

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Andover
134 Maple Street
P.O. Box 1267
Andover, Ohio 44003

We have reviewed the *Report of Independent Accountants* of the Village of Andover, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Andover is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 10, 2007

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**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 and 2004**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Andover
Ashtabula County
134 Maple Street
Andover, Ohio 44334-1267

To the Village Council:

We have audited the accompanying financial statements of the Village of Andover, Ashtabula County, Ohio (the Village), as and for the years ended December 31, 2005 and 2004. 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Andover, Ashtabula County as of December 31, 2005 and 2004 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2007, 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, 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 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.

Charles E. Harris & Associates, Inc.
August 29, 2007

**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, 2005**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 96,482	\$ 137,616	-	\$ 234,098
Municipal Income Tax	241,199	-	\$ 337,676	578,875
Intergovernmental Receipts	75,396	4,840	-	80,236
Charges for Services	1,860	1,885	-	3,745
Fines, Licenses and Permits	7,284	413	-	7,697
Earnings on Investments	22,224	166	-	22,390
Miscellaneous	2,156	196	-	2,352
Total Cash Receipts	446,601	145,116	337,676	929,393
Cash Disbursements:				
Current:				
Security of Persons/Property	226,842	74,587	-	301,429
Public Health Services	12,484	2,381	-	14,865
Leisure Time Activities	12,972	1,020	-	13,992
Community Environment	8,658	-	-	8,658
Basic Utility Service	2,423	-	-	2,423
Transportation	35	80,201	-	80,236
General Government	188,679	-	-	188,679
Capital Outlay	-	-	302,349	302,349
Debt Service:				
Principal Retirement	-	-	166,225	166,225
Interest and Fiscal Charges	-	-	49,985	49,985
Total Cash Disbursements	452,093	158,189	518,559	1,128,841
Total Cash Receipts Over/(Under) Cash Disbursements	(5,492)	(13,073)	(180,883)	(199,448)
Fund Cash Balance, January 1	1,692	64,613	924,945	991,250
Fund Cash Balance, December 31	<u>\$ (3,800)</u>	<u>\$ 51,540</u>	<u>\$ 744,062</u>	<u>\$ 791,802</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 - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type Enterprise Funds
Operating Cash Receipts:	
Charges for Services	\$ 412,162
Fines, Licenses and Permits	14,400
Miscellaneous	2,713
Total Operating Cash Receipts	429,275
Operating Cash Disbursements	
Personal Services	208,490
Transportation	198
Contractual Services	95,383
Materials and Supplies	34,429
Miscellaneous	8,902
Capital Outlay	9,031
Total Operating Cash Disbursements	356,433
Operating Income	72,842
Non-Operating Cash Disbursements	
Debt Service:	
Principal Retirement	37,355
Interest and Fiscal Charges	35,718
Total Non-Operating Cash Disbursements	73,073
Excess of Receipts Over/(Under) Disbursement Before Interfund Transfers	(231)
Transfers-In	30,177
Transfers-Out	(30,177)
Net Receipts Over/(Under) Disbursements	(231)
Fund Cash Balance, January 1	190,540
Fund Cash Balance, December 31	\$ 190,309

