Revenue	192,500	93,808	98,692
Enterprise	5,000,000	4,847,180	152,820
Total	\$5,306,100	\$5,038,938	\$267,162

5. 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.

6. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan (#4615)	\$4,293,924	0.00%
Tax Anticipation Note	70,000	4.75%
Total	\$4,363,924	

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Debt (Continued)

The Ohio Water Development Authority (OWDA) loan #4615 relates to a sewer plant construction project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$4,641,389 in a loan to the Village for this project, including the retirement of OWDA loan #3901 and OWDA loan #4359. The principal amount above represents the total amount owed to date. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Since the loan has not been completely drawn, an amortization schedule for the loan is not available. Sewer assessment fees collateralize the loan. The Village has agreed to set assessment fees sufficient to cover future OWDA debt service requirements and to help offset future costs associated with the plant.

The Permanent Improvement Tax Anticipation Note was issued for the pavement of Village streets. All proceeds had been spent at December 31, 2008. The Village will repay the loan in annual payments of \$25,708, including interest, and matures on July 24, 2011. The note is backed by the full faith and credit of the Village.

Amortization of the tax anticipation note debt, including interest, is scheduled as follows:

Year ending December 31:	Tax Anticipation Note
2009	\$25,708
2010	25,708
2011	25,708
Total	<u>\$77,124</u>

7. Retirement System

The Village had no full-time employees during 2008 and 2007. All Village officials contribute to Social Security (FICA). Contribution rates are approved by the United States Congress. Members contributed 6.2 percent of their gross wages to FICA and the Village matches that contribution in an amount equal to 6.2 percent. The Village has paid all contributions required through December 31, 2008.

8. Risk Management

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 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.

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management (Continued)

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except the Plan retains 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.

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 financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

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

9. Contingent Liabilities

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

10. Related Party Transactions

A Village Council member is owner of a company in which the Village periodically uses for ditch and culvert related services. For the years ended December 31, 2008 and 2007, the Village paid \$4,150 and \$200, respectively, for these services. The company was also an approved contractor in the Village's CDBG project. For the years ended December 31, 2008 and 2007, the Village paid \$12,967 and \$19,603 for these services.

A Village Council member's father is an owner of a company which the Village uses for sewer inspection related services. For the years ended December 31, 2008 and 2007, the Village paid \$8,250 and \$6,150 for these services.

**VILLAGE OF HANOVER
LICKING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT <i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant Program	C-W-05-207-1	14.228	\$ 524,130
Total U.S. Department of Housing & Urban Development			<u>524,130</u>
U.S. DEPARTMENT OF DEFENSE <i>Passed Through the Corps of Engineers U.S. Army Engineer</i>			
Hanover Wastewater Improvements Project	N/A	PCA 544	268,876
Total U.S. Department of Defense			<u>268,876</u>
Total			<u><u>\$ 793,006</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF HANOVER
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007**

Note A - Significant Accounting Policies

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

Note B - Matching Requirements

Certain Federal programs require the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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 Boulevard NE
Newark, Ohio 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, 2008 and 2007, and have issued our report thereon dated October 27, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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. We believe finding 2008-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated October 27, 2009.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 27, 2009.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the Finance Committee, management, Village Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 27, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Village of Hanover
Licking County
224 Valley Boulevard NE
Newark, Ohio 43055

To the Village Council:

Compliance

We have audited the compliance of the Village of Hanover, Licking County, Ohio (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2008-002.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to administer a federal program such that there is more than a remote likelihood that the Village's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Village's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Village's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the Finance Committee, management, Village Council, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 27, 2009

**VILLAGE OF HANOVER
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant Program – CFDA #14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2008-001

Significant Deficiency/Material Weakness

Financial Statements

Sound financial reporting is the responsibility of the Fiscal Officer and Council, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

For the years ended December 31, 2008 and 2007, the Village authorized 15 audit adjustments and reclassifications to the financial statements. The majority of the audit adjustments made were to accurately reflect the activity reported in the Capital Projects Fund as an Enterprise (Sewer) Fund.

