



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 Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2015	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2015	4
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2014	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	21

This page intentionally left blank.



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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Andover, Ashtabula County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, or changes in financial position or cash flows 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 the Village of Andover, Ashtabula County, Ohio as of December 31, 2015 and 2014, 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 21, 2016, 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 21, 2016

**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, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$71,554	\$100,428		\$171,982
Municipal Income Tax	350,744	27,939	\$88,976	467,659
Intergovernmental	42,003	78,815	53,773	174,591
Charges for Services	2,060	1,850		3,910
Fines, Licenses and Permits	16,645	1,495		18,140
Earnings on Investments	394	17		411
Miscellaneous	586	607		1,193
<i>Total Cash Receipts</i>	<u>483,986</u>	<u>211,151</u>	<u>142,749</u>	<u>837,886</u>
Cash Disbursements				
Current:				
Security of Persons and Property	266,583	100,092		366,675
Public Health Services	9,404	1,857		11,261
Leisure Time Activities	14,554	1,500		16,054
Community Environment	6,371			6,371
Basic Utility Services	1,398			1,398
Transportation		101,338	25,418	126,756
General Government	214,850	3,544		218,394
Capital Outlay			6,735	6,735
Debt Service:				
Principal Retirement			94,825	94,825
Interest and Fiscal Charges			5,411	5,411
<i>Total Cash Disbursements</i>	<u>513,160</u>	<u>208,331</u>	<u>132,389</u>	<u>853,880</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(29,174)</u>	<u>2,820</u>	<u>10,360</u>	<u>(15,994)</u>
Other Financing Receipts (Disbursements)				
Transfers In	27	1,107		1,134
Transfers Out	(1,107)			(1,107)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,080)</u>	<u>1,107</u>	<u>-</u>	<u>27</u>
<i>Net Change in Fund Cash Balances</i>	<u>(30,254)</u>	<u>3,927</u>	<u>10,360</u>	<u>(15,967)</u>
<i>Fund Cash Balances, January 1</i>	<u>86,090</u>	<u>57,776</u>	<u>55,757</u>	<u>199,623</u>
Fund Cash Balances, December 31				
Restricted		61,703		61,703
Committed			66,117	66,117
Unassigned	55,836			55,836
<i>Fund Cash Balances, December 31</i>	<u>\$55,836</u>	<u>\$61,703</u>	<u>\$66,117</u>	<u>\$183,656</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, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$375,370		\$375,370
Fines, Licenses and Permits		\$14,025	14,025
Miscellaneous	1,336		1,336
<i>Total Operating Cash Receipts</i>	<u>376,706</u>	<u>14,025</u>	<u>390,731</u>
Operating Cash Disbursements			
Personal Services	125,432		125,432
Employee Fringe Benefits	69,074		69,074
Contractual Services	77,871		77,871
Supplies and Materials	25,827		25,827
Other	3,344	15,185	18,529
<i>Total Operating Cash Disbursements</i>	<u>301,548</u>	<u>15,185</u>	<u>316,733</u>
<i>Operating Income (Loss)</i>	<u>75,158</u>	<u>(1,160)</u>	<u>73,998</u>
Non-Operating (Disbursements)			
Principal Retirement	(104,728)		(104,728)
Interest and Other Fiscal Charges	(4,353)		(4,353)
<i>Total Non-Operating (Disbursements)</i>	<u>(109,081)</u>	<u>0</u>	<u>(109,081)</u>
<i>Operating Income (Loss)</i>	<u>(33,923)</u>	<u>(1,160)</u>	<u>(35,083)</u>
Transfers In	138		138
Transfers Out		(165)	(165)
<i>Net Change in Fund Cash Balances</i>	<u>(33,785)</u>	<u>(1,325)</u>	<u>(35,110)</u>
<i>Fund Cash Balances, January 1</i>	<u>182,623</u>	<u>2,000</u>	<u>184,623</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$148,838</u></u>	<u><u>\$675</u></u>	<u><u>\$149,513</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, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$73,351	\$99,115	\$506	\$172,972
Municipal Income Tax	372,661		121,800	494,461
Intergovernmental	38,188	77,363		115,551
Special Assessments			2,067	2,067
Charges for Services	2,200	1,571		3,771
Fines, Licenses and Permits	15,213	1,645		16,858
Earnings on Investments	472	25		497
Miscellaneous	4,905	1,500		6,405
<i>Total Cash Receipts</i>	<u>506,990</u>	<u>181,219</u>	<u>124,373</u>	<u>812,582</u>
Cash Disbursements				
Current:				
Security of Persons and Property	245,752	95,911		341,663
Public Health Services	10,125	2,039		12,164
Leisure Time Activities	15,189	234		15,423
Community Environment	5,836			5,836
Basic Utility Services	1,395			1,395
Transportation		98,984	21,175	120,159
General Government	200,019	1,354		201,373
Capital Outlay			1,605	1,605
Debt Service:				
Principal Retirement			136,815	136,815
Interest and Fiscal Charges			16,524	16,524
<i>Total Cash Disbursements</i>	<u>478,316</u>	<u>198,522</u>	<u>176,119</u>	<u>852,957</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>28,674</u>	<u>(17,303)</u>	<u>(51,746)</u>	<u>(40,375)</u>
Other Financing Receipts (Disbursements)				
Transfers In		472	28,235	28,707
Transfers Out	(28,707)			(28,707)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(28,707)</u>	<u>472</u>	<u>28,235</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(33)	(16,831)	(23,511)	(40,375)
<i>Fund Cash Balances, January 1</i>	<u>86,123</u>	<u>74,607</u>	<u>79,268</u>	<u>239,998</u>
Fund Cash Balances, December 31				
Restricted		57,776		57,776
Committed			55,757	55,757
Unassigned	86,090			86,090
<i>Fund Cash Balances, December 31</i>	<u>\$86,090</u>	<u>\$57,776</u>	<u>\$55,757</u>	<u>\$199,623</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, 2014**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$383,028		\$383,028
Fines, Licenses and Permits		\$17,970	17,970
Miscellaneous	7,981		7,981
<i>Total Operating Cash Receipts</i>	<u>391,009</u>	<u>17,970</u>	<u>408,979</u>
Operating Cash Disbursements			
Personal Services	116,967		116,967
Employee Fringe Benefits	63,500		63,500
Contractual Services	82,373		82,373
Supplies and Materials	30,287		30,287
Other	3,684	16,690	20,374
<i>Total Operating Cash Disbursements</i>	<u>296,811</u>	<u>16,690</u>	<u>313,501</u>
<i>Operating Income (Loss)</i>	<u>94,198</u>	<u>1,280</u>	<u>95,478</u>
Non-Operating (Disbursements)			
Capital Outlay	(3,228)		(3,228)
Principal Retirement	(111,072)		(111,072)
<i>Total Non-Operating (Disbursements)</i>	<u>(114,300)</u>	<u>0</u>	<u>(114,300)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(20,102)</u>	<u>1,280</u>	<u>(18,822)</u>
<i>Fund Cash Balances, January 1</i>	<u>202,725</u>	<u>720</u>	<u>203,445</u>
<i>Fund Cash Balances, December 31</i>	<u>\$182,623</u>	<u>\$2,000</u>	<u>\$184,623</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, 2015 AND 2014**

