



**Auditor of State
Betty Montgomery**

VILLAGE OF ANDOVER
ASHTABULA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Andover, Ashtabula County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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. We believe 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 of the Village of Andover, Ashtabula County, as of December 31, 2003 and 2002, 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 October 31, 2005, 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.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 31, 2005

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

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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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$108,070	\$175,847		\$283,917
Municipal Income Tax	102,419		\$409,677	512,096
Intergovernmental Receipts	79,687	7,721		87,408
Charges for Services	1,410	1,825		3,235
Fines, Licenses, and Permits	6,629	1,097		7,726
Earnings on Investments	16,768	200		16,968
Miscellaneous	<u>54,248</u>			<u>54,248</u>
Total Cash Receipts	369,231	186,690	409,677	965,598
Cash Disbursements:				
Current:				
Security of Persons and Property	242,528	129,335		371,863
Public Health Services	11,790			11,790
Leisure Time Activities	25,021			25,021
Community Environment	11,650			11,650
Basic Utility Services	1,361			1,361
Transportation		43,889		43,889
General Government	172,202			172,202
Capital Outlay	4,360	1,092	490,368	495,820
Debt Service:				
Principal Payments			155,662	155,662
Interest Payments			56,948	56,948
Total Cash Disbursements	<u>468,912</u>	<u>174,316</u>	<u>702,978</u>	<u>1,346,206</u>
Total Receipts Over/(Under) Disbursements	(99,681)	12,374	(293,301)	(380,608)
Other Financing Receipts and (Disbursements):				
Transfers-In	75,000			75,000
Transfers-Out			(75,000)	(75,000)
Other Financing Source		5,498		5,498
Total Other Financing Receipts/(Disbursements)	<u>75,000</u>	<u>5,498</u>	<u>(75,000)</u>	<u>5,498</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(24,681)	17,872	(368,301)	(375,110)
Fund Cash Balances, January 1	<u>43,834</u>	<u>42,406</u>	<u>1,096,694</u>	<u>1,182,934</u>
Fund Cash Balances, December 31	<u>\$19,153</u>	<u>\$60,278</u>	<u>\$728,393</u>	<u>\$807,824</u>

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$394,099
Fines, Licenses and Permits	9,100
Miscellaneous	5,905
	409,104
Operating Cash Disbursements:	
Personal Services	209,087
Transportation	525
Contractual Services	98,778
Supplies and Materials	31,208
Miscellaneous	3,400
Capital Outlay	3,536
	346,534
Total Operating Cash Disbursements	346,534
Operating Income	62,570
Non-Operating Cash Disbursements:	
Debt Service	83,562
	83,562
Total Non-Operating Cash Disbursements	83,562
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(20,992)
Transfers-In	34,265
Transfers-Out	(34,265)
Net Receipts Over/(Under) Disbursements	(20,992)
Fund Cash Balances, January 1	236,157
Fund Cash Balances, December 31	\$215,165

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, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$104,065	\$161,693		\$265,758
Municipal Income Tax	129,307		\$517,228	646,535
Special Assessments				
Intergovernmental Receipts	76,252	16,871	154,000	247,123
Charges for Services	1,385	1,460		2,845
Fines, Licenses, and Permits	6,670	671		7,341
Earnings on Investments	27,504	258		27,762
Miscellaneous	750			750
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	345,933	180,953	671,228	1,198,114
Cash Disbursements:				
Current:				
Security of Persons and Property	207,844	153,209		361,053
Public Health Services	12,953			12,953
Leisure Time Activities	21,227			21,227
Community Environment	12,404			12,404
Basic Utility Services	1,323			1,323
Transportation	3,030	44,712		47,742
General Government	173,161			173,161
Capital Outlay	46,703	200	243,089	289,992
Debt Service:				
Principal Payments			152,284	152,284
Interest Payments			60,330	60,330
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	478,645	198,121	455,703	1,132,469
Total Receipts Over (Under) Disbursements	(132,712)	(17,168)	215,525	65,645
Other Financing Receipts:				
Other Financing Sources		49,451		49,451
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts		49,451		49,451
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(132,712)	32,283	215,525	115,096
Fund Cash Balances, January 1	176,546	10,123	881,169	1,067,838
Fund Cash Balances, December 31	<u>\$43,834</u>	<u>\$42,406</u>	<u>\$1,096,694</u>	<u>\$1,182,934</u>