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, 2004**

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 105,080	\$ 180,724	-	\$ 285,804
Municipal Income Tax	212,008	-	\$ 361,353	573,361
Intergovernmental Receipts	76,119	7,783	143,176	227,078
Charges for Services	850	1,770	-	2,620
Fines, Licenses and Permits	4,819	638	-	5,457
Earnings on Investments	10,839	682	-	11,521
Miscellaneous	3,628	-	-	3,628
	<u>413,343</u>	<u>191,597</u>	<u>504,529</u>	<u>1,109,469</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons/Property	241,427	121,256	-	362,683
Public Health Services	11,292	2,326	-	13,618
Leisure Time Activities	12,283	918	-	13,201
Community Environment	4,400	-	-	4,400
Basic Utility Service	1,548	-	-	1,548
Transportation	400	62,762	-	63,162
General Government	159,454	-	-	159,454
Capital Outlay	-	-	91,767	91,767
Debt Service:				
Principal Retirement	-	-	162,705	162,705
Interest and Fiscal Charges	-	-	53,505	53,505
	<u>430,804</u>	<u>187,262</u>	<u>307,977</u>	<u>926,043</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	(17,461)	4,335	196,552	183,426
Other Financing Sources/(Uses):				
Advances In	15,000	-	-	15,000
Advances Out	(15,000)	-	-	(15,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources/(Uses)				
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(17,461)	4,335	196,552	183,426
Fund Cash Balance, January 1	<u>19,153</u>	<u>60,278</u>	<u>728,393</u>	<u>807,824</u>
Fund Cash Balance, December 31	<u>\$ 1,692</u>	<u>\$ 64,613</u>	<u>\$ 924,945</u>	<u>\$ 991,250</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 - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type Enterprise Funds</u>
Operating Cash Receipts:	
Charges for Services	\$ 371,041
Fines, Licenses and Permits	9,125
Miscellaneous	<u>3,633</u>
Total Operating Cash Receipts	383,799
Operating Cash Disbursements	
Personal Services	204,404
Contractual Services	95,211
Materials and Supplies	26,592
Miscellaneous	4,000
Capital Outlay	<u>5,609</u>
Total Operating Cash Disbursements	<u>335,816</u>
Operating Income	47,983
Non-Operating Cash Disbursements	
Debt Service:	
Principal Retirement	34,477
Interest and Fiscal Charges	<u>38,131</u>
Total Non-Operating Cash Disbursements	<u>72,608</u>
Excess of Receipts Over/(Under) Disbursement Before Interfund Transfers and Advances	(24,625)
Advances-In	15,000
Advances-Out	(15,000)
Transfers-In	26,842
Transfers-Out	<u>(26,842)</u>
Net Receipts Over/(Under) Disbursements	(24,625)
Fund Cash Balance, January 1	<u>215,165</u>
Fund Cash Balance, December 31	<u><u>\$ 190,540</u></u>

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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, Inc. to provide fire protection services. The Village pays the Volunteer Fire Department with monies received from two fire levies totaling 1.5 mills. The Village also contracts with the Pymatuning Ambulance Service, Inc. to provide ambulance and emergency medical services. The Village pays the Ambulance Service with monies received from a 2.0 mill 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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement 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.)

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

C. CASH AND INVESTMENTS

The provisions of the Ohio Revised Code restrict investment procedures. Purchased investments are valued at purchase cost. Interest earned is recognized and recorded when received. See Note 2 for further description.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities, reported in other funds. The restrictions associated with each class of funds are as follows:

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. FUND ACCOUNTING – (continued)

Governmental Fund Types:

General Fund: The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: To account for the proceeds of specific revenue sources that is legally restricted to disbursements for specified 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 construction, maintaining, and repairing Village streets.

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

Fire Levy Fund – This fund receives property tax money to provide fire service for the Village residents.

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

Capital Project Funds: To account for the financial resources to be used for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village has the following significant Capital Project fund:

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

Proprietary Fund Type:

Enterprise Funds: These funds account for operations that are similar to private business enterprises, where management intends to recover the significant cost of providing certain goods or services through user charges. The Village has 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.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is prepared by the Clerk/Treasurer, approved by Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

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 approve estimated resources.

3. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The legal level of budgetary control is at the fund level for all funds except the General Fund which is at the fund, function level of control, and appropriations may not exceed estimated resources. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

4. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated. In Note 7, encumbrances are added to budgetary expenditures and compared to current year appropriations plus prior year carry-over appropriations.

A summary of 2005 and 2004 budgetary activity appears in Note 7.

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.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

G. UNPAID VACATION AND SICK LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash pool using all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of the Village's cash and investments at December 31 was as follows:

	2005	2004
Demand Deposits	\$ 172,861	\$ 392,688
Certificates of Deposit	750,000	-
Money Market Account	50,000	-
Savings Accounts	9,250	789,102
Total Deposits, Investments and Cash	\$ 982,111	\$ 1,181,790

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

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35 percent of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2003.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

3. PROPERTY TAXES – (Continued)

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amounts of these homestead and rollback reductions are reimbursed to the Village by the State of Ohio and are reflected in the accompanying financial statements as Intergovernmental Receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

The County Treasurer collects property tax on behalf of all taxing Villages within the county. The County Auditor periodically remits to the taxing Villages their portions of the taxes collected.

4. 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.

The local income tax is collected by Cleveland Collection Agency (CCA) and remitted to the Village less overhead costs monthly.

