

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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



Mary Taylor, CPA

Auditor of State

Village 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, 2008 through December 31, 2009. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 25, 2010

This Page is Intentionally Left Blank.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2009 and 2008**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds - For the Year Ended December 31, 2009	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds - For the Year Ended December 31, 2008	6
Notes to the Financial Statements	7 - 15
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	16 – 17
Schedule of Findings	18 – 28
Schedule of Prior Audit Findings	29

614 Superior Avenue, N.W.
Rockefeller Building, Suite 1242
Cleveland, Ohio 44113
Office phone - (216) 575-1630
Fax - (216) 436-2411

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, 2009 and 2008. 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, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2009 and 2008. 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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008 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, 2009 and 2008. 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 23, 2010, 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 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 23, 2010

**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, 2009**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 100,645	\$ 129,395	\$ -	\$ -	\$ 230,040
Municipal Income Tax	226,064	-	-	226,065	452,129
Intergovernmental Receipts	61,315	70,390	-	131,060	262,765
Charges for Services	9,281	2,050	-	-	11,331
Fines, Licenses and Permits	16,490	2,250	-	-	18,740
Earnings on Investments	3,274	31	-	-	3,305
Miscellaneous	3,176	491	-	-	3,667
Total Cash Receipts	420,245	204,607	-	357,125	981,977
Cash Disbursements:					
Current:					
Security of Persons/Property	252,004	98,307	-	-	350,311
Public Health Services	10,270	2,580	-	-	12,850
Leisure Time Activities	17,024	544	-	-	17,568
Community Environment	9,247	-	-	-	9,247
Basic Utility Service	6,109	-	-	-	6,109
Transportation	-	76,912	-	-	76,912
General Government	172,594	-	-	-	172,594
Capital Outlay	-	-	-	155,995	155,995
Debt Service:					
Principal Retirement	-	-	5,494	80,061	85,555
Interest and Fiscal Charges	-	-	731	16,324	17,055
Total Cash Disbursements	467,248	178,343	6,225	252,380	904,196
Total Cash Receipts Over/(Under) Cash Disbursements	(47,003)	26,264	(6,225)	104,745	77,781
Other Financing Sources/(Uses):					
Transfers In	-	700	-	-	700
Advances In	-	1,797	-	-	1,797
Transfers Out	(700)	-	-	-	(700)
Advances Out	(1,797)	-	-	-	(1,797)
Total Other Financing Sources/(Uses)	(2,497)	2,497	-	-	-
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(49,500)	28,761	(6,225)	104,745	77,781
Fund Cash Balance, January 1	2,419	43,768	-	197,574	243,761
Fund Cash Balance, December 31	\$ (47,081)	\$ 72,529	\$ (6,225)	\$ 302,319	\$ 321,542

