

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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



Mary Taylor, CPA

Auditor of State

Village Council
Village of Andover
134 Maple Street
Andover, Ohio 44334-1267

We have reviewed the *Report of Independent Accountants* of the Village of Andover, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Andover is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

August 20, 2008

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**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2007 and 2006**

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

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Andover
Ashtabula County
134 Maple Street
Andover, Ohio 44334-1267

To the Village Council:

We have audited the accompanying financial statements of the Village of Andover, Ashtabula County, Ohio (the Village), as and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Andover, Ashtabula County as of December 31, 2007 and 2006 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 6, 2008

**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, 2007**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 99,375	\$ 187,048	\$ -	\$ 286,423
Municipal Income Tax	232,758	-	232,758	465,516
Intergovernmental Receipts	64,174	8,111	-	72,285
Charges for Services	1,930	2,065	-	3,995
Fines, Licenses and Permits	15,086	1,866	-	16,952
Earnings on Investments	32,122	134	-	32,256
Miscellaneous	4,517	-	-	4,517
Total Cash Receipts	449,962	199,224	232,758	881,944
Cash Disbursements:				
Current:				
Security of Persons/Property	223,138	104,005	-	327,143
Public Health Services	11,586	2,372	-	13,958
Leisure Time Activities	16,734	2,027	-	18,761
Community Environment	5,964	-	-	5,964
Basic Utility Service	8,378	-	-	8,378
Transportation	-	74,328	-	74,328
General Government	191,166	-	-	191,166
Capital Outlay	-	-	309,882	309,882
Debt Service:				
Principal Retirement	-	-	173,499	173,499
Interest and Fiscal Charges	-	-	42,711	42,711
Total Cash Disbursements	456,966	182,732	526,092	1,165,790
Total Cash Receipts Over/(Under) Cash Disbursements	(7,004)	16,492	(293,334)	(283,846)
Other Financing Sources/(Uses):				
Sale of Capital Asset	3,040	-	-	3,040
Total Other Financing Sources/(Uses)	3,040	-	-	3,040
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(3,964)	16,492	(293,334)	(280,806)
Fund Cash Balance, January 1	1,592	40,064	542,623	584,279
Fund Cash Balance, December 31	<u>\$ (2,372)</u>	<u>\$ 56,556</u>	<u>\$ 249,289</u>	<u>\$ 303,473</u>

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type Enterprise Funds</u>	<u>Fiduciary Fund Types Agency Fund</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 399,253	\$ -	\$ 399,253
Fines, Licenses and Permits	8,125	9,955	18,080
Miscellaneous	4,291	-	4,291
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	411,669	9,955	421,624
Operating Cash Disbursements			
Personal Services	217,057	-	217,057
Contractual Services	80,829	-	80,829
Materials and Supplies	34,183	-	34,183
Miscellaneous	4,250	-	4,250
Capital Outlay	6,803	-	6,803
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	343,122	-	343,122
Operating Income	68,547	9,955	78,502
Non-Operating Cash Disbursements			
Debt Service:			
Principal Retirement	43,854	-	43,854
Interest and Fiscal Charges	30,270	-	30,270
Other Financing Uses	-	9,675	9,675
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	74,124	9,675	83,799
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(5,577)	280	(5,297)
Transfers-In	21,633	-	21,633
Transfers-Out	(21,633)	-	(21,633)
	<hr/>	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	(5,577)	280	(5,297)
Fund Cash Balance, January 1	167,894	-	167,894
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31	<u>\$ 162,317</u>	<u>\$ 280</u>	<u>\$ 162,597</u>

