



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF ANDOVER  
ASHTABULA COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Andover  
Ashtabula County  
134 Maple Avenue, P.O. Box 1267  
Andover, OH 44003

To the Village Council:

We have audited the accompanying financial statements of the Village of Andover (the Village) as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

June 27, 2002

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$269,205	\$142,499	\$0	\$591,277	\$1,002,981
State Shared Taxes and Permits	77,457	59,777			137,234
Intergovernmental Receipts		2,377		30,679	33,056
Charges for Services	1,490	1,280			2,770
Fines, Licenses, and Permits	8,909	1,552			10,461
Earnings on Investments	49,425				49,425
Miscellaneous	16,481			45,120	61,601
<b>Total Cash Receipts</b>	<u>422,967</u>	<u>207,485</u>	<u>0</u>	<u>667,076</u>	<u>1,297,528</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	182,197	189,724			371,921
Public Health Services	11,610				11,610
Leisure Time Activities	15,392				15,392
Community Environment	7,972				7,972
Basic Utility Services	662				662
Transportation	8,169	55,811			63,980
General Government	152,608				152,608
Debt Service:					
Principal Payments			28,100	148,996	177,096
Interest Payments			1,826	63,613	65,439
Capital Outlay	19,525	8,403		438,204	466,132
<b>Total Cash Disbursements</b>	<u>398,135</u>	<u>253,938</u>	<u>29,926</u>	<u>650,813</u>	<u>1,332,812</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>24,832</u>	<u>(46,453)</u>	<u>(29,926)</u>	<u>16,263</u>	<u>(35,284)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In			29,926		29,926
Transfers-Out	(29,926)				(29,926)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(29,926)</u>	<u>0</u>	<u>29,926</u>	<u>0</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(5,094)</u>	<u>(46,453)</u>	<u>0</u>	<u>16,263</u>	<u>(35,284)</u>
<b>Fund Cash Balances, January 1</b>	<u>181,640</u>	<u>56,576</u>	<u>0</u>	<u>864,906</u>	<u>1,103,122</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$176,546</b></u>	<u><b>\$10,123</b></u>	<u><b>\$0</b></u>	<u><b>\$881,169</b></u>	<u><b>\$1,067,838</b></u>

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

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$434,406
Miscellaneous	12,375
	446,781
Total Operating Cash Receipts	446,781
<b>Operating Cash Disbursements:</b>	
Personal Services	199,742
Fringe Benefits	
Contractual Services	98,626
Supplies and Materials	32,117
Capital Outlay	4,152
	334,637
Total Operating Cash Disbursements	334,637
Operating Income/(Loss)	112,144
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	110,905
Other Non-Operating Cash Disbursements	3,600
	114,505
Total Non-Operating Cash Disbursements	114,505
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(2,361)
Transfers-In	79,223
Transfers-Out	(79,223)
	(2,361)
Net Receipts Over/(Under) Disbursements	(2,361)
Fund Cash Balances, January 1	281,278
<b>Fund Cash Balances, December 31</b>	<b>\$278,917</b>

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



**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$274,192	\$130,607	\$0	\$652,242	\$1,057,041
State Shared Taxes and Permits	98,080	69,870			167,950
Intergovernmental Receipts	4,926				4,926
Charges for Services	1,690	960			2,650
Fines, Licenses, and Permits	7,402	2,071			9,473
Earnings on Investments	60,378				60,378
Miscellaneous	2,787	5,308		5,500	13,595
<b>Total Cash Receipts</b>	<u>449,455</u>	<u>208,816</u>	<u>0</u>	<u>657,742</u>	<u>1,316,013</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	201,055	138,543			339,598
Public Health Services	10,413				10,413
Leisure Time Activities	13,969				13,969
Community Environment	5,295				5,295
Basic Utility Services	342				342
Transportation		62,892			62,892
General Government	127,577				127,577
Debt Service:					
Principal Payments			28,100	145,772	173,872
Interest Payments			3,663	66,837	70,500
Capital Outlay	31,745	739		151,155	183,639
<b>Total Cash Disbursements</b>	<u>390,396</u>	<u>202,174</u>	<u>31,763</u>	<u>363,764</u>	<u>988,097</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>59,059</u>	<u>6,642</u>	<u>(31,763)</u>	<u>293,978</u>	<u>327,916</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In			31,763		31,763
Transfers-Out	(46,763)				(46,763)
Other Financing Use			(654)		(654)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(46,763)</u>	<u>0</u>	<u>31,109</u>	<u>0</u>	<u>(15,654)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>12,296</u>	<u>6,642</u>	<u>(654)</u>	<u>293,978</u>	<u>312,262</u>
<b>Fund Cash Balances, January 1</b>	<u>169,344</u>	<u>49,934</u>	<u>654</u>	<u>570,928</u>	<u>790,860</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$181,640</b></u>	<u><b>\$56,576</b></u>	<u><b>\$0</b></u>	<u><b>\$864,906</b></u>	<u><b>\$1,103,122</b></u>