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$417,477
Fines, Licenses and Permits	6,650
Miscellaneous	1,937
Total Operating Cash Receipts	426,064
Operating Cash Disbursements:	
Personal Services	189,376
Transportation	149
Contractual Services	101,837
Supplies and Materials	33,411
Capital Outlay	41,718
Total Operating Cash Disbursements	366,491
Operating Income	59,573
Non-Operating Cash Disbursements:	
Debt Service	99,033
Other Financing Uses	3,300
Total Non-Operating Cash Disbursements	102,333
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(42,760)
Transfers-In	64,974
Transfers-Out	(64,974)
Net Receipts Over/(Under) Disbursements	(42,760)
Fund Cash Balances, January 1	278,917
Fund Cash Balances, December 31	\$236,157

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, 2003 AND 2002**

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 Andover, Ashtabula County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services including water and sewer utilities, park operations, and police services.

The Village contracts with the Andover Volunteer Fire Department to provide fire protection services. The Village pays the Volunteer Fire Department with monies received from a 1.5 mill fire levy. The Village also contracts with the Pymatuning Ambulance Service to provide ambulance and emergency medical services. The Village pays the Ambulance Service with monies received from an emergency medical services levy.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

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

2. Special Revenue Funds

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Police Levy Fund – This fund receives property tax money to provide police services for Village residents.

Ambulance Levy Fund – This fund receives property tax money to provide ambulance and emergency medical services for Village residents.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Permanent Improvement Fund – This fund receives a percentage of the Village income tax to finance the water treatment plant expansion project.

4. Enterprise Funds

These funds account 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 Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

Sewer Debt Service Fund – This fund received a loan from the Ohio Water Development Authority to finance a wastewater treatment plant expansion project. The loan is being repaid from this fund with proceeds of a utility surcharge.

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 level of control except the General Fund which is at the fund, function level of control, and appropriations may not exceed estimated resources. 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.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$1,022,989	\$1,419,091
Total deposits	<u>1,022,989</u>	<u>1,419,091</u>

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$400,000	\$444,231	\$44,231
Special Revenue	180,300	192,188	11,888
Capital Projects	712,609	409,677	(302,932)
Enterprise	521,125	443,369	(77,756)
Total	\$1,814,034	\$1,489,465	(\$324,569)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$393,800	\$468,912	(\$75,112)
Special Revenue	220,850	174,316	46,534
Capital Projects	1,671,600	777,978	893,622
Enterprise	682,915	464,361	218,554
Total	\$2,969,165	\$1,885,567	\$1,083,598

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$444,800	\$345,933	(\$98,867)
Special Revenue	156,100	230,404	74,304
Capital Projects	842,609	671,228	(171,381)
Enterprise	557,253	491,038	(66,215)
Total	\$2,000,762	\$1,738,603	(\$262,159)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$576,540	\$478,645	\$97,895
Special Revenue	270,700	198,121	72,579
Capital Projects	1,318,400	455,703	862,697
Enterprise	747,770	533,798	213,972
Total	\$2,913,410	\$1,666,267	\$1,247,143

Contrary to Ohio law, the Village did not certify all purchases prior to the obligations being incurred in all funds. Also, in violation of Ohio law, the Village's appropriations exceeded the certified estimated receipts and expenditures were made in excess of appropriations.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one and one-half (1.5) percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loans	\$3,016,330	2.20% to 8.35%
OPWC Loan	39,600	0.00%
Total	<u>\$3,055,930</u>	

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project mandated by the Ohio Environmental Protection Agency (OEPA). The OWDA has approved up to \$ 3,425,096 in loans to the Village for this project. The loans will be repaid in semiannual installments over 20 years. The scheduled payments will be adjusted to reflect any revisions in amounts actually borrowed. The loans are collateralized by water and sewer user fees.

