

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
TOWN OF HANOVER  
JEFFERSON COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
12/27/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ralph Seifert (Vacant) Donna S. Pettitt	01-01-04 to 09-05-06 09-06-06 to 10-04-06 10-05-06 to 12-31-07
President of the Town Council	Debbie S. Kroger	01-01-05 to 12-31-07
Superintendent of Utilities	K. Scott Williams	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HANOVER, JEFFERSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Hanover (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. The Schedule of Long-Term Debt has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 20, 2007

TOWN OF HANOVER  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 113,478	\$ 271,008	\$ 378,334	\$ 6,152
Levy Excess	2,920	10,835	-	13,755
Miscellaneous Income and Donations	34,576	22,204	57,183	(403)
Economic Development Income Tax	-	187,288	121,371	65,917
Motor Vehicle Highway	28,039	119,416	111,550	35,905
Local Road and Street	34,036	16,685	17,693	33,028
Park and Recreation	27,625	191,003	218,552	76
Skateboard Park Donations	347	-	-	347
Dale McNeely Youth	9,276	61,161	43,942	26,495
Park Nonreverting Operating	2,779	9,210	10,545	1,444
Park Donations	7,890	595	5,494	2,991
Economic Development	288	50	50	288
Solid Waste and Recycling	12,132	111,258	97,645	25,745
Law Enforcement Continuing Education	4,452	7,507	1,677	10,282
Riverboat	374	24,005	16,100	8,279
Neighborhood Watch	-	972	-	972
HPD Donations	35	3,100	3,100	35
Hallmark - Stations	294	-	-	294
Hallmark - Tree Planting	2,318	-	-	2,318
Hallmark - Special Projects	214	-	-	214
Park - D.E. Trout Memorial	51	-	-	51
Park - Seniors	14,960	5,260	9,595	10,625
Rainbow Park Donations	115	-	-	115
Park Seniors Special Projects	50	-	-	50
Park Basketball Court	221	-	-	221
Cumulative Capital Improvement	7,348	11,768	12,000	7,116
Cumulative Capital Development	58,890	18,404	-	77,294
Operation Pullover	76	1,250	1,381	(55)
Park Concessions	-	5,404	5,404	-
Reserve Officers Donations	987	1,120	848	1,259
Park Amphitheatre	5,468	177	-	5,645
Hanover Police Department RAD	41	-	-	41
Park Improvements	6,148	54	6,202	-
Park Sports Programs	330	-	-	330
Beautification Committee	208	501	326	383
Proprietary Funds:				
Water Utility - Operating	12,615	295,433	292,838	15,210
Water Utility - Bond and Interest	12,335	31,102	25,183	18,254
Water Utility - Depreciation	32,924	576	5,136	28,364
Water Utility - Debt Reserve	30,814	2,186	-	33,000
Water Utility - Customer Deposit	53,804	24,186	15,854	62,136
Water Utility - Improvement	60,656	4,776	5,441	59,991
Wastewater Utility - Operating	333,040	944,196	821,997	455,239
Wastewater Utility - Bond and Interest	184,913	272,972	268,725	189,160
Wastewater Utility - Debt Reserve	274,671	17,540	-	292,211
Wastewater Utility - Construction	104,531	167,535	210,164	61,902
Wastewater Utility - Improvement	20,261	61,848	-	82,109
Fiduciary Funds:				
Park Deposits	570	1,950	1,600	920
Landlords' Refunds	-	182	181	1
Payroll	7,359	562,966	542,165	28,160
Totals	<u>\$ 1,504,459</u>	<u>\$ 3,467,683</u>	<u>\$ 3,308,276</u>	<u>\$ 1,663,866</u>

The accompanying notes are an integral part of the financial information.