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
AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type Enterprise Funds</u>	<u>Fiduciary Fund Types Agency Fund</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 465,890	\$ -	\$ 465,890
Fines, Licenses and Permits	-	27,074	27,074
Miscellaneous	6,149	-	6,149
	<u>472,039</u>	<u>27,074</u>	<u>499,113</u>
Total Operating Cash Receipts			
Operating Cash Disbursements			
Personal Services	120,425	-	120,425
Fringe Benefits	75,892	-	75,892
Contractual Services	92,375	-	92,375
Materials and Supplies	34,855	-	34,855
Miscellaneous	3,914	-	3,914
Capital Outlay	71,255	-	71,255
	<u>398,716</u>	<u>-</u>	<u>398,716</u>
Total Operating Cash Disbursements			
Operating Income	73,323	27,074	100,397
Non-Operating Cash Receipts			
Proceeds of Loans	42,560	-	42,560
	<u>42,560</u>	<u>-</u>	<u>42,560</u>
Total Non-Operating Cash Disbursements			
Non-Operating Cash Disbursements			
Debt Service:			
Principal Retirement	38,897	-	38,897
Interest and Fiscal Charges	11,750	-	11,750
Other Financing Uses	-	23,492	23,492
	<u>50,647</u>	<u>23,492</u>	<u>74,139</u>
Total Non-Operating Cash Disbursements			
Net Receipts Over/(Under) Disbursements	65,236	3,582	68,818
Fund Cash Balance, January 1	<u>179,396</u>	<u>430</u>	<u>179,826</u>
Fund Cash Balance, December 31	<u>\$ 244,632</u>	<u>\$ 4,012</u>	<u>\$ 248,644</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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<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	\$ 89,593	\$ 118,753	\$ -	\$ 208,346
Municipal Income Tax	254,810	-	254,810	509,620
Intergovernmental Receipts	84,870	68,964	-	153,834
Charges for Services	11,983	2,380	-	14,363
Fines, Licenses and Permits	14,440	1,997	-	16,437
Earnings on Investments	6,527	42	-	6,569
	<u>462,223</u>	<u>192,136</u>	<u>254,810</u>	<u>909,169</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons/Property	216,447	115,557	-	332,004
Public Health Services	11,221	2,310	-	13,531
Leisure Time Activities	16,165	847	-	17,012
Community Environment	10,290	-	-	10,290
Basic Utility Service	2,690	-	-	2,690
Transportation	-	86,210	-	86,210
General Government	169,584	-	-	169,584
Capital Outlay	-	-	107,510	107,510
Debt Service:				
Principal Retirement	-	-	177,258	177,258
Interest and Fiscal Charges	-	-	38,952	38,952
	<u>426,397</u>	<u>204,924</u>	<u>323,720</u>	<u>955,041</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under)				
Cash Disbursements	35,826	(12,788)	(68,910)	(45,872)
Other Financing Sources/(Uses):				
Other Debt Proceeds	-	-	17,195	17,195
Advances Out	(31,035)	-	-	(31,035)
	<u>(31,035)</u>	<u>-</u>	<u>17,195</u>	<u>(13,840)</u>
Total Other Financing Sources/(Uses)				
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	4,791	(12,788)	(51,715)	(59,712)
Fund Cash Balance, January 1	<u>(2,372)</u>	<u>56,556</u>	<u>249,289</u>	<u>303,473</u>
Fund Cash Balance, December 31	<u>\$ 2,419</u>	<u>\$ 43,768</u>	<u>\$ 197,574</u>	<u>\$ 243,761</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
AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type Enterprise Funds</u>	<u>Fiduciary Fund Types Agency Fund</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 444,195	\$ -	\$ 444,195
Fines, Licenses and Permits	-	15,340	15,340
Total Operating Cash Receipts	444,195	15,340	459,535
Operating Cash Disbursements			
Personal Services	149,741	-	149,741
Fringe Benefits	75,862	-	75,862
Contractual Services	107,251	-	107,251
Materials and Supplies	37,029	-	37,029
Miscellaneous	4,950	-	4,950
Capital Outlay	8,602	-	8,602
Total Operating Cash Disbursements	383,435	-	383,435
Operating Income	60,760	15,340	76,100
Non-Operating Cash Disbursements			
Debt Service:			
Principal Retirement	47,516	-	47,516
Interest and Fiscal Charges	27,200	-	27,200
Other Financing Uses	-	15,190	15,190
Total Non-Operating Cash Disbursements	74,716	15,190	89,906
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(13,956)	150	(13,806)
Advances-In	31,035	-	31,035
Net Receipts Over/(Under) Disbursements	17,079	150	17,229
Fund Cash Balance, January 1	162,317	280	162,597
Fund Cash Balance, December 31	<u>\$ 179,396</u>	<u>\$ 430</u>	<u>\$ 179,826</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, 2009 AND 2008**

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.

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, 2009 AND 2008**

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, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. FUND ACCOUNTING – (continued)

Fiduciary Fund Type (Agency Fund):

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayors Court Fund – This fund accounts for the operations of the Village's Mayors Court solely in an agency capacity.

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.