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, police services and Mayor's Court.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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, 2015. Funds are held in interest bearing checking and savings accounts.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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 10% of the Village's income tax collections. The income tax is being used to finance various street improvement projects within the Village. Also, this fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Ambulance & Emergency Medical Services Levy Fund - This fund receives a property tax levy to fund Village emergency medical response services.

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 15% 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, 2015 AND 2014
(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 has no trust 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 funds account for Mayor's Court activity and Unclaimed money funds.

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 2015 and 2014 budgetary activity appears in Note 3.

VILLAGE OF ANDOVER
ASHTABULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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, 2015 AND 2014
(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:

	2015	2014
Demand deposits	\$11,747	\$20,769
Public Funds Money Market Account	303,025	346,214
Other time deposits (saving)	18,397	17,263
Total deposits	\$333,169	\$384,246

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 December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$468,069	\$484,013	\$15,944
Special Revenue	165,958	212,258	46,300
Capital Projects	179,345	142,749	(36,596)
Enterprise	315,570	376,844	61,274
Fiduciary	16,000	14,025	(1,975)
Total	\$1,144,942	\$1,229,889	\$84,947

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. Budgetary Activity (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$539,328	\$514,267	\$25,061
Special Revenue	198,800	208,331	(9,531)
Capital Projects	171,661	132,389	39,272
Enterprise	479,110	410,629	68,481
Fiduciary	16,000	15,350	650
Total	<u>\$1,404,899</u>	<u>\$1,280,966</u>	<u>\$123,933</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$501,400	\$506,990	\$5,590
Special Revenue	162,923	181,691	18,768
Capital Projects	120,000	152,608	32,608
Enterprise	353,400	391,009	37,609
Fiduciary	17,800	17,970	170
Total	<u>\$1,155,523</u>	<u>\$1,250,268</u>	<u>\$94,745</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$496,455	\$507,023	(\$10,568)
Special Revenue	164,979	198,522	(33,543)
Capital Projects	127,997	176,119	(48,122)
Enterprise	452,530	411,111	41,419
Fiduciary	15,497	16,690	(1,193)
Total	<u>\$1,257,458</u>	<u>\$1,309,465</u>	<u>(\$52,007)</u>

Contrary to Ohio Rev. Code § 5705.41 (B), budgetary expenditures exceeded appropriations during 2014 in the General Fund, Police Levy Fund, Fire Levy Fund, Ambulance and Emergency Medical Services Levy Fund, Permanent Capital Improvements Fund, Sewer Fund, and Sewer Debt Service Fund. During 2015, budgetary expenditures exceeded appropriations in the Street, Construction & Maintenance Repair Fund, Enforcement Education Fund, Police Levy Fund, and Ambulance and Emergency Medical Services Levy Fund.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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.