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

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$429,938
Miscellaneous	12,600
	<u>442,538</u>
Total Operating Cash Receipts	<u>442,538</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	170,565
Fringe Benefits	67
Contractual Services	100,024
Supplies and Materials	43,739
Capital Outlay	18,231
	<u>332,626</u>
Total Operating Cash Disbursements	<u>332,626</u>
Operating Income/(Loss)	<u>109,912</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	110,905
Other Non-Operating Cash Disbursements	3,450
	<u>114,355</u>
Total Non-Operating Cash Disbursements	<u>114,355</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(4,443)
Transfers-In	96,194
Transfers-Out	(81,194)
	<u>10,557</u>
Net Receipts Over/(Under) Disbursements	<u>10,557</u>
Fund Cash Balances, January 1	<u>270,721</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$281,278</u></b>

*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, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Andover, Ashtabula County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), 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 a 1.5 mill levy. The Village contracts with Pymatuning Ambulance Service, Inc. to provide ambulance and emergency medical services. The Village pays the ambulance service with monies received from an ambulance and emergency medical services levy.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

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

VILLAGE OF ANDOVER  
ASHTABULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. **Special Revenue Fund (Continued)**

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

*Police Levy Fund* - This fund receives tax monies for providing police protection.

*Ambulance Levy Fund* - This fund receives tax monies for providing ambulance and emergency medical services.

3. **Debt Service Fund**

This fund is used to accumulate resources for the payment of note indebtedness. The Village had one debt service fund.

4. **Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

*Permanent Improvement Fund* - This fund receives a percentage of the Village's income tax revenue. The monies are being used for the water treatment plant expansion project.

5. **Enterprise Funds**

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

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Debt Service Fund* - This fund receives loan proceeds from the Ohio Water Development Authority to finance a wastewater treatment plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, program or object level of control, and appropriations may not exceed estimated resources. The 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 commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$971,755	\$669,400
Certificates of deposit	375,000	715,000
Total deposits	<u>\$1,346,755</u>	<u>\$1,384,400</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$450,000	\$422,967	(\$27,033)
Special Revenue	199,600	207,485	7,885
Debt Service	29,926	29,926	0
Capital Projects	650,000	667,076	17,076
Enterprise	518,624	526,004	7,380
Total	<u>\$1,848,150</u>	<u>\$1,853,458</u>	<u>\$5,308</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$630,951	\$428,061	\$202,890
Special Revenue	254,500	253,938	562
Debt Service	29,926	29,926	0
Capital Projects	1,475,300	650,813	824,487
Enterprise	778,023	528,365	249,658
Total	<u>\$3,168,700</u>	<u>\$1,891,103</u>	<u>\$1,277,597</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$446,000	\$449,455	\$3,455
Special Revenue	210,100	208,816	(1,284)
Debt Service	31,763	31,763	0
Capital Projects	657,800	657,742	(58)
Enterprise	545,124	538,732	(6,392)
Total	<u>\$1,890,787</u>	<u>\$1,886,508</u>	<u>(\$4,279)</u>

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$569,293	\$437,159	\$132,134
Special Revenue	242,600	202,174	40,426
Debt Service	32,354	32,417	(63)
Capital Projects	1,270,900	363,764	907,136
Enterprise	774,692	528,175	246,517
Total	<u>\$2,889,839</u>	<u>\$1,563,689</u>	<u>\$1,326,150</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Ambulance Fund by \$4,402 in 2000 and \$5,544 in 2001, in the Sewer Debt Fund by \$5,962 in 2000, in the COPS Grant Fund by \$36,491 and in the Police Grant Fund by \$1,403 in 2001. Also contrary to Ohio law, at December 31, 2000, appropriations exceeded estimated resources by \$212,600 in the WPLCF Loan Repayment Fund and \$7,500 in the Water Debt Fund. Also contrary to Ohio law, various expenditures were made prior to the Treasurer's certification of funds.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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 one and one-half (1.5) percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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, 2001 AND 2000  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$620,265	4.56 & 8.35%
Ohio Water Development Authority Loan	2,779,539	2.20%
Ohio Public Works Commission	46,800	0%
Total	<u>\$3,446,604</u>	

The Ohio Water Development Authority (OWDA) loans relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$3,425,096 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$106,304, including interest, over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

	<u>OWDA Loan</u>	<u>OPWC Loan</u>
Year ending December 31:		
2002	\$308,043	\$3,600
2003	292,571	3,600
2004	292,571	3,600
2005	292,571	3,600
2006	292,571	3,600
2007 – 2017	2,316,219	28,800
Total	<u>\$3,794,546</u>	<u>\$46,800</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.



