



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF ANDOVER
ASHTABULA COUNTY

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Andover
Ashtabula County
134 Maple Avenue, P.O. Box 1267
Andover, Ohio 44003-1267

To the Village Council:

We have audited the accompanying financial statements of the Village of Andover, Ashtabula County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2000 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 grants.

This report is intended solely for the information and use of the management and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 20, 2000

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**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$289,990	\$105,710		\$690,504	\$1,086,204
Intergovernmental Receipts	75,801	58,744		135,661	270,206
Charges for Services	1,420				1,420
Fines, Licenses, and Permits	8,539	1,080			9,619
Earnings on Investments	38,758				38,758
Miscellaneous	462	1,600			2,062
Total Cash Receipts	<u>414,970</u>	<u>167,134</u>		<u>826,165</u>	<u>1,408,269</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	193,381	129,269			322,650
Public Health Services	10,768				10,768
Leisure Time Activities	19,876				19,876
Community Environment	5,844				5,844
Basic Utility Services	310				310
Transportation		168,904			168,904
General Government	125,644				125,644
Debt Service:					
Principal Payments			28,100	216,209	244,309
Interest Payments			5,479		5,479
Capital Outlay				568,802	568,802
Total Disbursements	<u>355,823</u>	<u>298,173</u>	<u>33,579</u>	<u>785,011</u>	<u>1,472,586</u>
Total Receipts Over/(Under) Disbursements	<u>59,147</u>	<u>(131,039)</u>	<u>(33,579)</u>	<u>41,154</u>	<u>(64,317)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		42,500	33,579		76,079
Transfers-Out	(76,079)				(76,079)
Total Other Financing Receipts/(Disbursements)	<u>(76,079)</u>	<u>42,500</u>	<u>33,579</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(16,932)</u>	<u>(88,539)</u>		<u>41,154</u>	<u>(64,317)</u>
Fund Cash Balances January 1	<u>186,940</u>	<u>138,473</u>	<u>654</u>	<u>529,774</u>	<u>855,841</u>
Fund Cash Balances, December 31	<u>\$170,008</u>	<u>\$49,934</u>	<u>\$654</u>	<u>\$570,928</u>	<u>\$791,524</u>
Reserves for Encumbrances, December 31	<u>\$664</u>				

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$436,715
Miscellaneous	10,525
	447,240
Operating Cash Disbursements:	
Personal Services	168,008
Contractual Services	96,520
Supplies and Materials	41,115
Capital Outlay	24,649
	330,292
Operating Income/(Loss)	116,948
Non-Operating Cash Disbursements:	
Debt Service	110,905
Other Non-Operating Cash Disbursements	4,150
	115,055
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,893
Transfers-In	49,099
Transfers-Out	(49,099)
	1,893
Net Receipts Over/(Under) Disbursements	1,893
Fund Cash Balances, January 1	268,828
Fund Cash Balances, December 31	\$270,721

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$256,961	\$134,533		\$610,186	\$1,001,680
Intergovernmental Receipts	93,957	60,436		10,702	165,095
Charges for Services	1,130				1,130
Fines, Licenses, and Permits	14,025	1,185			15,210
Earnings on Investments	57,373				57,373
Miscellaneous	29,794	15,522			45,316
Total Cash Receipts	<u>453,240</u>	<u>211,676</u>		<u>620,888</u>	<u>1,285,804</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	160,815	141,765			302,580
Public Health Services	9,878				9,878
Leisure Time Activities	14,074	8,091			22,165
Community Environment	9,760				9,760
Basic Utility Services	500				500
Transportation		58,767			58,767
General Government	125,853				125,853
Debt Service:					
Principal Payments			62,974	143,130	206,104
Interest Payments			8,422	73,079	81,501
Capital Outlay	18,872	8,431		729,276	756,579
Total Disbursements	<u>339,752</u>	<u>217,054</u>	<u>71,396</u>	<u>945,485</u>	<u>1,573,687</u>
Total Receipts Over/(Under) Disbursements	<u>113,488</u>	<u>(5,378)</u>	<u>(71,396)</u>	<u>(324,597)</u>	<u>(287,883)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In			36,522		36,522
Transfers-Out	(36,522)				(36,522)
Other Uses				(169,309)	(169,309)
Sale of Fixed Assets	64,639		34,874		99,513
Total Other Financing Receipts/(Disbursements)	<u>28,117</u>		<u>71,396</u>	<u>(169,309)</u>	<u>(69,796)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>141,605</u>	<u>(5,378)</u>		<u>(493,906)</u>	<u>(357,679)</u>
Fund Cash Balances January 1	<u>45,335</u>	<u>143,851</u>	<u>654</u>	<u>1,023,680</u>	<u>1,213,520</u>
Fund Cash Balances, December 31	<u>\$186,940</u>	<u>\$138,473</u>	<u>\$654</u>	<u>\$529,774</u>	<u>\$855,841</u>
Reserves for Encumbrances, December 31	<u>\$6,000</u>	<u>\$8,176</u>	<u>\$654</u>		<u>\$14,830</u>

