



Dave Yost • Auditor of State



VILLAGE OF ANDOVER  
ASHTABULA COUNTY

TABLE OF CONTENTS

| TITLE  | PAGE |
|--|------|
| Independent Auditor's Report .....   | 1    |
| Combined Statement of Receipts, Disbursements, and Changes in<br>Fund Balances (Cash Basis) - Governmental Fund Types -<br>For the Year Ended December 31, 2013 .....              | 3    |
| Combined Statement of Receipts, Disbursements, and Changes in<br>Fund Balances (Cash Basis) - Proprietary and Fiduciary Fund Types -<br>For the Year Ended December 31, 2013 ..... | 4    |
| Combined Statement of Receipts, Disbursements, and Changes in<br>Fund Balances (Cash Basis) - Governmental Fund Types -<br>For the Year Ended December 31, 2012 .....              | 5    |
| Combined Statement of Receipts, Disbursements, and Changes in<br>Fund Balances (Cash Basis) - Proprietary and Fiduciary Fund Types -<br>For the Year Ended December 31, 2012 ..... | 6    |
| Notes to the Financial Statements .....  | 7    |
| Independent Auditor's Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> .....         | 17   |
| Schedule of Findings .....   | 19   |
| Schedule of Prior Audit Findings .....   | 23   |

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Andover  
Ashtabula County  
134 Maple Street  
Andover, Ohio 44003

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Village of Andover, Ashtabula County, (the Village) as of and for the years ended December 31, 2013 and 2012.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Andover, Ashtabula as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 5, 2014

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | General                | Special<br>Revenue     | Capital<br>Projects    | Totals<br>(Memorandum<br>Only) |
|---|------------------------|------------------------|------------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                        |                        |                        |                                |
| Property and Other Local Taxes                        | \$63,457               | \$83,456               |                        | \$146,913                      |
| Municipal Income Tax                                  | 382,659                |                        | \$127,553              | 510,212                        |
| Intergovernmental                                     | 70,420                 | 90,856                 |                        | 161,276                        |
| Charges for Services                                  | 1,327                  | 1,345                  |                        | 2,672                          |
| Fines, Licenses and Permits                           | 16,185                 | 2,005                  |                        | 18,190                         |
| Earnings on Investments                               | 511                    | 30                     |                        | 541                            |
| Miscellaneous   | 3,428                  | 2,165                  |                        | 5,593                          |
| <i>Total Cash Receipts</i>                            | <u>537,987</u>         | <u>179,857</u>         | <u>127,553</u>         | <u>845,397</u>                 |
| <b>Cash Disbursements</b>                             |                        |                        |                        |                                |
| Current:  |                        |                        |                        |                                |
| Security of Persons and Property                      | 242,706                | 95,169                 |                        | 337,875                        |
| Public Health Services                                | 9,890                  | 2,730                  |                        | 12,620                         |
| Leisure Time Activities                               | 12,652                 | 131                    |                        | 12,783                         |
| Community Environment                                 | 6,065                  |                        |                        | 6,065                          |
| Basic Utility Services                                | 1,365                  |                        |                        | 1,365                          |
| Transportation  |                        | 99,263                 |                        | 99,263                         |
| General Government                                    | 189,287                | 2,517                  |                        | 191,804                        |
| Capital Outlay  |                        |                        | 300                    | 300                            |
| Debt Service:   |                        |                        |                        |                                |
| Principal Retirement                                  |                        |                        | 121,880                | 121,880                        |
| Interest and Fiscal Charges                           |                        |                        | 20,000                 | 20,000                         |
| <i>Total Cash Disbursements</i>                       | <u>461,965</u>         | <u>199,810</u>         | <u>142,180</u>         | <u>803,955</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>76,022</u>          | <u>(19,953)</u>        | <u>(14,627)</u>        | <u>41,442</u>                  |
| <b>Other Financing Receipts (Disbursements)</b>       |                        |                        |                        |                                |
| Transfers In  |                        | 693                    |                        | 693                            |
| Transfers Out   | (693)                  |                        |                        | (693)                          |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(693)</u>           | <u>693</u>             | <u>-</u>               | <u>0</u>                       |
| <i>Net Change in Fund Cash Balances</i>               | 75,329                 | (19,260)               | (14,627)               | 41,442                         |
| <i>Fund Cash Balances, January 1</i>                  | <u>10,794</u>          | <u>93,867</u>          | <u>93,895</u>          | <u>198,556</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                        |                        |                        |                                |
| Restricted  | -                      | 74,607                 | 79,268                 | 153,875                        |
| Unassigned (Deficit)                                  | <u>86,123</u>          | <u>-</u>               | <u>-</u>               | <u>86,123</u>                  |
| <i>Fund Cash Balances, December 31</i>                | <u><u>\$86,123</u></u> | <u><u>\$74,607</u></u> | <u><u>\$79,268</u></u> | <u><u>\$239,998</u></u>        |