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 98,192	\$ 184,509	\$ -	\$ 282,701
Municipal Income Tax	277,077	-	277,077	554,154
Intergovernmental Receipts	64,189	8,022	-	72,211
Charges for Services	1,780	1,305	-	3,085
Fines, Licenses and Permits	16,166	215	-	16,381
Earnings on Investments	35,732	42	-	35,774
Miscellaneous	4,367	-	-	4,367
	<u>497,503</u>	<u>194,093</u>	<u>277,077</u>	<u>968,673</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons/Property	257,566	119,390	-	376,956
Public Health Services	11,687	2,500	-	14,187
Leisure Time Activities	16,290	-	-	16,290
Community Environment	8,803	-	-	8,803
Basic Utility Service	6,032	-	-	6,032
Transportation	-	83,679	-	83,679
General Government	192,434	-	-	192,434
Capital Outlay	-	-	262,306	262,306
Debt Service:				
Principal Retirement	-	-	169,822	169,822
Interest and Fiscal Charges	-	-	46,388	46,388
	<u>492,812</u>	<u>205,569</u>	<u>478,516</u>	<u>1,176,897</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under)				
Cash Disbursements	4,691	(11,476)	(201,439)	(208,224)
Other Financing Sources/(Uses):				
Sale of Capital Asset	701	-	-	701
	<u>701</u>	<u>-</u>	<u>-</u>	<u>701</u>
Total Other Financing Sources/(Uses)				
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	5,392	(11,476)	(201,439)	(207,523)
Fund Cash Balance, January 1	(3,800)	51,540	744,062	791,802
Fund Cash Balance, December 31	<u>\$ 1,592</u>	<u>\$ 40,064</u>	<u>\$ 542,623</u>	<u>\$ 584,279</u>

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type Enterprise Funds</u>	<u>Fiduciary Fund Types Agency Fund</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 396,790	\$ -	\$ 396,790
Fines, Licenses and Permits	15,275	6,405	21,680
Miscellaneous	7,111	-	7,111
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	419,176	6,405	425,581
Operating Cash Disbursements			
Personal Services	204,497	-	204,497
Contractual Services	126,774	-	126,774
Materials and Supplies	26,247	-	26,247
Miscellaneous	4,275	-	4,275
Capital Outlay	6,221	-	6,221
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	368,014	-	368,014
Operating Income	51,162	6,405	57,567
Non-Operating Cash Disbursements			
Debt Service:			
Principal Retirement	40,474	-	40,474
Interest and Fiscal Charges	33,103	-	33,103
Other Financing Uses	-	6,405	6,405
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	73,577	6,405	79,982
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(22,415)	-	(22,415)
Transfers-In	26,886	-	26,886
Transfers-Out	(26,886)	-	(26,886)
	<hr/>	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	(22,415)	-	(22,415)
Fund Cash Balance, January 1	190,309	-	190,309
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31	<u>\$ 167,894</u>	<u>\$ -</u>	<u>\$ 167,894</u>

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Andover, Ashtabula County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services including water and sewer utilities, park operations and police services.

The Village contracts with the Andover Volunteer Fire Department, Inc. to provide fire protection services. The Village pays the Volunteer Fire Department with monies received from two fire levies totaling 1.5 mills. The Village also contracts with the Pymatuning Ambulance Service, Inc. to provide ambulance and emergency medical services. The Village pays the Ambulance Service with monies received from a 2.0 mill emergency medical services levy.

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

B. BASIS OF ACCOUNTING

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

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

C. CASH AND INVESTMENTS

The provisions of the Ohio Revised Code restrict investment procedures. Purchased investments are valued at purchase cost. Interest earned is recognized and recorded when received.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities, reported in other funds. The restrictions associated with each class of funds are as follows:

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. FUND ACCOUNTING – (continued)

Governmental Fund Types:

General Fund: The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: To account for the proceeds of specific revenue sources that is legally restricted to disbursements for specified purposes. The Village had the following significant Special Revenue Funds:

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

Police Levy Fund – This fund receives property tax money to provide police services for Village residents.

Fire Levy Fund – This fund receives property tax money to provide fire service for the Village residents.