The Ohio Public Works Commission (OPWC) loan was used to finance waterline improvements on several streets in the Village. The original issue was \$72,000 and will be repaid in semiannual installments over 20 years. The loan is collateralized by water user fees.

The Village has set utility rates sufficient to cover OWDA and OPWC debt service requirements.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>
2004	\$212,610	\$3,600
2005	292,572	3,600
2006	292,572	3,600
2007	292,572	3,600
2008	292,572	3,600
Subsequent	<u>2,645,865</u>	<u>21,600</u>
Total	<u><u>\$4,028,763</u></u>	<u><u>\$39,600</u></u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

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

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

VILLAGE OF ANDOVER
ASHTABULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

8. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2004	2003
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	\$4,457,714	\$3,531,044

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

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

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Andover, Ashtabula County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 31, 2005. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated October 31, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 to 2003-003. In a separate letter to the Village's management dated October 31, 2005, we reported other matters related to noncompliance we deemed immaterial.

Village of Andover
Ashtabula County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 31, 2005

VILLAGE OF ANDOVER
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Certification of Availability of Funds

Ohio Rev. Code Section 5705.41(D) states, in pertinent part, no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract 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.

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

Then and Now Certificate: If the fiscal officer can certify that both at the time the contract or order was made "then" at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, free of any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate, to approve payment by resolution. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority.

Amounts of less than three thousand dollars (\$3,000) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. (Prior to April 7, 2003, the amount that may be paid was less than \$1,000.)

Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

The Clerk did not always obtain certification of available funds prior to incurring obligations and there was no evidence of a “Then and Now” certificate being used by the Clerk. Our test of forty (40) expenditures in 2003 and 2002 noted 26 instances whereby proper certification was not obtained. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

FINDING NUMBER 2003-002

Noncompliance Citation

Appropriations Limited by Estimated Revenue

Ohio Rev. Code Section 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.

The Village’s appropriations exceeded the official certificate of estimated resources in the following funds:

2003	Appropriations in Excess of Estimated Resources	2002	Appropriations in Excess of Estimated Resources
Municipal Permissive Tax	\$15,900	State Highway	\$200
Fire Levy	9,746	Police Levy	8,671
Education	6,000	Fire Levy	9,159
Ambulance Levy	41,500	Education	1,800
Parks	650	Ambulance Levy	47,770
Drug Law Enforcement	400	COPS Grant	33,500
Safety Data	200	Safety Data	600
Capital Improvements	459,000	Sewer	33,100
Utility Deposits	2,000	Sewer Debt	17,960
Sewer Debt	79,960	Water Improvements	1,000
Sewer Improvements	2,695		

There was no evidence the County Auditor filed a certificate to indicate the Village’s compliance with this statute. Failure to limit appropriations to the amount certified by the Budget Commission could result in overspending and negative cash balances. We recommend that no expenditures or commitments be made until the County Auditor certifies the appropriations from each fund do not exceed the official estimates.

FINDING NUMBER 2003-003

Noncompliance Citation

Expenditures Limited by Appropriations

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Budgetary expenditures exceeded total appropriations at the legal level of control in the following funds at December 31, 2003:

	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 393,800	\$ 468,913	\$ (75,113)
Ambulance Levy Fund	41,500	44,110	(2,610)

The Village should develop and implement procedures to monitor appropriations and expenditures throughout the year. Amendments to its appropriations should be enacted by the Village Council as necessary to comply with the applicable statute. An effective monitoring system will enable the Village to comply with budgetary requirements while limiting the risk of overspending in a fund or account.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2001-001	O.R.C. Section 5705.39 - The appropriations exceeded the certified estimated resources.	No	Not corrected.
2001-002	O.R.C. Section 5705.41(B) – The expenditures exceeded appropriations.	No	Not corrected.
2001-003	O.R.C. Section 5705.41 (D) – Failure to properly certify commitments or obligations.	No	Not corrected. Encumbrances are not posted to the accounting system. The Clerk/Treasurer maintains a purchase order tracking sheet.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
DECEMBER 20, 2005**