A summary of 2009 and 2008 budgetary activity appears in Note 7.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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:

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$ 179,382	\$ 45,415
Money Market Account	374,108	362,857
Savings Accounts	<u>16,696</u>	<u>15,315</u>
Total Deposits, Investments and Cash	<u>\$ 570,186</u>	<u>\$ 423,587</u>

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 2006.

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, 2009 AND 2008**

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. Tangible personal property taxes are being phased out through 2009.

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, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
<u>OWDA:</u>		
1990's Sewer Treatment Plant Expansion	\$ 1,688,198	2.20% to 8.35%
<u>OPWC:</u>		
1994 Peach-Orchard-Cleveland Waterline Improvement	18,000	0.00%
West Main Sewer Rehabilitation	41,496	0.00%
<u>Andover Bank:</u>		
Radio Loan	11,700	4.25%
	<u>\$ 1,759,394</u>	

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.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

5. DEBT – (Continued)

The Ohio Public Works Commission (OPWC) Peach-Orchard-Cleveland Waterline 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.

The Ohio Public Works Commission (OPWC) West Main Street Sewer rehabilitation loan was used to finance sewerline improvements on West Main Street in the village. The original issue was \$42,560 and will be repaid in semiannual installments over 20 years. The loan is collateralized by sewer usage fees.

The Andover Bank loan relates to the purchase of radios for emergency services for the Village. The loan will be repaid in annual payments over 3 years. The loan is collateralized by the Village's income tax.

Amortization of the loans is as follows:

YEAR	OWDA LOANS		Andover Bank Loan	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
ENDING 12/31:				
2010	\$ 229,273	\$ 50,091	\$ 5,728	\$ 497
2011	237,770	42,348	5,972	253
2012	246,739	34,194	-	-
2013	256,217	25,601	-	-
2014	226,270	16,523	-	-
2015 - 2019	491,929	16,352	-	-
Total	\$ 1,688,198	\$ 185,109	\$ 11,700	\$ 750
YEAR	OPWC Waterline Loan		OPWC Sewerline Loan	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
ENDING 12/31:				
2010	\$ 3,600	\$ -	\$ 2,128	\$ -
2011	3,600	-	2,128	-
2012	3,600	-	2,128	-
2013	3,600	-	2,128	-
2014	3,600	-	2,128	-
2015-2019	-	-	10,640	-
2020-2024	-	-	10,640	-
2025-2029	-	-	9,576	-
Total	\$ 18,000	\$ -	\$ 41,496	\$ -

An adjustment of \$178,654 was made to the beginning debt balance to correct previous years principal and interest recording.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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").

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 Plan'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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$ 11,176,186	\$10,471,114
Liabilities	(4,852,485)	(5,286,781)
Members' Equity	<u>\$ 6,323,701</u>	<u>\$ 5,184,333</u>

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

6. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 is as follows:

<u>Fund Type</u>	<u>2009 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 442,000	\$ 420,245	\$ (21,755)
Special Revenue Funds	186,800	207,104	20,304
Debt Service	-	-	-
Capital Project Funds	381,060	357,125	(23,935)
Enterprise Funds	500,620	514,599	13,979
Total	<u>\$ 1,510,480</u>	<u>\$ 1,499,073</u>	<u>\$ (11,407)</u>

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

7. BUDGETARY ACTIVITY (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 443,000	\$ 469,745	\$ (26,745)
Special Revenue Funds	199,570	178,343	21,227
Debt Service Funds	-	6,225	(6,225)
Capital Project Funds	440,000	252,380	187,620
Enterprise Funds	637,157	449,363	187,794
Total	\$ 1,719,727	\$ 1,356,056	\$ 363,671

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 450,000	\$ 462,223	\$ 12,223
Special Revenue Funds	172,930	192,136	19,206
Capital Project Funds	240,000	272,005	32,005
Enterprise Funds	524,160	475,230	(48,930)
Total	\$ 1,387,090	\$ 1,401,594	\$ 14,504

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 451,970	\$ 457,432	\$ (5,462)
Special Revenue Funds	191,580	204,924	(13,344)
Capital Project Funds	433,910	323,720	110,190
Enterprise Funds	571,876	458,151	113,725
Total	\$ 1,649,336	\$ 1,444,227	\$ 205,109

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, 2009 AND 2008**

8. RETIREMENT SYSTEMS – (Continued)

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. In 2009 and 2008, OPERS participants contributed 10.0% of their wages. The Village contributed an amount equal to 14.00% of their wages. The Village has paid all contributions required through December 31, 2009.