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

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | Proprietary Fund<br>Type | Fiduciary Fund<br>Type | Totals               |
|---|--------------------------|------------------------|----------------------|
|   | Enterprise               | Agency                 | (Memorandum<br>Only) |
| <b>Operating Cash Receipts</b>                      |                          |                        |                      |
| Charges for Services                                | \$382,720                |                        | \$382,720            |
| Fines, Licenses and Permits                         |                          | \$19,345               | 19,345               |
| Miscellaneous                                       | 2,752                    |                        | 2,752                |
| <i>Total Operating Cash Receipts</i>                | <u>385,472</u>           | <u>19,345</u>          | <u>404,817</u>       |
| <b>Operating Cash Disbursements</b>                 |                          |                        |                      |
| Personal Services                                   | 114,434                  |                        | 114,434              |
| Employee Fringe Benefits                            | 64,300                   |                        | 64,300               |
| Contractual Services                                | 74,347                   |                        | 74,347               |
| Supplies and Materials                              | 30,850                   |                        | 30,850               |
| Other   | 3,056                    | 19,287                 | 22,343               |
| <i>Total Operating Cash Disbursements</i>           | <u>286,987</u>           | <u>19,287</u>          | <u>306,274</u>       |
| <i>Operating Income (Loss)</i>                      | <u>98,485</u>            | <u>58</u>              | <u>98,543</u>        |
| <b>Non-Operating Receipts (Disbursements)</b>       |                          |                        |                      |
| Principal Retirement                                | (150,548)                |                        | (150,548)            |
| Interest and Other Fiscal Charges                   | (5,000)                  |                        | (5,000)              |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(155,548)</u>         | <u>-</u>               | <u>(155,548)</u>     |
| <i>Net Change in Fund Cash Balances</i>             | (57,063)                 | 58                     | (57,005)             |
| <i>Fund Cash Balances, January 1</i>                | <u>259,788</u>           | <u>662</u>             | <u>260,450</u>       |
| <i>Fund Cash Balances, December 31</i>              | <u>\$202,725</u>         | <u>\$720</u>           | <u>\$203,445</u>     |