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
<u>OWDA:</u>		
1990's Sewer Treatment Plant Expansion	\$ 2,622,768	2.20% to 8.35%
<u>OPWC:</u>		
1994 Peach-Orchard-Cleveland Waterline Improvement	32,400	0.00%
	\$ 2,655,168	

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

5. DEBT – (Continued)

The Ohio Water Development Authority (OWDA) loans relate to the water and sewer plant expansion projects mandated by the Ohio Environmental Protection Agency (OEPA). The OWDA has approved \$3,425,096 in loans to the Village for this purpose. The loans will be repaid in semiannual installments over 20 years. The scheduled payments will be adjusted to reflect any revisions in the amount borrowed. The loans are collateralized by water and sewer users fees and by the Village's income tax.

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 was collateralized by water user fees, but now it is collateralized by the Village's income tax.

Amortization of OPWC and OWDA loans is as follows:

OPWC LOAN		
YEAR ENDING 12/31:	PRINCIPAL	INTEREST
2006	\$ 3,600	\$ -
2007	3,600	-
2008	3,600	-
2009	3,600	-
2010	3,600	-
2011 - 2014	14,400	-
Total	\$ 32,400	\$ -

OWDA LOANS		
YEAR ENDING 12/31:	PRINCIPAL	INTEREST
2006	\$ 206,697	\$ 79,491
2007	213,753	72,981
2008	221,174	66,153
2009	228,983	58,985
2010	237,208	51,457
2011 - 2014	1,202,927	132,539
2015 - 2017	312,025	3,890
Total	\$ 2,622,767	\$ 465,496

6. RISK MANAGEMENT

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").

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

6. RISK MANAGEMENT – (Continued)

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. With policies effective September 1, 2003 and after, the Plan pays 5% of the casualty losses up to \$25,000 and 5% of the property losses up to \$50,000. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

	<u>2006</u>	<u>2005</u>	
Assets	\$ 9,620,148	\$ 8,219,430	
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>	
Members' Equity	<u>\$ 6,290,528</u>	<u>\$ 5,470,791</u>	

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

7. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 is as follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 440,960	\$ 446,601	\$ 5,641
Special Revenue Funds	157,640	145,116	(12,524)
Capital Project Funds	346,000	337,676	(8,324)
Enterprise Funds	<u>469,319</u>	<u>459,452</u>	<u>(9,867)</u>
Total	<u>\$ 1,413,919</u>	<u>\$ 1,388,845</u>	<u>\$ (25,074)</u>

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

7. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 442,560	\$ 452,093	\$ (9,533)
Special Revenue Funds	212,678	158,189	54,489
Capital Project Funds	1,255,910	518,559	737,351
Enterprise Funds	595,960	459,683	136,277
Total	\$ 2,507,108	\$ 1,588,524	\$ 918,584

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 548,172	\$ 428,343	\$ (119,829)
Special Revenue Funds	181,700	191,597	9,897
Capital Project Funds	350,000	504,529	154,529
Enterprise Funds	453,320	425,641	(27,679)
Total	\$ 1,533,192	\$ 1,550,110	\$ 16,918

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 566,800	\$ 445,804	\$ 120,996
Special Revenue Funds	234,200	187,262	46,938
Capital Project Funds	1,077,610	307,977	769,633
Enterprise Funds	644,220	450,266	193,954
Total	\$ 2,522,830	\$ 1,391,309	\$ 1,131,521

8. RETIREMENT SYSTEMS

Ohio Public Employees Retirement System (OPERS):

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS), a state operated, cost sharing, multiple employer public employee retirement system. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

8. RETIREMENT SYSTEMS – (Continued)

The Ohio Revised Code prescribes contribution rates. For 2005 and 2004, members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of covered payroll. The Village paid \$146,408, \$153,493, and \$164,035 in contributions for 2005, 2004, and 2003 respectively, which represented 100% of required contributions.

Ohio Police & Fire Pension Fund (OP&F):

The Village contributes to the Ohio Police and Fire Pension (OP&F), a cost-sharing multiple-employer defined benefit plan. The plan provides retirement and disability benefits, including postretirement healthcare, survivor benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code prescribes contribution rates. For 2005 and 2004, members contributed 10% of their gross salaries. The Village contributed an amount equal to 19.5% of covered police officer payroll. The Village paid \$75,585, \$67,984, and \$66,006 in contributions for 2005, 2004 and 2003 respectively, which represented 100% of required contributions.