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

The Village's law enforcement officers belong to the Ohio Police & Fire Pension Fund (OP&F). OP&F is a cost sharing, multiple employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. For 2009 and 2008, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. The Village has paid all contributions through December 31, 2009.

9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. LEGAL COMPLIANCE

- 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 5705.41(B) – Expenditures exceeded appropriations for various funds.
- Ohio Revised Code Section 5705.10 – The Village had negative fund balances in several funds.

Rockefeller Building
614 Superior Avenue, Suite 1242
Cleveland, Ohio 44113
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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 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, 2009 and 2008, and have issued our report thereon dated August 23, 2010, 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-004, and 2009-006 through 2009-008 described in the accompanying schedule of findings to be material weaknesses.

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 grants 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 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 2009-001 through 2009-003, 2009-005, 2009-009 and 2009-010.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the Village in a separate letter dated August 23, 2010.

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 23, 2010

VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009 - 001

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 report for 2008 was not filed within the sixty days. 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.

Managements' Response

The annual financial reports will be filed with the Auditor of State within 60 days of the close of the year. We will publish notice of this in the local newspaper so that the public knows the reports are available for public inspection.

FINDING NUMBER 2009 - 002

Noncompliance Citation

Budgetary Expenditures exceed Appropriations Authority

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 Council resolution. The following funds had total expenditures plus encumbrances expended money in excess of appropriations:

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009 – 002 (continued)

2009			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 443,000	\$ 469,745	\$ (26,745)
DS-Other Debt Service Fund	-	6,225	(6,225)
2008			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 451,970	\$ 457,432	\$ (5,462)
SR-Police Levy Fund	35,400	45,945	(10,545)
SR-Ambulance Levy Fund	37,300	44,188	(6,888)
ENT-Water Fund	130,200	149,150	(18,950)

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.

Managements' Response

With timely filing of monthly reports, and financial reports provided each month to council, these issues will be more closely watched and these citations should be reduced in the future.

FINDING NUMBER 2009 - 003

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, 2009 AND 2008**

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

FINDING NUMBER 2009 – 003 (continued)

During 2008 and 2009 transfers were made without Council approval. Transfers 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.

The following transfers were reverse in the financial statements and on the Village’s books.

	<u>Transfer In</u>	<u>Transfer Out</u>
<u>2008</u>		
Water		\$2,500
Sewer		18,964
Water Improvements	\$2,500	
Sewer Improvements	2,500	
Sewer Debt Service	13,354	
Sewer Replacement	3,110	
 <u>2009</u>		
Sewer		\$11,669
Sewer Debt Service	\$8,669	
Sewer Replacement	3,000	

We recommend Council approve all transfers and advances by resolution specifying the funds to pay and receive the money.

Managements’ Response

All future transfers and advances will have the approval of Council.

VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009 - 004

Material Weakness

Lack of Bank Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank and investment statements and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. Throughout the audit period, monthly reconciliations were not performed to include the investment accounts which caused significant difference between the entity's records and the statement balances. These differences were subsequently identified and adjusted in the Village's books and on the financial statements.

Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner. In addition, the lack of legislative monitoring may lead to errors, irregularities or misappropriation of Village assets, and untimely audit reports.

The Fiscal Officer should perform and complete monthly bank reconciliations in a timely manner. In addition, a copy of each monthly bank reconciliation along with a complete listing of reconciling items (outstanding checks, posting errors, bank coding errors, etc.) along with the bank and investment statements and supporting documents for the applicable month should be included as part of the monthly financial package presented to the Village Council for review and approval. As part of this review Council should consider whether deposits and investments are allowable per the Ohio Revised Code. Furthermore, Village Council should document that it has reviewed the monthly financial package and reconciliations (e.g., sign and date the package and bank reconciliations.)