VILLAGE OF HANOVER
LICKING COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008 AND 2007
(Continued)

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

FINDING NUMBER 2008-001 (Continued)

Significant Deficiency/Material Weakness (Continued)

Financial Statements (Continued)

However, other errors were noted that resulted in the following adjustments and reclassifications:

FY07

- Reclassify property tax receipts as intergovernmental in the General and Special Revenue Funds of \$5,355 and \$7,203, respectively,
- Reclassified \$4,000 from Other Financing Uses in the General Fund to Security of Persons & Property, Basic Utility Services, and General Government,
- Adjusted \$1,607 in expenditures out of the General Fund and reported them in the Sewer Fund to properly account for employee wages and fringe benefit expenditures erroneously reported in the General Fund, and
- Adjusted the financial statements by \$3,744,381 to properly reflect OWDA loan proceeds and related expenditures for the Village's Sewer project.

FY08

- Reclassified \$8,092 from Other Financing Uses in the General Fund to Security of Persons & Property, Basic Utility Services, and General Government,
- Adjusted \$2,722 in expenditures out of the General Fund and reported them in the Sewer Fund to properly account for employee wages and fringe benefit expenditures erroneously reported in the General Fund, and
- Adjusted the financial statements by \$435,641 to properly reflect OWDA loan proceeds and related expenditures for the Village's Sewer project.

Not presenting financial information accurately resulted in the financial statements requiring the above adjustment and reclassification entries, including additional time and effort to identify the variances and discrepancies.

We recommend the Village's Fiscal Officer take steps to ensure the accurate presentation of the financial statements. Financial transactions should be posted in accordance with procedures established by the Auditor of State as outlined in the Village Officer's handbook. By exercising accuracy in recording the financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year and at year end.

The Fiscal Officer should review the audit reclassifications identified above to ensure that similar errors are not reported in subsequent years.

The Village's financial statements have been adjusted to accurately reflect the adjustments and reclassifications.

Officials' Response:

We have removed the Capital Projects Fund, added the Enterprise Fund, and set up accounts for posting.

**VILLAGE OF HANOVER
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008 AND 2007
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2008-002

Title and CFDA Number	Federal Award Number/Year	Federal Agency	Pass-Through Agency
Community Development Block Grant Program – CFDA # 14.228	C-W-05-207-1 / 2006	U.S. Department of Housing and Urban Development	Ohio Department of Development
Hanover Wastewater Improvements Project	N/A / 2007	U.S. Department of Defense	Corps of Engineers U.S. Army Engineer

Federal Single Audit

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .200(b) provides that a non-federal entity that expends \$500,000 or more in a year in federal awards shall have a single audit conducted as discussed in the Circular. Section .105 defines such entities as “auditees”. Section .300(a) states, an auditee shall “Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal programs and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal agency, and name of the pass-through entity.”

Section .300(e) further states, an auditee shall “Ensure that the audits required by this part are properly performed and submitted when due.” Section .320(a) provides that single audits shall be completed and a reporting package submitted to the federal clearinghouse designated by OMB, within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The Village expended in excess of \$500,000 in federal awards during the fiscal year ended December 31, 2007, however, it did not ensure that a single audit was conducted within the time period specified by OMB Circular A-133 Section .320(a). Further, no extension was granted; and therefore, the Village failed to meet the filing deadline.

We recommend the Village develop procedures to ensure that a single audit is conducted for any fiscal year in which the \$500,000 expenditure threshold is exceeded. We further recommend the Village develop procedures for timely submission of their A-133 reporting package.

Officials’ Response/Corrective Action Plan:

In January 2008, I was contacted by an auditor who had me look up certain reports. We were made aware that our FY 07 federal expenditures triggered a single audit. We acknowledge that it is our responsibility to accurately determine the need for the single audit. Because of this, we have established procedures for the Village to 1) create a separate fund for future grants whose use is restricted to a particular purpose, 2) accurately code all revenue and all expenses associated with grants in that fund, and 3) scan the annual financial report of all federal expenses by January 31 each year to determine whether a single audit is required.

**VILLAGE OF HANOVER
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Wastewater assessment fee	Yes	
2006-002	ORC 5705.41(B) - Expenditures exceeding appropriations	Yes	
2006-003	Financial Statement Presentation	No	Repeated as finding 2008-001
2006-004	ORC 5705.41(D) - Encumbering funds	Yes	
2006-005	Signing of checks in advance	Yes	



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 19, 2009**