9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. LEGAL COMPLIANCE

- Ohio Revised Code Section 5705.41(D) – The Village did not properly certify the availability of funds for non-payroll expenditures or encumber purchase orders.
- Ohio Revised Code Section 5705.14, .15, and .16 – The Village did not have certain transfers and advances properly approved by Council.
- Ohio Revised Code Section 5705.39 – The Village’s Capital Project Fund – Permanent Improvement appropriations exceed the total estimated resources.
- Ohio Revised Code Section 5705.36 – Numerous fund actual receipts fell short of estimated receipts, but they did not file for a reduced amended certificate and those funds exceeded appropriations.
- Ohio Revised Code Section 5705.41(B) – Expenditures exceeded appropriations for various funds.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Andover
Ashtabula County
134 Maple Street
Andover, Ohio 44334-1267

The Village Council:

We have audited the financial statements of the Village of Andover, Ashtabula County, Ohio (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 29, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribed rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Andover's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005 – VA – 001.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated August 29, 2007.

Compliance and Other Matters

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, grant agreements, and other matters 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2005 – VA – 001 through 2005 – VA – 006.

We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated August 29, 2007.

This report is intended solely for the information and use of management and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

August 29, 2007

VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005 - VA - 001

Noncompliance Citation and Material Weakness

Certification Date

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state 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.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less that \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance 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. 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.
3. 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 items appropriation.

VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005 - VA – 001 – (Continued)

The Village did not properly certify the availability of funds for any non-payroll expenditures tested for the audit period. Purchase orders were dated after the invoice dates. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify the availability of funds prior to the commitment for the expenditure of Village money. The Village should consider the use of blanket purchase orders and "then and now" certificates to assist in complying with the above requirement.

Village's Course of Action - This citation deals with the use of purchase orders by the Village. In 2006 a better process was initiated to better assure the use of purchase orders. Blankets and Super Blankets are being used. The process has proven to be very helpful and improving each month.

FINDING NUMBER 2005 - VA – 002

Noncompliance Citation

Timely Filing of Financial Statements

Ohio Revised Code Section 117.38 provides that an annual financial report shall be filed with the Auditor of State within sixty days after the close of the year. The section also states that at the time the report is filed with the Auditor of State, the fiscal officer must publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such paper, then in a newspaper of general circulation in the political subdivision or taxing district, that the report has been completed and is available for public inspection at the office of the fiscal officer.

The financial reports for 2004 and 2005 were not filed. We also noted that the Village did not publish a notice in newspaper to inform the public that the report has been completed and is available for public inspection. Pursuant to Ohio Revised Code Section 117.38, the Village may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Village's Course of Action

The 2004 and 2005 annual reports are soon to be computerized. As such, when the 2006 – 2007 audit is begun the reports will be available for use. Every effort will be made in the future to prevent this citation from occurring again.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005 - VA – 003

Noncompliance Citation

Expenditures exceed Appropriations

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the function level for the General Fund and fund level from all other funds per Board resolution. The following funds had total expenditures plus encumbrances expended money in excess of appropriations:

Funds	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 442,560	\$ 452,093	\$ (9,533)
Special Revenue Funds:			
Ambulance Levy Fund	2,278	2,410	(132)
Capital Project Funds:			
Sidewalk Improvement Fund	-	525	(525)
Enterprise Funds:			
Sewer Fund	222,800	227,353	(4,553)
Utility Deposit Fund	4,000	5,300	(1,300)
Sewer Debt Fund	73,000	73,073	(73)

2004			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue Funds:			
Cemetery Fund	\$ -	\$ 2,326	\$ (2,326)
Ambulance Levy Fund	40,000	41,390	(1,390)

Since the General Fund was over appropriated at the fund level in 2005, the legal levels of control violations were not disclosed.

We recommend that Council compare appropriations to the appropriations ordinances and periodically compare expenditures to appropriations. If additional appropriations are needed, then Council should take the necessary steps to adopt supplemental appropriations, if sufficient receipts are available, to prevent expenditures from exceeding appropriations.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005 - VA – 003 – (Continued)

Village's Course of Action - This goes hand in hand with Finding Number 2005 – VA – 004. With the timely filing of monthly reports with Council and the correct verification from the Ashtabula County Auditor, these issues should be better followed in the future.

FINDING NUMBER 2005 - VA – 004

Noncompliance Citation

Estimated Receipts Over Actual Receipts

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In both 2005 and 2006 the Village had estimated receipts greater than actual receipts in several funds to an extent by which the shortage of actual compared to estimated receipts could reduce the total estimated resources to an amount lower than the appropriations.