Ambulance Levy Fund – This fund receives property tax money to provide ambulance and emergency medical services for Village residents.

Capital Project Funds: To account for the financial resources to be used for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village has the following significant Capital Project fund:

Permanent Improvement – This fund receives a percentage of the Village income tax to finance the water treatment plant expansion project.

Proprietary Fund Type:

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

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

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

Sewer Debt Service Fund – This fund received a loan from the Ohio Water Development Authority to finance a wastewater treatment plant expansion project. The loan is being repaid from this fund with proceeds of a utility surcharge.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. FUND ACCOUNTING – (continued)

Fiduciary Fund Type (Agency Fund):

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

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

E. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is prepared by the Clerk/Treasurer, approved by Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

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

3. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The legal level of budgetary control is at the fund level for all funds except the General Fund which is at the fund, function level of control, and appropriations may not exceed estimated resources. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

4. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 7.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. UNPAID VACATION AND SICK LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash pool using all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of the Village's cash and investments at December 31 was as follows:

	2007	2006
Demand Deposits	\$ 156,797	\$ 102,543
Certificates of Deposit	200,000	585,000
Money Market Account	91,606	47,585
Savings Accounts	17,667	17,045
Total Deposits, Investments and Cash	\$ 466,070	\$ 752,173

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

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35 percent of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2006.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

3. PROPERTY TAXES – (Continued)

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amounts of these homestead and rollback reductions are reimbursed to the Village by the State of Ohio and are reflected in the accompanying financial statements as Intergovernmental Receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

The County Treasurer collects property tax on behalf of all taxing Villages within the county. The County Auditor periodically remits to the taxing Villages their portions of the taxes collected.

4. LOCAL INCOME TAX

The Village levies a municipal income tax of one and one-half (1.5) percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

The local income tax is collected by Cleveland Collection Agency (CCA) and remitted to the Village less overhead costs monthly.

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

5. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
<u>OWDA:</u>		
1990's Sewer Treatment Plant Expansion	\$ 2,202,319	2.20% to 8.35%
<u>OPWC:</u>		
1994 Peach-Orchard-Cleveland Waterline Improvement	25,200	0.00%
	\$ 2,227,519	

The Ohio Water Development Authority (OWDA) loans relate to the water and sewer plant expansion projects mandated by the Ohio Environmental Protection Agency (OEPA). The OWDA has approved \$3,425,096 in loans to the Village for this purpose. The loans will be repaid in semiannual installments over 20 years. The scheduled payments will be adjusted to reflect any revisions in the amount borrowed. The loans are collateralized by water and sewer users fees and by the Village's income tax.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

5. DEBT – (Continued)

The Ohio Public Works Commission (OPWC) loan was used to finance waterline improvements on several streets in the village. The original issue was \$72,000 and will be repaid in semiannual installments over 20 years. The loan was collateralized by water user fees, but now it is collateralized by the Village's income tax.

Amortization of OPWC and OWDA loans is as follows:

OPWC LOAN		
YEAR ENDING 12/31:	PRINCIPAL	INTEREST
2008	\$ 3,600	\$ -
2009	3,600	-
2010	3,600	-
2011	3,600	-
2012	3,600	-
2013 - 2014	7,200	-
Total	\$ 25,200	\$ -

OWDA LOANS		
YEAR ENDING 12/31:	PRINCIPAL	INTEREST
2008	\$ 221,174	\$ 66,153
2009	228,983	58,985
2010	237,208	51,457
2011	245,879	43,537
2012	255,028	25,204
2013 - 2017	1,014,047	60,689
Total	\$ 2,202,319	\$ 306,025

6. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

6. RISK MANAGEMENT – (Continued)

The Plan issues its own policies and reinsures the Plan with A-VII or better-rated carriers, except for the 5% portion retained by the Plan. With policies effective September 1, 2003 and after, the Plan pays 5% of the casualty losses up to \$25,000 and 5% of the property losses up to \$50,000. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$ 9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	<u>\$ 6,862,902</u>	<u>\$ 6,290,528</u>

