



Dave Yost • Auditor of State

VILLAGE OF ANDOVER
ASHTABULA COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

October 3, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Andover, Ashtabula County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010 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, 2011 and 2010 or its changes in financial position or cash flows, where applicable, for the years then ended.

As described in Note 1, during 2010, the Village of Andover adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 3, 2012

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$66,887	\$75,631		\$142,518
Municipal Income Tax	366,038	54,029	\$88,819	508,886
Intergovernmental	81,642	107,607	220,261	409,510
Charges for Services	2,966	1,710		4,676
Fines, Licenses and Permits	12,674	1,964		14,638
Earnings on Investments	707	2		709
Miscellaneous	1,032			1,032
<i>Total Cash Receipts</i>	<u>531,946</u>	<u>240,943</u>	<u>309,080</u>	<u>1,081,969</u>
Cash Disbursements				
Current:				
Security of Persons and Property	239,744	105,501		345,245
Public Health Services	10,183	2,231		12,414
Leisure Time Activities	16,537	586		17,123
Community Environment	6,412			6,412
Basic Utility Services	4,800			4,800
Transportation		115,812		115,812
General Government	209,824	1,324		211,148
Capital Outlay			211,320	211,320
Debt Service:				
Principal Retirement	5,972		149,572	155,544
Interest and Fiscal Charges	293		13,476	13,769
<i>Total Cash Disbursements</i>	<u>493,765</u>	<u>225,454</u>	<u>374,368</u>	<u>1,093,587</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>38,181</u>	<u>15,489</u>	<u>(65,288)</u>	<u>(11,618)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	1,689			1,689
Transfers In		94		94
Transfers Out	(94)			(94)
Advances In	4,454	4,875		9,329
Advances Out	(4,454)	(4,875)		(9,329)
Other Financing Sources	1,115			1,115
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,710</u>	<u>94</u>	<u>0</u>	<u>2,804</u>
<i>Net Change in Fund Cash Balances</i>	40,891	15,583	(65,288)	(8,814)
<i>Fund Cash Balances, January 1</i>	<u>(50,849)</u>	<u>86,450</u>	<u>140,790</u>	<u>176,391</u>
Fund Cash Balances, December 31				
Restricted		102,033	75,502	177,535
Unassigned (Deficit)	(9,958)			(9,958)
<i>Fund Cash Balances, December 31</i>	<u><u>(\$9,958)</u></u>	<u><u>\$102,033</u></u>	<u><u>\$75,502</u></u>	<u><u>\$167,577</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)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$439,005		\$439,005
Fines, Licenses and Permits		\$10,359	10,359
Miscellaneous	1,750		1,750
<i>Total Operating Cash Receipts</i>	<u>440,755</u>	<u>10,359</u>	<u>451,114</u>
Operating Cash Disbursements			
Personal Services	60,528		60,528
Employee Fringe Benefits	41,072		41,072
Contractual Services	107,398		107,398
Supplies and Materials	31,918		31,918
Other	7,920	15,463	23,383
<i>Total Operating Cash Disbursements</i>	<u>248,836</u>	<u>15,463</u>	<u>264,299</u>
<i>Operating Income (Loss)</i>	<u>191,919</u>	<u>(5,104)</u>	<u>186,815</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(55,913)		(55,913)
Principal Retirement	(62,266)		(62,266)
Interest and Other Fiscal Charges	(9,213)		(9,213)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(127,392)</u>	<u>0</u>	<u>(127,392)</u>
<i>Net Change in Fund Cash Balances</i>	64,527	(5,104)	59,423
<i>Fund Cash Balances, January 1</i>	<u>314,184</u>	<u>2,565</u>	<u>316,749</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$378,711</u></u>	<u><u>(\$2,539)</u></u>	<u><u>\$376,172</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)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$67,446	\$74,478		\$141,924
Municipal Income Tax	259,538	64,742	\$174,577	498,857
Intergovernmental	96,509	118,773		215,282
Charges for Services	6,341	1,455		7,796
Fines, Licenses and Permits	20,609	2,239		22,848
Earnings on Investments	1,326	4		1,330
Miscellaneous	882	141		1,023
<i>Total Cash Receipts</i>	<u>452,651</u>	<u>261,832</u>	<u>174,577</u>	<u>889,060</u>
Cash Disbursements				
Current:				
Security of Persons and Property	268,398	149,063		417,461
Public Health Services	10,300	2,314		12,614
Leisure Time Activities	20,827	700		21,527
Community Environment	7,126			7,126
Basic Utility Services	6,161			6,161
Transportation		102,227		102,227
General Government	201,742			201,742
Capital Outlay			130,452	130,452
Debt Service:				
Principal Retirement	5,728		169,220	174,948
Interest and Fiscal Charges	497		31,436	31,933
<i>Total Cash Disbursements</i>	<u>520,779</u>	<u>254,304</u>	<u>331,108</u>	<u>1,106,191</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(68,128)</u>	<u>7,528</u>	<u>(156,531)</u>	<u>(217,131)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	28,201	1,012		29,213
Transfers In		7,500		7,500
Transfers Out	(7,500)			(7,500)
Advances In	16,500	16,500		33,000
Advances Out	(16,500)	(16,500)		(33,000)
Other Financing Sources	28,850			28,850
<i>Total Other Financing Receipts (Disbursements)</i>	<u>49,551</u>	<u>8,512</u>	<u>0</u>	<u>58,063</u>
<i>Net Change in Fund Cash Balances</i>	<u>(18,577)</u>	<u>16,040</u>	<u>(156,531)</u>	<u>(159,068)</u>
<i>Fund Cash Balances, January 1</i>	<u>(32,272)</u>	<u>70,410</u>	<u>297,321</u>	<u>335,459</u>
Fund Cash Balances, December 31				
Restricted		86,450	140,790	227,240
Unassigned (Deficit)	(50,849)			(50,849)
<i>Fund Cash Balances, December 31</i>	<u>(\$50,849)</u>	<u>\$86,450</u>	<u>\$140,790</u>	<u>\$176,391</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)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$436,815		\$436,815
Fines, Licenses and Permits		\$10,896	10,896
Miscellaneous	1,787		1,787
<i>Total Operating Cash Receipts</i>	<u>438,602</u>	<u>10,896</u>	<u>449,498</u>
Operating Cash Disbursements			
Personal Services	91,121		91,121
Employee Fringe Benefits	45,323		45,323
Contractual Services	98,972		98,972
Supplies and Materials	29,731		29,731
Other	5,686	15,971	21,657
<i>Total Operating Cash Disbursements</i>	<u>270,833</u>	<u>15,971</u>	<u>286,804</u>
<i>Operating Income (Loss)</i>	<u>167,769</u>	<u>(5,075)</u>	<u>162,694</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(38,087)		(38,087)
Principal Retirement	(32,012)		(32,012)
Interest and Other Fiscal Charges	(18,655)		(18,655)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(88,754)</u>	<u>0</u>	<u>(88,754)</u>
<i>Net Change in Fund Cash Balances</i>	79,015	(5,075)	73,940
<i>Fund Cash Balances, January 1</i>	<u>235,168</u>	<u>7,640</u>	<u>242,808</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$314,183</u></u>	<u><u>\$2,565</u></u>	<u><u>\$316,748</u></u>