Fund	2005		Variance
	Estimated Receipts	Actual Reciepts	
<u>Special Revenue Funds</u>			
Cemetery Fund	\$ 2,400	\$ 2,299	\$ (101)
Police Levy Fund	50,000	43,406	(6,594)
Fire Levy Fund	28,000	25,402	(2,598)
Muni - Permissive Tax Fund	10,000	8,293	(1,707)
Education Fund	654	313	(341)
Drug Trust Fund	200	-	(200)
<u>Capital Project Funds</u>			
Permanent Improvement Fund	346,000	332,676	(13,324)
<u>Enterprise Funds</u>			
Water Improvement Fund	8,500	5,875	(2,625)
Sewer Improvement Fund	5,599	5,400	(199)
Sewer Replacement Fund	6,220	-	(6,220)

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005 - VA – 004 – (Continued)

Fund	2004		Variance
	Estimated Receipts	Actual Receipts	
<u>General Fund</u>	\$ 548,172	\$ 428,343	\$ (119,829)
<u>Special Revenue Funds</u>			
Police Levy Fund	50,000	49,870	(130)
Fire Levy Fund	28,000	27,929	(71)
Education Fund	800	438	(362)
Drug Trust Fund	200	100	(100)
Ambulance Levy Fund	40,000	39,952	(48)
<u>Enterprise Funds</u>			
Water Fund	130,000	124,093	(5,907)
Water Improvement Fund	8,500	1,750	(6,750)
Sewer Improvement Fund	5,600	2,000	(3,600)
Sewer Replacement Fund	6,220	-	(6,220)

We recommend the Village request a reduced amended certificate of estimated resources when it is known the actual receipts will be less than the estimated receipts and the deficiency will reduce estimated resources below the amount of appropriations.

Village's Course of Action

For 2004 the actual receipts exceeding the estimated receipts were levy funds and were received from the Ashtabula County. The General Fund increase was due to the receipt of out of period COPS fund money. Every effort will be made to alleviate this from reoccurring by proper notification to the Ashtabula County Auditor of any increases or decreased estimated receipts.

FINDING NUMBER 2005 - VA – 005

Noncompliance Citation

Transfers and Advances

Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 sets requirements for the transfer and advance of monies and requires transfers to be approved by resolution specifying the funds to pay and receive the money. This resolution should be separate from appropriation resolutions.

VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005 - VA – 005 – (Continued)

During 2004 transfers and advances were made without Council approval. During 2005 transfers were made with approval by motion of Council after the transfer was made. No amounts or funds were noted in the motion. The transfers in 2004 and 2005 were from the sewer and sewer improvement fund to the sewer debt fund to pay debt and from the water fund to water improvement fund for improvements.

Also, in 2005, \$5,000 was temporarily advanced out of the Capital Projects Fund – Permanent Improvement and received by the General Fund. There was no Council approval and we determined this was not a legal advance. This advance was reversed on the Village's records and the financial statements have been adjusted accordingly.

Council must approve all transfers and advances by resolution specifying the funds to pay and receive the money and they should ensure that all transfers and advances are executed in accordance with the Ohio Revised Code.

Village's Course of Action - There will be increased diligence on the legislative approval of the transfers and advances. This will alleviate any future citations.

FINDING NUMBER 2005 - VA – 006

Noncompliance Citation

Appropriations vs. Total Estimated Resources

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..." This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources. Contrary to this requirement, the Capital Project Fund – Permanent Improvement total appropriations exceeded the estimated resources in both 2004 and 2005 as follows:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2005	\$1,200,471	\$1,255,910	\$(55,439)
2004	1,007,920	1,077,610	(69,690)

Village's Course of Action - This will be addressed through the same avenues as Findings Number 2005 – 003, 004, and 005 above. Through the timely preparation of financial statements and the coordination of the Clerk-Treasurer, Finance Committee, and Audit Committee these three areas should show improvement.

At this time, I, as Clerk-Treasurer of the Village of Andover, shall to the best of my ability take under advisement all of the above noncompliance citations. Through the timely preparation of financial reports the Finance and Audit Committees shall be better able to perform their duties. Through this work at the committee level, the Andover Village Council financial reports shall be improved.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Deferent Corrective Action Taken; or finding no longer Valid; Explain:
2003 - 001	Ohio Revised Code Section 5705.41(D) Failed to properly certify commitment or obligations.	No	Not Corrected Reissued 2005 - VA - 001
2003 - 002	Ohio Revised Code Section 5705.39 Appropriations exceeded estimated resources.	No	Partially Corrected Reissued 2005 - VA - 006
2003 - 003	Ohio Revised Code Section 5705.41(B) Budgetary expenditures exceeded appropriation authority.	No	Not Corrected Reissued 2005 - VA - 003



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 8, 2007**