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



**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | General         | Special<br>Revenue | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|-----------------|--------------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                 |                    |                     |                                |
| Property and Other Local Taxes                        | \$57,856        | \$78,539           | \$479               | \$136,874                      |
| Municipal Income Tax                                  | 335,672         |                    | 111,412             | 447,084                        |
| Intergovernmental                                     | 59,438          | 90,189             | 28,916              | 178,543                        |
| Special Assessments                                   |                 | 1,377              |                     | 1,377                          |
| Charges for Services                                  | 2,610           | 1,498              |                     | 4,108                          |
| Fines, Licenses and Permits                           | 17,971          | 2,124              |                     | 20,095                         |
| Earnings on Investments                               | 654             |                    |                     | 654                            |
| Miscellaneous   | 785             |                    |                     | 785                            |
| <i>Total Cash Receipts</i>                            | <u>474,986</u>  | <u>173,727</u>     | <u>140,807</u>      | <u>789,520</u>                 |
| <b>Cash Disbursements</b>                             |                 |                    |                     |                                |
| Current:  |                 |                    |                     |                                |
| Security of Persons and Property                      | 224,631         | 107,332            |                     | 331,963                        |
| Public Health Services                                | 12,147          | 1,991              |                     | 14,138                         |
| Leisure Time Activities                               | 12,914          | 600                |                     | 13,514                         |
| Community Environment                                 | 5,909           |                    |                     | 5,909                          |
| Basic Utility Services                                | 1,395           |                    |                     | 1,395                          |
| Transportation  |                 | 67,859             |                     | 67,859                         |
| General Government                                    | 191,946         | 4,110              |                     | 196,056                        |
| Capital Outlay  |                 |                    | 29,242              | 29,242                         |
| Debt Service:   |                 |                    |                     |                                |
| Principal Retirement                                  |                 |                    | 79,056              | 79,056                         |
| Interest and Fiscal Charges                           |                 |                    | 14,116              | 14,116                         |
| <i>Total Cash Disbursements</i>                       | <u>448,942</u>  | <u>181,892</u>     | <u>122,414</u>      | <u>753,248</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>26,044</u>   | <u>(8,165)</u>     | <u>18,393</u>       | <u>36,272</u>                  |
| <b>Other Financing Receipts (Disbursements)</b>       |                 |                    |                     |                                |
| Advances In   | 1,181           |                    |                     | 1,181                          |
| Advances Out  | (4,848)         |                    |                     | (4,848)                        |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(3,667)</u>  | <u>-</u>           | <u>-</u>            | <u>(3,667)</u>                 |
| <i>Net Change in Fund Cash Balances</i>               | 22,377          | (8,165)            | 18,393              | 32,605                         |
| <i>Fund Cash Balances, January 1</i>                  | <u>(11,583)</u> | <u>102,033</u>     | <u>75,502</u>       | <u>165,952</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                 |                    |                     |                                |
| Restricted  | -               | 93,868             | 93,895              | 187,763                        |
| Unassigned (Deficit)                                  | 10,794          | -                  | -                   | 10,794                         |
| <i>Fund Cash Balances, December 31</i>                | <u>\$10,794</u> | <u>\$93,868</u>    | <u>\$93,895</u>     | <u>\$198,557</u>               |

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

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | Proprietary Fund<br>Type | Fiduciary Fund Types |                          | Totals               |
|---|--------------------------|----------------------|--------------------------|----------------------|
|   | Enterprise               | Agency               | Private Purpose<br>Trust | (Memorandum<br>Only) |
| <b>Operating Cash Receipts</b>                      |                          |                      |                          |                      |
| Charges for Services                                | \$411,368                | \$138                | \$0                      | \$411,506            |
| Fines, Licenses and Permits                         |                          | \$18,770             |                          | 18,770               |
| Miscellaneous                                       | 1,132                    |                      |                          | 1,132                |
| <i>Total Operating Cash Receipts</i>                | <u>412,500</u>           | <u>18,908</u>        | <u>-</u>                 | <u>431,408</u>       |
| <b>Operating Cash Disbursements</b>                 |                          |                      |                          |                      |
| Personal Services                                   | 132,142                  |                      |                          | 132,142              |
| Employee Fringe Benefits                            | 64,063                   |                      |                          | 64,063               |
| Contractual Services                                | 89,695                   |                      |                          | 89,695               |
| Supplies and Materials                              | 23,506                   |                      |                          | 23,506               |
| Other   | 21,512                   | 19,374               | 20,996                   | 61,882               |
| <i>Total Operating Cash Disbursements</i>           | <u>330,918</u>           | <u>19,374</u>        | <u>20,996</u>            | <u>371,288</u>       |
| <i>Operating Income (Loss)</i>                      | <u>81,582</u>            | <u>(466)</u>         | <u>(20,996)</u>          | <u>60,120</u>        |
| <b>Non-Operating Receipts (Disbursements)</b>       |                          |                      |                          |                      |
| Miscellaneous Receipts - Fire insurance escrow      |                          |                      | 20,996                   | 20,996               |
| Principal Retirement                                | (180,427)                |                      |                          | (180,427)            |
| Interest and Other Fiscal Charges                   | (20,078)                 |                      |                          | (20,078)             |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(200,505)</u>         | <u>-</u>             | <u>20,996</u>            | <u>(179,509)</u>     |
| <i>Income (Loss) before Advances</i>                | <u>(118,923)</u>         | <u>(466)</u>         | <u>-</u>                 | <u>(119,389)</u>     |
| Advances In   |                          | 3,667                |                          | 3,667                |
| <i>Net Change in Fund Cash Balances</i>             | <u>(118,923)</u>         | <u>3,201</u>         | <u>-</u>                 | <u>(115,722)</u>     |
| <i>Fund Cash Balances, January 1</i>                | <u>378,711</u>           | <u>(2,539)</u>       | <u>-</u>                 | <u>376,172</u>       |
| <i>Fund Cash Balances, December 31</i>              | <u>\$259,788</u>         | <u>\$662</u>         | <u>\$0</u>               | <u>\$260,450</u>     |