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$356,515
Miscellaneous	<u>\$59,541</u>
Total Operating Cash Receipts	<u>416,056</u>
Operating Cash Disbursements:	
Personal Services	153,413
Travel Transportation	177
Contractual Services	90,982
Supplies and Materials	33,954
Capital Outlay	<u>14,270</u>
Total Operating Cash Disbursements	<u>292,796</u>
Operating Income/(Loss)	<u>123,260</u>
Non-Operating Cash Receipts:	
Sale of Fixed Assets	<u>102</u>
Total Non-Operating Cash Receipts	<u>102</u>
Non-Operating Cash Disbursements:	
Debt Service	110,905
Other Non-Operating Cash Disbursements	<u>2,550</u>
Total Non-Operating Cash Disbursements	<u>113,455</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	9,907
Transfers-In	47,163
Transfers-Out	<u>(47,163)</u>
Net Receipts Over/(Under) Disbursements	9,907
Fund Cash Balances, January 1	<u>258,921</u>
Fund Cash Balances, December 31	<u><u>\$268,828</u></u>

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Andover, Ashtabula County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

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:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The 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.

Policy Levy Fund - This fund receives tax monies for providing police protection.

Fire Levy Fund - This fund receives tax monies for providing fire protection.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

D. Fund Accounting (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund: Bond Retirement fund used to retire debt for sidewalk and Village Hall improvements.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Permanent Improvement Fund - This fund receives a percentage of the village's income taxes. The monies are being used to improve the village hall and recreation park buildings.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Debt Reserve Fund - This fund received loan proceeds from the Ohio Water Development Authority to finance a wastewater treatment plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 387,245	\$ 649,669
Certificates of deposit	<u>675,000</u>	<u>475,000</u>
Total deposits	<u>1,062,245</u>	<u>1,124,669</u>

Deposits: Deposits are either 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, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 420,000	\$ 414,970	\$ (5,030)
Special Revenue	228,300	209,634	(18,666)
Debt Service	33,580	33,579	(1)
Capital Projects	1,038,110	826,165	(211,945)
Enterprise	<u>643,893</u>	<u>496,339</u>	<u>(147,554)</u>
Total	<u>\$ 2,363,883</u>	<u>\$ 1,980,687</u>	<u>\$ (383,196)</u>

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 606,325	\$ 432,566	\$ 173,759
Special Revenue	355,576	298,173	57,403
Debt Service	34,233	33,579	654
Capital Projects	1,342,300	785,011	557,289
Enterprise	841,680	494,446	347,234
Total	<u>\$ 3,180,114</u>	<u>\$ 2,043,775</u>	<u>\$ 1,136,339</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 517,239	\$ 517,879	\$ 640
Special Revenue	210,727	211,676	949
Debt Service	57,650	71,396	13,746
Capital Projects	710,000	620,888	(89,112)
Enterprise	581,408	463,321	(118,087)
Total	<u>\$ 2,077,024</u>	<u>\$ 1,885,160</u>	<u>\$ (191,864)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 377,307	\$ 382,274	\$ (4,967)
Special Revenue	343,912	225,230	118,682
Debt Service	58,304	72,050	(13,746)
Capital Projects	1,696,138	1,114,794	581,344
Enterprise	691,140	453,414	237,726
Total	<u>\$ 3,166,801</u>	<u>\$ 2,247,762</u>	<u>\$ 919,039</u>

Ohio Revised Code § 5705.36 - Various funds had certified receipts that should have either been increased or decreased based on actual revenue received.

Ohio Revised Code § 5705.39 - Various funds had appropriations exceed the total certified resources, contrary to this section.

Ohio Revised Code § 5705.41(B) - Various funds had expenditures plus encumbrances exceed the amount appropriated, contrary to this section.

Ohio Revised Code § 5705.41 (D) - The Village did not properly certified expenditures or properly encumber purchase orders as required by this section.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 725,656	7.86 & 8.35%
Ohio Water Development Authority Loan	3,074,308	2.20%
General Obligation Bonds	56,200	6.50%
Ohio Public Works Commission	54,000	0%
Total	\$ 3,910,164	

The Ohio Water Development Authority (OWDA) loans relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA had approved up to \$3,425,096 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$106,304.71, including interest, over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The general obligation bonds were for sidewalk and Village Hall improvements. The Ohio Public Works Commission (OPWC) loans were for waterline improvements.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	OWDA Loans	General Obligation Bonds	OPWC Loan
2000	\$ 323,514	\$ 31,763	\$ 3,600
2001	323,514	29,926	3,600
2002	308,043		3,600
2003	292,571		3,600
2004	292,571		3,600
Subsequent	3,417,268		36,000
Total	<u>\$ 4,957,481</u>	<u>\$ 61,689</u>	<u>\$ 54,000</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans.

