

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

FINANCIAL STATEMENT REVIEW REPORT

OF

HANOVER TOWNSHIP

LAKE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



**FILED**

04/13/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Mitchel Lopez Kevin Toth	01-01-17 to 12-31-18 01-01-19 to 12-31-20
Chairman of the Township Board	Richard Niemeyer	01-01-17 to 12-31-20



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF HANOVER TOWNSHIP, LAKE COUNTY, INDIANA

We have reviewed the accompanying financial statement of Hanover Township (Township), for the period of January 1, 2017 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Township's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statement as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6); which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Township uses is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement whether due to fraud or error.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statement for it to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
(Continued)

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statement in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

  
Paul D. Joyce, CPA  
State Examiner

March 17, 2020

## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Township. The financial statement and notes are presented as intended by the Township.

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HANOVER TOWNSHIP, LAKE COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-17	Receipts	Disbursements	12-31-17	Receipts	Disbursements	12-31-18
Township Fund	\$ 41,474	\$ 168,980	\$ 167,654	\$ 42,800	\$ 173,762	\$ 179,664	\$ 36,898
Emergency Ambulance/Medical Services	1,107	28,525	28,860	772	28,437	28,890	319
Park and Recreation Fund	8,642	5,355	9,941	4,056	13,886	13,462	4,480
Township Assistance Fund	51,001	109,104	104,334	55,771	104,147	129,138	30,780
Fire Fighting Fund	-	85,143	84,142	1,001	86,331	86,110	1,222
Rainy Day Fund	87,224	40,061	-	127,285	40,000	1,933	165,352
Levy Excess Fund	45	-	-	45	-	-	45
Cumulative Fire (Bldg/Rem/Equip) Fund	108,560	38,943	25,793	121,710	40,933	44,503	118,140
Germ. Meth. Cemetery	34,198	14,209	11,450	36,957	7,300	16,104	28,153
Township Assistance Gift Fund	7,642	6,133	8,648	5,127	2,500	4,866	2,761
Payroll Deduction Fund	-	18,529	18,489	40	16,534	16,574	-
Public Safety	-	22,289	22,289	-	22,289	10,790	11,499
Totals	<u>\$ 339,893</u>	<u>\$ 537,271</u>	<u>\$ 481,600</u>	<u>\$ 395,564</u>	<u>\$ 536,119</u>	<u>\$ 532,034</u>	<u>\$ 399,649</u>

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

HANOVER TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

The accompanying financial statement presents the financial information for the Township.

**B. Basis of Accounting**

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

**C. Cash and Investments**

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

**D. Receipts**

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Township.

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

HANOVER TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

**E. Disbursements**

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Personal services.* Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

**F. Interfund Transfers**

The Township may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

HANOVER TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Township. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Township in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the budget year or January 15 of the budget year if the Township is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be 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 statutes authorize the Township to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

HANOVER TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

The Township may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Township to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund Defined Benefit Plan (PERF DB) is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Township authority to contribute to the plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

The Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Township authority to contribute to the plan.

New employees hired have a one-time election to join either the PERF Hybrid or the My Choice.

*Financial Report*

INPRS 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:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (844) 464-6777

HANOVER TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Contributions*

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

HANOVER TOWNSHIP, LAKE COUNTY  
REVIEW RESULTS AND COMMENTS

**ADOPTION AND CERTIFICATION OF INTERNAL CONTROL STANDARDS**

*Condition and Context*

An internal control policy was not adopted by the Township Board as required by Indiana Code 5-11-1-27(g). Yet, the Township certified in the Annual Financial Report that they had adopted an internal control policy.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**TRANSFER OF FUNDS**

*Condition and Context*

The Township transferred \$40,000 from the Township Fund to the Rainy Day Fund in 2017 and 2018 without Township Board approval.

HANOVER TOWNSHIP, LAKE COUNTY  
REVIEW RESULTS AND COMMENTS  
(Continued)

Resolution 12-08-2015 established a Rainy Day Fund for the deposit of unused and unencumbered balances in funds when the purposes of the levies have been fulfilled, but not to exceed 10 percent of budget for 2015. The Township Board did not approve a resolution to transfer money to the Rainy Day Fund for the years after 2015.

*Criteria*

Pursuant to IC 36-1-8-5.1, a Township can establish a rainy day fund (RDF) through the adoption of a resolution. The resolution must state the following: (1) the purposes of the RDF and (2) the sources of funding for the RDF. The sources of funding can include dormant funds (IC 36-1-8-5), CAGIT (IC 6-3.5-1.1-21.1), COIT (IC 6-3.5-6-17.3), CEDIT (IC 6-3.5-7-17.3), or any other funding source specified in the resolution and not otherwise prohibited by law.

In addition, a Township can transfer an amount from a fund as long as it is authorized by the resolution, does not exceed 10% of the total annual budget for that fiscal year and is not from a debt service fund.

Our position is that a unit can transfer money from an appropriated fund to the RDF as long as the purpose of the levy has been fulfilled (and the Township Board has stated as such) and the transfer does not exceed 10% of the total annual budget. Also, any fund that has been declared dormant (by the Township Board) under IC 36-1-8-5 can be transferred to the RDF. Please note that Debt Service Funds are explicitly prohibited from being transferred to the RDF. There have been changes to the fire fund statute that now allows a Township to transfer money from the fire fund. (Township Bulletin and Uniform Compliance Guidelines, September 2018)

HANOVER TOWNSHIP, LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 17, 2020, with Kevin Toth, Trustee; Adam Wornhoff, Township Board member; and Terri Blagojevic, Chief Deputy.