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

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 directs the Village. The Village provides water and sewer utilities, park operations, and police services.

The Village contracts with the Andover Fire Department to provide fire protection services. The Village also contracts with 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 participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity

Public Entity Risk Pool:

**Ohio Plan Risk Management, Inc.**

The plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

The Village had no investments at December 31, 2013. Funds are held in interest bearing checking and savings accounts.

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Permissive Motor Vehicle Tax Fund – This fund receives motor vehicles tax money for construction, maintaining and repairing Village streets.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Permanent Capital Improvement Fund – This fund receives 25% of the Village's income tax collections. The income tax is being used to finance various capital improvement projects within the Village.

**4. Enterprise Funds**

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

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

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

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**5. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust fund collects a portion of the owner's fire insurance proceeds to ensure fire damaged property is properly repaired or removed.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court activity.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

VILLAGE OF ANDOVER  
ASHTABULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. Equity in Pooled Deposits and Investments**

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

|                                   | 2013    | 2012    |
|-----------------------------------|---------|---------|
| Demand deposits                   | \$2,146 | \$4,210 |
| Public Funds Money Market Account | 424,450 | 439,141 |
| Other time deposits (saving)      | 16,847  | 15,656  |
| Total deposits                    | 443,443 | 459,007 |

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

| 2013 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$517,472            | \$537,987          | \$20,515 |
| Special Revenue                   | 150,227              | 180,550            | 30,323   |
| Capital Projects                  | 120,000              | 127,553            | 7,553    |
| Enterprise                        | 383,650              | 385,472            | 1,822    |
| Total                             | \$1,171,349          | \$1,231,562        | \$60,213 |

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance         |
|------------------|----------------------------|---------------------------|------------------|
| General          | \$487,887                  | \$462,658                 | \$25,229         |
| Special Revenue  | 203,664                    | 199,810                   | 3,854            |
| Capital Projects | 193,352                    | 142,180                   | 51,172           |
| Enterprise       | 573,428                    | 442,535                   | 130,893          |
| Total            | <u>\$1,458,331</u>         | <u>\$1,247,183</u>        | <u>\$211,148</u> |

2012 Budgeted vs. Actual Receipts

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance         |
|------------------|----------------------|--------------------|------------------|
| General          | \$390,181            | \$474,986          | \$84,805         |
| Special Revenue  | 211,013              | 173,727            | (37,286)         |
| Capital Projects | 60,600               | 140,807            | 80,207           |
| Enterprise       | 379,962              | 412,500            | 32,538           |
| Fiduciary        | 20,996               | 20,996             | 0                |
| Total            | <u>\$1,062,752</u>   | <u>\$1,223,016</u> | <u>\$160,264</u> |