TOWN OF HANOVER  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2005 And 2006  
(Continued)

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 6,152	\$ 232,807	\$ 238,934	\$ 25
Levy Excess	13,755	1,016	-	14,771
Miscellaneous Income and Donations	(403)	25,558	18,003	7,152
Economic Development Income Tax	65,917	159,295	145,276	79,936
Motor Vehicle Highway	35,905	140,226	154,362	21,769
Local Road and Street	33,028	16,227	30,519	18,736
Park and Recreation	76	133,179	132,647	608
Skateboard Park Donations	347	-	-	347
Dale McNeely Youth	26,495	7,528	32,431	1,592
Park Nonreverting Operating	1,444	11,793	9,351	3,886
Park Donations	2,991	912	-	3,903
Economic Development	288	-	-	288
Solid Waste and Recycling	25,745	110,733	106,089	30,389
Law Enforcement Continuing Education	10,282	3,663	2,213	11,732
Riverboat	8,279	23,957	8,100	24,136
Neighborhood Watch	972	-	-	972
HPD Donations	35	-	-	35
Hallmark - Stations	294	-	-	294
Hallmark - Tree Planting	2,318	-	-	2,318
Hallmark - Special Projects	214	-	-	214
Park - D.E. Trout Memorial	51	-	-	51
Park - Seniors	10,625	5,513	4,921	11,217
Rainbow Park Donations	115	-	-	115
Firemen's Park Donations	-	5,000	-	5,000
Park Seniors Special Projects	50	-	-	50
Park Basketball Court	221	-	-	221
Cumulative Capital Improvement	7,116	13,601	14,506	6,211
Cumulative Capital Development	77,294	14,023	-	91,317
Operation Pullover	(55)	2,284	2,229	-
Park Concessions	-	10,476	10,350	126
Reserve Officers Donations	1,259	1,512	977	1,794
Park Amphitheatre	5,645	317	-	5,962
Hanover Police Department RAD	41	-	-	41
Park Sports Programs	330	-	-	330
Beautification Committee	383	66	448	1
Proprietary Funds:				
Water Utility - Operating	15,210	279,326	284,359	10,177
Water Utility - Bond and Interest	18,254	30,941	29,561	19,634
Water Utility - Depreciation	28,364	1,720	-	30,084
Water Utility - Debt Reserve	33,000	-	-	33,000
Water Utility - Customer Deposit	62,136	20,504	15,558	67,082
Water Utility - Improvement	59,991	5,290	-	65,281
Water Utility - Water Tower Maintenance	-	24,000	-	24,000
Wastewater Utility - Operating	455,239	773,921	853,371	375,789
Wastewater Utility - Bond and Interest	189,160	281,238	270,514	199,884
Wastewater Utility - Debt Reserve	292,211	20,255	-	312,466
Wastewater Utility - Construction	61,902	189	49,007	13,084
Wastewater Utility - Improvement	82,109	10,758	-	92,867
Fiduciary Funds:				
Park Deposits	920	1,350	1,355	915
Landlords' Refunds	1	819	819	1
Payroll	28,160	550,092	555,340	22,912
Totals	<u>\$ 1,663,866</u>	<u>\$ 2,920,089</u>	<u>\$ 2,971,240</u>	<u>\$ 1,612,715</u>

The accompanying notes are an integral part of the financial information.

TOWN OF HANOVER  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, water, wastewater, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF HANOVER  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF HANOVER  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2006

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital lease:		
Swimming pool filtration equipment	\$ 16,430	\$ 11,370
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water and municipal utility buildings	\$ 175,000	\$ 28,250
Wastewater Utility		
Loan payable:		
State revolving loan (SRF)	1,393,118	106,293
Revenue bonds:		
Wastewater and municipal utility buildings	175,000	28,250
Wastewater plant improvements and line extensions	1,350,000	134,099
Total Wastewater Utility	2,918,118	268,642
Total business-type activities debt:	\$ 3,093,118	\$ 296,892

TOWN OF HANOVER  
EXAMINATION RESULTS AND COMMENTS

ACCOUNTS RECEIVABLE CONTROL (Applies to Water and Wastewater Utilities)

An accounts receivable control account that summarizes the total accounts receivable balance, billings, collections, and adjustments to individual accounts for the respective utilities was not maintained. General Ledger Sheet (Form 315) has been prescribed for this purpose.

The accounts receivable control should be reconciled monthly with the detailed accounts receivable.