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

7. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 is as follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 468,300	\$ 453,002	\$ (15,298)
Special Revenue Funds	190,685	199,224	8,539
Capital Project Funds	245,000	232,758	(12,242)
Enterprise Funds	456,720	433,302	(23,418)
Total	<u>\$ 1,360,705</u>	<u>\$ 1,318,286</u>	<u>\$ (42,419)</u>

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

7. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 472,249	\$ 456,966	\$ 15,283
Special Revenue Funds	218,075	182,732	35,343
Capital Project Funds	782,610	526,092	256,518
Enterprise Funds	610,309	438,879	171,430
Total	\$ 2,083,243	\$ 1,604,669	\$ 478,574

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 498,134	\$ 498,204	\$ 70
Special Revenue Funds	192,634	194,093	1,459
Capital Project Funds	277,100	277,077	(23)
Enterprise Funds	466,495	446,062	(20,433)
Total	\$ 1,434,363	\$ 1,415,436	\$ (18,927)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 498,134	\$ 492,812	\$ 5,322
Special Revenue Funds	231,147	205,569	25,578
Capital Project Funds	1,016,110	478,516	537,594
Enterprise Funds	619,508	468,477	151,031
Total	\$ 2,364,899	\$ 1,645,374	\$ 719,525

8. RETIREMENT SYSTEMS

Ohio Public Employees Retirement System (OPERS):

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

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

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

8. RETIREMENT SYSTEMS – (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. In 2006, OPERS participants contributed 9.0% of their wages. The Village contributed an amount equal to 13.70% of their wages. In 2007, OPERS participants contributed 9.5% of their wages. The Village contributed an amount equal to 13.85% of their wages. The Village has paid all contributions required through December 31, 2007.

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

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

Contribution rates are prescribed by the Ohio Revised Code. For 2007 and 2006, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions through December 31, 2007.

9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. LEGAL COMPLIANCE

- Ohio Revised Code Section 5705.14, .15, and .16 – The Village did not have certain transfers and advances properly approved by Council.
- Ohio Revised Code Section 5705.39 – The Village's Fund – Sewer Replacement Fund in 2006 had appropriations exceeding the total estimated resources.
- Ohio Revised Code Section 5705.36 – Numerous fund actual receipts fell short of estimated receipts, but they did not file for a reduced amended certificate and those funds exceeded appropriations.
- Ohio Revised Code Section 5705.41(B) – Expenditures exceeded appropriations for various funds.

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Andover
Ashtabula County
134 Maple Street
Andover, Ohio 44334-1267

The Village Council:

We have audited the financial statements of the Village of Andover, Ashtabula County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 6, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribed rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices prescribed or permitted by the Auditor of State of Ohio such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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, grant agreements and other matters, 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 or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007 – VA – 001 through 2007 – VA – 005.

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

We noted certain matters that we have reported to management of the Township in a separate letter dated June 6, 2008.

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

Charles E. Harris and Associates, Inc.

June 6, 2008

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007 - VA - 001

Noncompliance Citation

Timely Filing of Financial Statements

Ohio Revised Code Section 117.38 provides that an annual financial report shall be filed with the Auditor of State within sixty days after the close of the year. The section also states that at the time the report is filed with the Auditor of State, the fiscal officer must publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such paper, then in a newspaper of general circulation in the political subdivision or taxing district, that the report has been completed and is available for public inspection at the office of the fiscal officer.

The financial reports for 2007 and 2006 were not filed. We also noted that the Village did not publish a notice in newspaper to inform the public that the report has been completed and is available for public inspection. Pursuant to Ohio Revised Code Section 117.38, the Village may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Village's Course of Action

The Village is converting to UAN in the near future. As such, reporting process will be a less complicated and more automated process. Every effort will be made in the future to prevent this citation from occurring again.