**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village is a member of the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages modified for each members needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures those coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

**9. CONTINGENT LIABILITIES**

The Village is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Andover  
Ashtabula County  
134 Maple Avenue, P.O. Box 1267  
Andover, OH 44003

To the Village Council:

We have audited the accompanying financial statements of the Village of Andover (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-31104-001 through 2001-31104-003. We also noted one immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated June 27, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 27, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

June 27, 2002

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Noncompliance Citations**

**FINDING NUMBER 2001-31104-001**

**Ohio Revised. Code § 5705.39** provides in part, that no appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

The Village’s appropriations exceeded the official certificate of estimated resources for the Water Debt Service Fund and the WPCLF Capital Improvements Fund in 2000, by the following amounts:

<b>Fund</b>	<b>Certificate of Estimated Resources</b>	<b>Appropriation Resolution</b>	<b>Variance</b>	<b>Percentage Variance</b>
Water Debt Service	\$29,442	\$36,942	\$7,500	25.5%
WPCLF – Loan Repayment	0	212,600	212,600	100.0%

The Certificate of Estimated Resources included monies certified for the Capital Improvement and Sidewalk Improvement Capital Project Funds. The annual appropriation ordinance approved by Council included appropriations for “Capital Projects” and the WPCLF Loan Repayment Fund. The appropriation ordinance did not include a breakdown by fund number, program, and object for the Capital Project Funds.

We recommend the Village Council compare the certificate of estimated resources to the annual appropriation measure to ensure that appropriations do not exceed the amount certified on the certificate of estimated resources. Appropriations adopted by Council should agree with appropriations posted to the Budget History Report.

**FINDING NUMBER 2001-31104-002**

**Ohio Revised Code § 5705.41(B)** prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The Village had expenditures in excess of appropriations in the following funds:

**2000**

<b>Fund</b>	<b>Expenditures</b>	<b>Appropriations</b>	<b>Variance</b>	<b>Percentage</b>
Ambulance Levy	\$44,402	\$40,000	\$4,402	11.0%
Sewer Debt Service	79,962	74,000	5,962	8.1%

**2001**

<b>Fund</b>	<b>Expenditures</b>	<b>Appropriations</b>	<b>Variance</b>	<b>Percentage</b>
Ambulance Levy	\$ 48,544	\$43,000	\$ 5,544	12.9%
COPS Grant	36,491	0	36,491	100.0%
Police Grant	1,403	0	1,403	100.0%

We recommend the Village request an amended certificate of estimated resources and increase the appropriations in the appropriate funds.

**FINDING NUMBER 2001-31104-003**

**Ohio Revised Code § 5705.41(D)**, states that no subdivision shall make a contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

The section also provides two exceptions to the above requirements:

- a. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrance, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than one thousand dollars, the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of Council.

Our test of disbursements indicated that ninety-two percent (92%) of contracts and purchases tested in 2000 and 2001 were committed prior to certification of funds by the clerk/treasurer. Neither of these exceptions provided were utilized for these transactions. This condition does not provide adequate accountability over the Village’s disbursements.

We recommend that all Village departments be advised that a purchase order with the certificate of the clerk/treasurer be obtained prior to making an order involving the expenditure of money. Any request for payment without such a purchase order should be investigated by management before the payment is made.

**VILLAGE OF ANDOVER  
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
1999-31104-001	Revised Code Section 5705.36 – failure to obtain amended certificate of estimated resources	No	Partially corrected (Variances were less than 5%); citation not repeated
1999-31104-002	Revised Code Section 5705.39 – appropriations exceeded estimated resources	No	Not corrected; citation repeated (2001-31104-001):  2000 – Capital Improvement Fund -- Water Debt Fund
1999-31104-003	Revised Code Section 5705.41(B) – expenditures exceeded appropriations	No	Not corrected; citation repeated (2001-31104-002)  2000 – Ambulance Fund, Sewer Debt 2001 – Ambulance Levy Fund, COPS Grant Fund, and Police Grant Fund
1999-31104-004	Revised Code Section 5705.41(D) – failure to properly encumber funds	No	Not corrected; citation repeated (2001-31104-003)
1999-31104-005	Administrative Code Section 117-5-13 – failure to maintain consecutively numbered purchase orders	No	Administrative Code section no longer valid; citation not repeated.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
JULY 16, 2002**