2012 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance        |
|------------------|----------------------------|---------------------------|-----------------|
| General          | \$477,261                  | \$448,942                 | \$28,319        |
| Special Revenue  | 194,607                    | 181,892                   | 12,715          |
| Capital Projects | 124,172                    | 122,414                   | 1,758           |
| Enterprise       | 582,813                    | 531,423                   | 51,390          |
| Fiduciary        | 20,996                     | 20,996                    | 0               |
| Total            | <u>\$1,399,849</u>         | <u>\$1,305,667</u>        | <u>\$94,182</u> |

Contrary to Ohio law, budgetary expenditures exceeded estimate resources authority in the General fund by \$98,663 for the year ended December 31, 2012.

**4. Property Tax**

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



**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Property Tax (Continued)**

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

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

**5. Local Income Tax**

The Village levies a municipal income tax of 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 Regional Income Tax Agency (RITA) and remitted to the Village less overhead costs monthly.

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

**6. Debt**

Debt outstanding at December 31, 2013 was as follows:

|   | Principal | Interest Rate |
|---|-----------|---------------|
| <u>Ohio Water Development Authority Loans</u> |           |               |
| Sewer Treatment Plant & Expansion             | \$718,187 | 2.20% - 8.35% |
| <br><u>Ohio Public Works Commission Loans</u> |           |               |
| Water Maintenance                             | 177,882   | 0%            |
| Waterline Improvement                         | 3,600     | 0%            |
| Sewer Rehabilitation                          | 34,048    | 0%            |
| Total   | \$933,717 |               |

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved \$3,275,037 in loans to the Village for this project. The Village will repay the loans in semiannual installments of over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village's taxing authority collateralized the bonds.

The Ohio Public Works Commission (OPWC) Waterline improvement loan relates to waterline improvements to 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 Villages income tax.

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Debt (Continued)**

The Ohio Public Works Commission (OPWC) Sewer Rehabilitation loan was used to finance sewer line improvements on West Main Street in the Village. The original issue was \$42,560 and will be repaid in semiannual installments over 29 years. The loan is collateralized by sewer usage fees.

The Ohio Public Works Commission (OPWC) Water Maintenance loan was issued in 2011 and used to finance waterline improvements on Station Street in the Village. The issue was for \$225,000 and will be repaid in semiannual installments over 20 years. The loan is collateralized by water usage fees.

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

| Year ending December 31: | OWDA Loan        | OPWC<br>Waterline<br>Loan | OPWC Water<br>Maintenance<br>Loan | OPWC<br>Sewer<br>Rehab Loan |
|--------------------------|------------------|---------------------------|-----------------------------------|-----------------------------|
| 2014                     | \$243,281        | \$3,600                   | \$9,882                           | \$2,128                     |
| 2015                     | 203,312          |                           | 9,882                             | 2,128                       |
| 2016                     | 203,312          |                           | 9,882                             | 2,128                       |
| 2017                     | 101,656          |                           | 9,882                             | 2,128                       |
| 2018                     |                  |                           | 9,882                             | 2,128                       |
| 2019-2023                |                  |                           | 49,412                            | 10,640                      |
| 2024-2028                |                  |                           | 49,412                            | 10,640                      |
| 2029-2031                |                  |                           | 29,646                            | 2,128                       |
| Total                    | <u>\$751,561</u> | <u>\$3,600</u>            | <u>\$177,880</u>                  | <u>\$34,048</u>             |

**7. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed \$12,466 and \$11,823, 10% of their wages. For 2013 and 2012, the Village contributed \$23,527 and \$23,056 to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed \$24,859 and \$24,861, 10% of their gross salaries and the Village contributed an amount equaling \$34,803 and \$34,805, 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**8. Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Risk Pool Membership (Continued)**