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Volunteer Fire Department 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 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. 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, 2011. Funds are held in interest bearing checking accounts.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Special Revenue Funds

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

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

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

3. Capital Project Funds

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

Permanent Capital Improvement Fund – This fund receives proceeds of Village income tax 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.

5. Fiduciary Funds

Fiduciary funds include agency funds. 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 the Mayor's Court activity.

VILLAGE OF ANDOVER
ASHTABULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

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.

VILLAGE OF ANDOVER
ASHTABULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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 leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Demand deposits	\$3,004	\$25,490
Public Funds Money Market Account	524,571	452,060
Other time deposits (savings)	16,174	15,589
Total deposits	\$543,749	\$493,139

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$534,002	\$534,750	\$748
Special Revenue	187,797	241,037	53,240
Capital Projects	307,661	309,080	1,419
Enterprise	447,925	440,755	(7,170)
Total	\$1,477,385	\$1,525,622	\$48,237

2011 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$529,013	\$493,859	\$35,154
Special Revenue	242,056	225,454	16,602
Capital Projects	374,370	374,368	2
Enterprise	495,222	376,228	118,994
Total	\$1,640,661	\$1,469,909	\$170,752

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$533,411	\$509,702	(\$23,709)
Special Revenue	248,593	270,344	21,751
Capital Projects	174,577	174,577	0
Enterprise	401,855	438,602	36,747
Total	\$1,358,436	\$1,393,225	\$34,789

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$589,857	\$528,279	\$61,578
Special Revenue	299,639	254,304	45,335
Capital Projects	434,069	331,108	102,961
Enterprise	496,237	359,587	136,650
Total	\$1,819,802	\$1,473,278	\$346,524

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.

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
<u>Ohio Water Development Authority Loans</u>		
Sewer Treatment Plant & Expansion	\$1,221,156	2.20% - 8.35%
<u>Ohio Public Works Commission Loans</u>		
Water Maintenance	225,000	0.00%
Waterline Improvement	10,800	0.00%
Sewer Rehabilitation	37,240	0.00%
Total	<u>\$1,494,196</u>	

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 up to \$3,425,096 in loans to the Village for this project. The Village will repay the loans in semiannual installments over 20 years. The scheduled payments will be adjusted to reflect any revisions in the amount borrowed. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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 Village's income tax.