When utility records are kept on a cash or single-entry basis, a separate control account should be carried on General Ledger Sheet, General Form No. 315. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

A similar comment was reported in prior Report B25881.

EXPENDITURES WITHOUT APPROPRIATIONS (Applies to Clerk-Treasurer)

Park and Recreation Fund expenditures in the year 2005 exceeded approved appropriations in the amount of \$4,125. Expenditures exceeded approved appropriations in the year 2006 for the following funds:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 8,411
Motor Vehicle Highway	34,175
Local Road and Street	9,382
Park and Recreation	21,662
Economic Development Income Tax	145,276
Park Nonreverting Operating	9,352
Law Enforcement Continuing Education	2,213
Riverboat	<u>8,100</u>
Total	<u>\$ 238,571</u>

Indiana Code 36-5-4-2 states: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expenses arose."

CAPITAL ASSET RECORDS (Applies to the Clerk-Treasurer, Water Utility and Wastewater Utility)

The Town does not maintain sufficient detailed records of capital assets for its enterprise funds or for its governmental activities capital assets. No inventory of capital assets has been taken. In addition, deletions or disposals of capital assets are not recorded.

TOWN OF HANOVER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in prior Report B25881.

SERVICE RECORDS – SALARIED EMPLOYEES (Applies to Town Council)

A record of leave time accrued or used is not maintained for the Town's three salaried employees. These salaried employees entered into contracts to provide services to the Town. The contracts did not state the hours to be worked or leave benefits. However, the contract did state in part: ". . . will abide by all terms of the Town of Hanover Personnel Policy, which is made part of this agreement and incorporated herein by reference." The personnel policy referred to does include specific leave time benefits.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in prior Report B25881.

INTERNAL CONTROL (Applies to the Parks Department)

We found the following deficiencies in the accounting of monies collected at the Parks Department:

1. Manually prepared daily tally sheets were used at the swimming pool to document general admissions and swimming season passes sold. Narci Burress, Park Director, prepares a "Daily Cash Report for Park" (Daily Cash Report) that summarizes collections reported on the daily tally sheets.

Our comparison of the Daily Cash Report to the tally sheets showed that the Daily Cash Report did not always reconcile to the tally sheets. For example, on May 31, 2006, the tally sheet showed fifteen family season passes; however, the Daily Cash Report did not indicate that any family season passes were sold. There was no explanation documented for the variance. Narci Burress stated that season passes listed on the tally sheets represented customers admitted with season passes and not actual sales on May 31, 2006. We found other instances of season passes being reported on the tally sheets and reported in the Daily Cash Report's sales amount.

2. We performed a profit analysis, including both concession sales and vending machine sales, which showed the following:

TOWN OF HANOVER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

<u>Year</u>	<u>Profit (Loss)</u>
2005	28%
2006	(6%)

Concessions were sold at the swimming pool and at baseball fields. Manually prepared daily tally sheets are used to record concession items sold. There were no procedures in place to verify that the tally sheet entries are accurate such as documenting beginning and ending inventory of concession products for the day, computing products sold and comparing the computation to sales reported on the daily tally sheets.

3. The Park Director computes sales from swimming pool admissions and concessions based on information reported on the daily tally sheets. The Park Director writes a receipt for pool admissions and concessions. The receipts written by the Park Director were not written at the time the monies are remitted. The daily tally sheets are not reconciled with monies collected.

A cash count should be performed and documented by the cashier so there is an adequate audit trail when collections are transferred from one person to another.

4. Season passes sold are not prenumbered and a log of season passes sold was not presented for examination. Prenumbering of season passes and a log of season passes sold are required to adequately account for season passes sold.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

REPORT OF COLLECTIONS NOT USED (Applies to Parks Department)

The Park Director does not prepare a Report of Collections (Form 362) that summarizes monies collected by revenue source. This information is necessary for the Clerk-Treasurer to post receipts to the ledger by revenue source.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HANOVER  
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2007, with Donna S. Pettitt, Clerk-Treasurer. The official concurred with our findings.

The contents of this report were discussed on November 20, 2007, with Debbie S. Kroger, President of the Town Council; and Narci M. Burress, Park Manager.