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the

first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and members' equity at December 31, 2012 and 2013

|                 | <b>2012</b>  | <b>2013</b>  |
|-----------------|--------------|--------------|
| Assets          | \$13,100,381 | \$13,774,304 |
| Liabilities     | (6,687,193)  | (7,698,395)  |
| Members' Equity | \$6,413,188  | 5,805,909    |

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. Restatement of Fund Balance**

The restatement of the General Fund's fund balances was due to unidentified errors in prior years. The restatement had the following effect:

| <u>General Fund</u>                       |          |
|---|----------|
| Fund Balance December 31, 2011            | (9,958)  |
| Council approved error correction         | (1,625)  |
| Restated Fund Balance - December 31, 2011 | (11,583) |

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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  
P. O. Box 1267  
Andover, Ohio 44003

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the Village of Andover, Ashtabula County, (the Village) as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 5, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2013-001 and 2013-002.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 5, 2014

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

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

**1. Tax Collection, Debt Expenditures and OPWC Postings Material Reclassifications**

|                       |          |
|-----------------------|----------|
| <i>Finding Number</i> | 2013-001 |
|-----------------------|----------|

NONCOMPLIANCE AND MATERIAL WEAKNESS

**Ohio Rev. Code §§ 733.28 and 733.262** states that the Village Fiscal Officer shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments. Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following table summarizes the Revenue Adjustment and Reclassifications posted by the Village to correct posting errors in the December 31, 2012 and 2013 financial statements:

**Revenue - Fund Balance and Reclassification Adjustments**

| Fund / Name - 2012                            | From              | To                | Amount   |
|---|-------------------|-------------------|----------|
| <b>Cash Adjustment</b>                        |                   |                   |          |
| Fund Balance                                  | General           | Capital Projects  | \$245    |
| Income tax not posted per Ordinance 2011-12-O |                   |                   |          |
| <b>Reclassifications</b>                      |                   |                   |          |
| General                                       | Property Tax      | Income Tax        | \$3,335  |
| Cemetery Fund                                 | Property Tax      | Intergovernmental | \$450    |
| Cemetery Fund                                 | Intergovernmental | Property Tax      | \$577    |
| Police Levies                                 | Property Tax      | Intergovernmental | \$12,511 |
| Fire Levies                                   | Property Tax      | Intergovernmental | \$5,667  |
| EMS   | Property Tax      | Intergovernmental | \$8,984  |
| Fund / Name - 2013                            | From              | To                | Amount   |
| <b>Cash Adjustment</b>                        |                   |                   |          |
| Fund Balance                                  | General           | Capital Projects  | \$273    |
| Income tax not posted per Ordinance 2011-12-O |                   |                   |          |
| <b>Reclassifications</b>                      |                   |                   |          |
| General                                       | Property Tax      | Income Tax        | \$818    |
| Cemetery Fund                                 | Property Tax      | Intergovernmental | \$308    |
| Police Levies                                 | Property Tax      | Intergovernmental | \$7,396  |
| Fire Levies                                   | Property Tax      | Intergovernmental | \$3,559  |
| EMS   | Property Tax      | Intergovernmental | \$6,135  |

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

The following table summarizes the Debt Service Principal and Interest Reclassifications posted by the Village to correct posting errors in the December 31, 2012 and 2013 financial statements:

**Expenditure / Debt Service Classification Adjustments**

| Fund / Name - 2012     | From                      | To                       | Amount   |
|------------------------|---------------------------|--------------------------|----------|
| 5101 Water             | Other-Other               | Debt Service - Principal | \$39,370 |
| 5101 Water             | Cap. Outlay - Cap. Outlay | Debt Service - Principal | \$300    |
| 5201 Sewer             | Cap. Outlay - Cap. Outlay | Debt Service - Principal | \$1,064  |
| 5201 Sewer             | Other-Other               | Debt Service - Principal | \$50,556 |
| 5201 Sewer             | Other-Other               | Debt Service - Interest  | \$10,534 |
| 5701 Water Improvement | Cap. Outlay - Utility     | Debt Service - Principal | \$23,147 |
| 5702 Sewer Improvement | Cap. Outlay - Utility     | Debt Service - Principal | \$800    |