Managements' Response

The fiscal officer will complete accurate bank reconciliations each month for the primary, secondary and investment accounts of the village. A complete written list of reconciling items will prove the cash balance with the book balance.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009 - 005

Noncompliance Citation

Officials' Bonds

Ohio Rev. Code §3.06 - Unless other statutes prescribe a bond for a particular officials (such as for the officials listed in OCS Bonding Appendix), Ohio Rev. Code §3.06(B) permits “ any department or instrumentality of the state or any county, township, municipal corporation, or other subdivision or board of education or department or instrumentality thereof, may procure a blanket bond from any duly authorized corporate surety covering officers, clerks and employees, other than, treasurers or tax collectors and any officer, clerk or employee required by law to execute or file an individual official bond to qualify for office or employment.

Ohio Rev. Code §3.06 also requires “Any such blanket bond shall be approved as to its form and sufficiency of the surety by the officer or governing body authorized to require it.”

Ohio Rev. Code §3.30 - Failure to give bond deemed refusal of office.

We recommend that the Village of Andover bond at least the fiscal officer and the mayor's court secretary/utilities clerk. This is because these two positions have the highest volume of contact with cash that comes into and out of the Village. Bonding these two employees will help the Village to lower its risk of loss should theft or fraud occur and keep the Village in compliance with Ohio Rev. Code §3.06.

Managements' Response

The Fiscal Officer and Mayor's Court clerk will be bonded. There is currently a blanket bond for other village employees.

FINDING NUMBER 2009 - 006

Material Weakness

The Village had significant posting errors of receipt and expenditures during the fiscal year 2009. These errors were the result of failing to post receipts and expenditures. The adjusting entries are as follows:

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009 – 006 (continued)

The following adjustments are to record missing interest received throughout the year.

General Fund

Interest	\$	1,210
----------	----	-------

Permissive Motor Vehicle License

Interest	\$	15
----------	----	----

The following adjustments are to record missing utility charges received throughout the year.

Water

Charges for Services	\$	36,166
----------------------	----	--------

Sewer

Charges for Services	\$	58,752
----------------------	----	--------

Sewer Debt

Charges for Services	\$	16,640
----------------------	----	--------

The following adjustments are to record missing utility deposits received throughout the year.

Water Deposits

Charges for Services	\$	850
----------------------	----	-----

Sewer Deposits

Charges for Services	\$	425
----------------------	----	-----

The following adjustments are to record missing Mayor's Court fines received throughout the year.

Mayor's Court

Fine's, Licenses and Permits	\$	7,145
------------------------------	----	-------

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

The following adjustments are to record missing payroll transactions throughout the year.

General Fund

Security of Persons and Property	\$	17,840
Leisure Time Activities		2,845
Community Environment		1,879
General Government		8,791

Street Construction

Transportation	\$	3,152
----------------	----	-------

Water

Personal Services	\$	6,189
-------------------	----	-------

Sewer

Personal Services	\$	7,394
-------------------	----	-------

The following adjustment is to record a debt payment.

Other Debt Service

Principal Payment	\$	5,495
Interest and Fiscal Charges		731

The following adjustments are to record missing utility deposit refunds throughout the year.

Water Deposits

Other	\$	950
-------	----	-----

Sewer Deposits

Other	\$	475
-------	----	-----

The following adjustments are to record missing Mayor's Court payments throughout the year.

Mayor's Court

Other	\$	10,773
-------	----	--------

We also noted there was a misstatement in the prior year debt balance due to improper principal and interest recordings. Also, we noted that a loan and the corresponding capital outlay was incorrectly recorded in the debt service fund. These transactions were reclassified to the capital projects fund.

VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009 – 006 (continued)

Managements' Response

With the timely filing of monthly financial reports and accurate bank reconciliations being done for all accounts, such posting errors will be detected by month's end. This citation should not occur in the future.

FINDING NUMBER 2009 - 007

Material Weakness

Improper Recording of Investments

The following adjustment was due to the improper recording of the transfer between an investment account and the Villages' checking account as a receipt.