These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village is a member of the Ohio Government Risk Management Plan (the Plan). The Plan assumes the risk of loss up to the limits of the Village's policy. The Plan may assess supplemental premiums. The following risks are covered by the Plan:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Public official's liability
- Boiler and Machinery

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Village of Andover
Ashtabula County
134 Maple Avenue, P.O. Box 1267
Andover, Ohio 44003-1267

To the Village Council:

We have audited the accompanying financial statements of the Village of Andover, Ashtabula County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated December 20, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-31104-001 through 1999-31104-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated December 20, 2000.

Village of Andover
Ashtabula County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 20, 2000

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-31104-001

Noncompliance Citations

Ohio Rev. Code § 5705.36 provides in part, that upon determination by the fiscal officer of a taxing district that the revenue to be collected by the district will be greater and/or less than the amount included in the current official certificate, the fiscal officer shall certify the amount of the increase and/or deficiency to the county budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the increase and/or deficiency. The intent of this statutory requirement is to require a taxing district to certify receipt amounts based on realistic projection of receipts and to require the fiscal officer to obtain a "increased and/or reduction" certificate when it appears that budgetary resources will exceed and/or fall short of earlier estimates, reducing the possibility that deficit spending will occur.

The Village had certified receipts in excess of actual receipts and should have requested a reduced amended certificate in the following fund:

<u>Fund/Year</u>	<u>Certified Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
1999:			
Sewer Debt	99,308	49,779	(49,529)

The Village could have requested an increased amended certificate in the following fund:

<u>Fund/Year</u>	<u>Certified Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
1998:			
Bond Retirement	\$ 57,650	\$ 71,396	\$ 13,746

We recommend the Village obtain an increased and/or reduced amended certificate of estimated resources, and subsequently increase and/or reduce appropriations, if needed, when it becomes apparent that actual receipts will become greater and/or less than the amounts estimated.

FINDING NUMBER 1999-31104-002

Ohio Rev. Code § 5705.39 provides in part, that no appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

<u>Fund/Year</u>	<u>Total Certified Resources</u>	<u>Appropriations</u>	<u>Variance</u>
1998:			
Capital Improvements	\$1,350,040	\$1,593,000	(\$242,960)
Sewer Debt	132,104	146,362	(14,258)
Water Debt		30,942	(30,942)
1999:			
Water Fund	173,746	178,100	(4,354)

The Village Council should compare the certificate of estimated resources to the annual appropriation measure to ensure the appropriations do not exceed the certificate of estimated resources.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-31104-003

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

<u>Fund/Year</u>	<u>Appropriations</u>	<u>Expenditures and Encumbrances</u>	<u>Variance</u>
<u>1998:</u>			
General	\$377,307	\$382,274	(\$ 4,967)
Fire District	30,000	38,376	(8,376)
Bond Retirement	58,304	71,396	(13,092)
<u>1999:</u>			
Water Debt		30,943	(30,943)

The Village could have either increased appropriations based on the original amended certificate or requested an increase in the amended certificate based on available resources to be in compliance with this section in every fund except the Bond Retirement.

FINDING NUMBER 1999-31104-004

Ohio Rev. Code § 5705.41(D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of Council.

Our test of disbursements indicated that 46% of expenditures tested in 1998 and 100% in 1999, contracts and purchases were committed prior to the certification of available funds by the Clerk, and neither exception listed above was followed, contrary to Ohio Rev. Code § 5705.41 (D). This condition does not provide adequate accountability over the Village's disbursements. Expenditures may be incurred which either Council or management has not authorized or which the Village cannot afford. Further, payments may be made to vendors for goods or merchandise never received or services never rendered.

We recommend that all Village departments be advised that a purchase order with the certificate of the Clerk be obtained prior to making an order involving the expenditure of money. Any request for payment from a vendor without such purchase order should be investigated by management before the payment is made.

VILLAGE OF ANDOVER
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998

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

FINDING NUMBER 1999-31104-005

Ohio Administrative Code § 117-5-13 requires each Village to maintain consecutively numbered purchase orders. Each purchase order shall be made out in triplicate with the original given to the vendor. The second copy shall be filed with the Village Clerk to be used as a posting media to encumber the line-item appropriation as prescribed in rule 117-5-11 of the Administrative Code. The third copy shall be returned to the individual initiating the purchase order.

The Village did not use purchase orders in 1999.

We recommend the Village Clerk prepare pre-numbered purchase orders through the computer system before any commitments have been incurred by the Village.



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VILLAGE OF ANDOVER

ASHTABULA 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
JANUARY 11, 2001**