| Fund / Name - 2013     | From                      | To                       | Amount   |
|------------------------|---------------------------|--------------------------|----------|
| 5101 Water             | Other-Other               | Debt Service - Principal | \$9,792  |
| 5101 Water             | Cap. Outlay - Cap. Outlay | Debt Service - Principal | \$5,404  |
| 5201 Sewer             | Other-Other               | Debt Service - Principal | \$70,000 |
| 5201 Sewer             | Cap. Outlay - Cap. Outlay | Debt Service - Principal | \$10,242 |
| 5702 Sewer Improvement | Cap. Outlay - Utility     | Debt Service - Principal | \$1,050  |
| 4952 Capital project   | Cap. Outlay - Streets     | Debt Service - Principal | \$5,314  |

**South Main Sewer Project OPWC Memo Receipt and Expenditure not Posted.**

| Fund / Name - 2012                       | Receipt  | Expenditure |
|--|----------|-------------|
| 4951 Capital Project - Intergovernmental | \$26,763 |             |
| 4951 Capital Project - Cap Outlay        |          | \$26,763    |

The failure to accurately record revenues and expenditures to the proper line item resulted in material misstatements to the financial statements. The reclassifications the Village made between revenue, expenditure, and fund balance accounts are reflected in the financial statements. The lack of accurate recordkeeping may prevent the Village from receiving and depositing funds collected or due or expending money that is not available or appropriated both of which could result in the potential misstatement of financial statement amounts.

The Village should use the Village Officer's Handbook UAN Chart of Accounts for revenues and expenditures as a source of information regarding the proper recording of transactions.

We recommend the Village Council review monthly financial reports and cash reconciliations from the Fiscal Officer for changes in anticipated revenues, expenditures and transfers and the accuracy and completeness of the reports, and any discrepancies should be investigated and corrected timely manner.

**Officials Response:** The Village will correct the revenue and expenditure account classifications and has corrected the fund balances as noted.



**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

**2. Appropriation Exceeding Estimate Receipts**

|                       |          |
|-----------------------|----------|
| <i>Finding Number</i> | 2013-002 |
|-----------------------|----------|

NONCOMPLIANCE

**Ohio Rev. Code § 5705.39** provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village's legal level of control is at the fund level.

The following fund in 2012 had original appropriations exceeding estimated resources at the legal level of budgetary control:

| Fund Name | Appropriations | Estimated Resources<br>Plus Beginning<br>Unencumbered Cash | Variance   |
|-----------|----------------|--|------------|
| General   | \$477,261      | \$378,698  | (\$98,563) |

The noncompliance could allow expenditures in the above funds to exceed the total of the available fund balance and the current year revenues. This would then result in negative cash fund balances.

We recommend the Village compare appropriations to estimated resources at the legal level of budgetary control, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum

**Official's Response:** The Village will correct future certificates or appropriations as required to be in compliance.

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**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

| Finding Number     | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|--------------------|--|------------------|--|
| 2009-003           | Interfund Cash Transfers were not approved by Village Council contrary to Ohio Revised Code §5705.14, 5705.15, 5705.16 | Yes              | Finding No Longer Valid  |
| 2009-004, 2011-002 | Cash reconciliation between the bank balance and book balance were not performed                                       | Yes              | Finding No Longer Valid  |
| 2009-006           | There were significant posting errors to accounting record   | No               | Repeat as Finding 2013-001   |
| 2009-009, 2011-001 | The General Fund & Debt Service Fund had negative cash balances contrary to Ohio Revised §5705.10                      | Yes              | Finding No Longer Valid  |
| 2009-010           | The Village did not have a public record policy in violation of Ohio Revised Code §149.43(A)(1).                       | Yes              | Finding No Longer Valid  |

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# Dave Yost • 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  
SEPTEMBER 18, 2014**