The Ohio Public Works Commission (OPWC) 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 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.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. DEBT - (Continued)

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

Year ending December 31:	OWDA Loan	OPWC Waterline Loan	OPWC Sewer Rehab Loan	OPWC Water Maintenance Loan
2012	\$280,933	\$3,600	\$2,128	\$11,250
2013	281,818	3,600	2,128	11,250
2014	242,793	3,600	2,128	11,250
2015	203,312		2,128	11,250
2016	203,312		2,128	11,250
2017-2021	101,656		10,640	56,250
2022-2026			10,640	56,250
2027-2031			5,320	56,250
Total	<u>\$1,313,824</u>	<u>\$10,800</u>	<u>\$37,240</u>	<u>\$225,000</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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. RISK POOL MEMBERSHIP

Prior to 2009, the Village belonged to 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 was legally separate from its member governments.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. RISK POOL MEMBERSHIP – (Continued)

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), 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 40% (17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

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.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. RISK POOL MEMBERSHIP - (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	<u>(4,845,056)</u>	<u>(1,055,096)</u>	<u>(4,852,485)</u>	<u>(1,253,617)</u>
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.



Dave Yost • Auditor of State

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 44003

To the Village Council:

We have audited the financial statements of the Village of Andover (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 3, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and wherein we noted the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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 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 2011-01 and 2011-02 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 grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 3, 2012.

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 intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

October 3, 2012

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance Finding/Material Weakness

Deficit Fund Balance

Ohio Rev. 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.

Due to misallocation of certain receipts and expenditures, cash adjustments have been posted to the accounting records and are reflected in the audited financial statements. The effect of the adjustments were deficit balances in the Village's General Fund of \$50,849 at December 31, 2010 and \$9,958 at December 31, 2011, and the Mayor's Court Fund of \$2,539 at December 31, 2011.

The Fiscal Officer should continuously monitor fund balances. Village Officials should be notified of an impending deficit and consider all options available to avoid such an occurrence.

Officials' Response

A negative fund balance occurred as a result of certain tax revenues being posted into the wrong fund. The Fiscal Officer is now aware of where each tax receipt is to be posted. This finding should not occur again. Fund balances will continuously be monitored.

FINDING NUMBER 2011-02

Material Weakness

Cash Reconciliation

An effective system of internal accounting controls requires that monthly reconciliations be performed between the cash fund balances and the bank depositories, including investments. A cash reconciliation includes a thorough investigation and accounting of all significant differences between the cash balance per books and the cash balance per bank.

The Village maintains two general checking accounts, a passbook savings account, and a public funds money market account. We noted that, throughout the audit period, significant unidentified differences existed between the cash balances per books and the cash balances per bank. We performed additional audit procedures and found the differences were due to errors made in the posting of utility receipts, payroll expenditures, property taxes, and intergovernmental receipts to the Village books. As a result, adjustments have been made by the Fiscal Officer to the accounting records and are included in the audited financial statements. The net effect of these adjustments was a cash decrease in the General Fund of \$131,124, a cash increase in the Special Revenue Funds of \$38,009, a cash increase in the Enterprise Funds of \$87,363, and a cash decrease in the Agency Fund of \$5,291.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

The lack of a cash reconciliation does not assure the completeness and accuracy of the Village's accounting records. Errors, irregularities, and misappropriation of assets may occur and not be detected timely, which could potentially misstate the financial statements.

We recommend that cash reconciliations between the Village books and bank depositories be prepared monthly. Any differences should be identified and corrected as soon as practical. Each monthly cash reconciliation and all supporting documentation should be included in the financial package presented to the Village Council for review. Further, each Council member should verify their review by signing and dating the reconciliation maintained by the Fiscal Officer.

Officials' Response

After the fund adjustments have been made, the cash reconciliation between the Village books and the bank depository is correct and balanced. To ensure that the reconciliation is correct and balanced each month, each member of Council will verify and review by signing and dating the reconciliation presented at the monthly Council meeting. A record of the document will be maintained by the Fiscal Officer.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Failure to file the annual financial report timely contrary to Ohio Rev. Code § 117.38	Yes	Finding No Longer Valid
2009-002	Various funds had expenditures plus encumbrances exceed their appropriations in violation of Ohio Rev. Code § 5705.41 (B)	Yes	Finding No Longer Valid
2009-003	Inter-fund cash transfers were not approved by Village Council contrary to Ohio Rev. Code §§ 5705.14, 5705.15 and 5705.16.	No	Transfers and advances were approved in 2010, but not in 2011. Finding reported in the Management Letter
2009-004	Cash reconciliations between the bank balances and book balances were not performed.	No	Repeated as Finding Number 2011-02 in the Schedule of Findings.
2009-005	Fiscal Officer and Mayor's Court Clerk were not bonded contrary to Ohio Rev. Code § 3.06.	Yes	Finding No Longer Valid.
2009-006	There were significant posting errors to the accounting records.	No	Reported as a material weakness in Findings 2011-01 and 2010-02 in the Schedule of Findings.
2009-007	Investments were not properly recorded.	Yes	Finding No Longer Valid.
2009-008	The accounting records were not maintained in accordance with Ohio Admin. Code 117-2-02.	Yes	Finding No Longer Valid.
2009-009	The General Fund and Debt Service Fund had negative cash balances contrary to Ohio Rev. Code §5705.10.	No	Repeated as Finding Number 2011-01 in the Schedule of Findings.
2009-010	The Village did not have a public records policy in violation of Ohio Rev. Code § 149.43(A)(1).	No	Reported in the Management Letter.

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VILLAGE OF ANDOVER

ASHTABULA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 27, 2012