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 Village allocated income tax revenue 75% to the General Fund, and 25% to the Permanent Improvement Fund in accordance with Ordinance 2011-12-0 until June 2015 when Ordinance 2015-10-0 changed the revenue allocations to 75% to the General Fund, 10% to the Street Construction, Maintenance and Repair Fund and 15% to the Permanent Improvement Fund.

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, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan		
Sewer Treatment Plant & Expansion	\$298,380	2.20%
Ohio Public Works Commission Loans		
West Main Street Sewer Rehabilitation	158,119	0%
Station Water Main & Pavement Improvements	29,792	0%
Total	\$486,291	

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. Debt (Continued)

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 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 Ohio Public Works Commission (OPWC) Water Maintenance loan was issued in 2012 and used to finance waterline improvements on Station Street in the Village. The issue was for \$197,648 and will be repaid in semiannual installments over 20 years.

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

Year ending December 31:	OWDA Loan	OPWC Water Maintenance Loan	OPWC Sewer Rehab Loan
2016	\$197,830	\$9,882	\$2,128
2017	100,550	9,882	2,128
2018		9,882	2,128
2019		9,882	2,128
2020		9,882	2,128
2021-2025		49,413	10,640
2026-2030		49,414	8,512
2031		9,882	
Total	<u>\$298,380</u>	<u>\$158,119</u>	<u>\$29,792</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. From July 1, 2013 through June 30, 2014, OP&F participants contributed 10.75% of their wages. From July 1, 2014 through June 30, 2015 OP&F participants contributed 11.5% of their wages. From July 2015 and thereafter, OP&F participants contributed 12.25% of their wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015 and 2014 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, 2015.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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.

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. Effective November 1, 2012 (and through October, 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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 772 and 783 members as of December 31, 2015 and 2014 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, 2015 and 2014:

	2015	2014
Assets	<u>\$14,643,667</u>	<u>\$14,830,185</u>
Liabilities	<u>(9,112,030)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

This page intentionally left blank.



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
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 cash balances, receipts, and disbursements by fund type of the Village of Andover, Ashtabula County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated September 21, 2016 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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 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, 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 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 2015-002.

Entity's Response to Findings

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.

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.



Dave Yost
Auditor of State
Columbus, Ohio

September 21, 2016

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

Finding Number 2015-001

Material Weakness - Debt Expenditures and OPWC Postings

An entity's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounts, and preparing financial statements. During 2015 and 2014, the Village's receipt and disbursement ledgers contained posting errors of transactions to incorrect line items.

The following table summarizes the Debt Service Principal Reclassifications posted by the Village to correct posting errors in the December 31, 2014 financial statements:

Expenditure/Debt Service Classification Adjustments - 2014

Fund / Name	From	To	Amount
4952 Permanent Sidewalk	Cap. Outlay - Streets	Debt Service - Principal	\$2,471
5101 Water	Cap. Outlay - Cap. Outlay	Debt Service - Principal	\$18,081
5201 Sewer	Cap. Outlay - Cap. Outlay	Debt Service - Principal	\$35,574

The following table summarizes the Revenue Adjustment and Reclassifications posted by the Village to correct posting error in the December 31, 2015 financial statements:

Reclassification Adjustments - 2015

Fund / Name	From	To	Amount
4952 Permanent Improvement - Sidewalk	Special Assessment	Intergovernmental	\$53,773

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 and expenditure 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 in a timely manner.

Officials Response: The Village will correct the revenue and expenditure account classifications and will manage this better moving forward.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

Finding Number 2015-002

Noncompliance and Material Weakness – Expenditures Exceeding Appropriations

Ohio Rev. Code § 5705.41(B) requires no subdivision or taxing unit is to expend money unless it has been appropriated. This prohibits expenditures from exceeding appropriations.

The following funds had expenditures exceeded appropriations as of December 31, 2014:

Fund	Total Appropriations	Total Actual Expenditures and Encumbrances	Variance
General	\$500,039	\$511,279	(\$11,240)
Police Levy	26,699	33,443	(6,744)
Fire Levy	10,830	22,674	(11,844)
Ambulance/EMS	11,950	40,023	(28,073)
Permanent Capital Improvements	112,297	172,042	(59,745)
Sewer	217,916	222,091	(4,175)
Sewer Debt Service	51,198	57,469	(6,271)

The following funds had expenditures exceeded appropriations as of December 31, 2015:

Fund	Total Appropriations	Total Actual Expenditures and Encumbrances	Variance
Street Construction			
Maintenance & Repair	\$72,718	\$82,058	(\$9,340)
Enforcement Eduaction	165	249	(84)
Police Levy	26,728	35,086	(8,358)
Ambulance/EMS	35,700	38,621	(2,921)

We recommend the Fiscal Officer frequently compare actual disbursements plus outstanding encumbrances to appropriations to help avoid overspending. The Fiscal Officer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

Management has indicated that expenditures and appropriations will be closely monitored to ensure no future violations occur.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Posting errors in accounting record.	No	Repeat as Finding 2015-001
2013-002	Ohio Rev. Code § 5705.39 Appropriations Exceeding Estimated Receipts	No	Partially corrected and reissued as verbal comment.

This page intentionally left blank.



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
OCTOBER 4, 2016