	<u>2009</u>	
General Fund		
Charges for Services		\$(20,000)

Managements' Response

Transfers are not receipts and will not be recorded as such. With the timely filing of monthly financial reports and accurate bank reconciliations being done for all accounts, such posting errors will be detected by month's end. This citation should not occur in the future.

FINDING NUMBER 2009 - 008

Material Weakness

Ohio Administrative Code Section 117-2-02 Accounting and reporting records.

- (A) All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements by rule 117-2-03 of the Administrative Code.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009 – 008 (continued)

- (B) All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of the operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:
- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transactions.
 - (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
 - (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expense into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
 - (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records for payroll:
 - a) W-2's, W-4's and other withholding records and authorizations
 - b) Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.

The Village converted to the Uniform Accounting Network system in 2008, however they continued to record payroll on a separate system and would generate payments and receipts in a completely separate manual system. This led to the following issues:

- (1) Transactions were not recorded in a timely manner. It appears transactions were recorded in the UAN system, in some instances, months after the transaction took place.
- (2) Bank reconciliations were not performed on a timely basis.

VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009 – 008 (continued)

Managements' Response

All entries are now made in the UAN, including payroll entries. Monthly financial reports are available by the second week of the following month; this includes all journal entries and payroll reports. Since there is now openness and accountability in the office of the fiscal officer, these citations should not occur in the future.

FINDING NUMBER 2009 – 009

Noncompliance Citation

Deficit Fund Balances

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which the fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund. As of December 31, 2009, the General Fund had a deficit balance of \$47,081 due to improper or incomplete recording of transactions as noted in finding 2009-008 above. The Other Debt Service Fund also had a deficit balance of \$6,225 as of December 31, 2009.

Managements' Response

After corrections are made regarding this citation, effort will be made to closely guard the expenditures between the funds. The UAN system will not allow for a negative fund balance situation to occur. Close attention will be paid to what expenses are being paid by which fund.

FINDING NUMBER 2009 - 010

Noncompliance Citation

Availability of public records policy

Ohio Rev. Code §149.43(A)(1) defines “public record” as any record that is kept by any public office, including, but not limited to, state, county, city, village, township, and school district units (including community schools), except medical records, records pertaining to adoption, probation, and parole proceedings, trial preparation records, confidential law enforcement investigatory records, records pertaining to abortions by minors (Ohio Rev. Code §2151.85), “security” or “infrastructure” records defined under Ohio Rev. Code §149.433 adoption records (Ohio Rev. Code §3107.42(A)), and records the release of which is prohibited by state or federal law.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009 – 010 (continued)

All public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, public offices shall maintain public records in such a manner that they can be made available for inspection. [Ohio Rev. Code §149.43(B)(1)]

The Village is aware of the public records law requirements but does not have a written policy. We recommend that the Village develop a written public records policy, of which a model of the policy is available at www.ag.state.oh.us/publicrecords/modelpolicy.asp. We further recommend that the Village post this policy in a conspicuous place in the public office.

Managements' Response

A public records policy will be adopted by the Village and this policy will be posted on the public bulletin board at the Village hall.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Deferent Corrective Action Taken; or finding no longer Valid; Explain:
2007 - VA - 001	Ohio Revised Code Section 117.38 Timely Filing of the Financial Statements	No	Not Corrected Reissued 2009 - 001
2007 - VA - 002	Ohio Revised Code Section 5705.41(B) Budgetary expenditures exceeded appropriation authority.	No	Not Corrected Reissued 2009 - 002
2007 - VA - 003	Ohio Revised Code Section 5705.36(A)(2) Estimated receipts over actual receipts	No	Partially Corrected, moved to Management Letter
2007 - VA - 004	Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 Unauthorized Transfers	No	Not Corrected Reissued 2009 - 003
2007 - VA - 005	Ohio Revised Code Section 5705.39 Appropriations exceeded estimated resources.	No	Partially Corrected, moved to Management Letter



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 9, 2010**