FINDING NUMBER 2007 - VA - 002

Noncompliance Citation

Budgetary Expenditures exceed Appropriations Authority

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the function level for the General Fund and fund level from all other funds per Board resolution. The following funds had total expenditures plus encumbrances expended money in excess of appropriations:

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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2007			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue Funds:			
Police Levy Fund	\$ 42,190	\$ 47,159	\$ (4,969)
Fire Levy Fund	24,390	36,640	(12,250)
Ambulance Levy Fund	43,900	48,364	(4,464)
2006			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue Funds:			
Fire Levy Fund	\$ 26,264	\$ 36,554	\$ (10,290)
Ambulance Levy Fund	46,856	48,762	(1,906)
Safety Data Fund	-	202	(202)
Enterprise Fund:			
Sewer Debt Fund	73,473	73,578	(105)

We recommend that Council compare appropriations to the appropriations ordinances and periodically compare expenditures to appropriations. If additional appropriations are needed, then Council should take the necessary steps to adopt supplemental appropriations, if sufficient receipts are available, to prevent expenditures from exceeding appropriations.

Village's Course of Action - This goes hand in hand with Finding Number 2005 – VA – 003. With the timely filing of monthly reports with Council and the correct verification from the Ashtabula County Auditor, these issues should be better followed in the future.

FINDING NUMBER 2007 - VA – 003

Noncompliance Citation

Estimated Receipts Over Actual Receipts

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In both 2007 and 2006 the Village had estimated receipts greater than actual receipts in several funds to an extent by which the shortage of actual compared to estimated receipts could reduce the total estimated resources to an amount lower than the appropriations.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

2007			
Fund	Estimated Receipts	Actual Receipts	Variance
<u>General Fund</u>	\$ 468,300	\$ 453,002	\$ (15,298)
<u>Special Revenue Funds</u>			
Street Fund	62,455	60,548	(1,907)
State Highway Fund	5,140	4,808	(332)
Cemetery Fund	2,500	2,470	(30)
Muni-Permissive Tax Fund	9,000	8,245	(755)
Drug Trust Fund	400	380	(20)
Safety Data Fund	100	-	(100)
<u>Capital Project Funds</u>			
Capital Project Funds	245,000	232,758	(12,242)
<u>Enterprise Funds</u>			
Water Fund	130,000	128,829	(1,171)
Sewer Fund	225,000	212,282	(12,718)
Utility Deposit Fund	5,500	4,650	(850)
Water Improvement Fund	6,000	3,125	(2,875)
Sewer Improvement Fund	9,000	5,000	(4,000)
Sewer Replacement Fund	6,220	-	(6,220)
2006			
Fund	Estimated Receipts	Actual Receipts	Variance
<u>Special Revenue Funds</u>			
Muni-Permissive Tax Fund	\$ 8,200	\$ 8,064	\$ (136)
<u>Enterprise Funds</u>			
Water Fund	131,000	128,801	(2,199)
Sewer Fund	226,600	221,845	(4,755)
Water Improvement Fund	10,875	5,875	(5,000)
Sewer Improvement Fund	14,400	9,400	(5,000)
Sewer Replacement Fund	6,220	-	(6,220)

We recommend the Village request a reduced amended certificate of estimated resources when it is known the actual receipts will be less than the estimated receipts and the deficiency will reduce estimated resources below the amount of appropriations.

Village's Course of Action

Every effort will be made to alleviate this from reoccurring by proper notification to the Ashtabula County Auditor of any increases or decreased estimated receipts.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007 - VA – 004

Noncompliance Citation

Transfers and Advances

Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 sets requirements for the transfer and advance of monies and requires transfers to be approved by resolution specifying the funds to pay and receive the money. This resolution should be separate from appropriation resolutions.

During 2006 and 2007 transfers were made without Council approval. The transfers in 2006 and 2007 were from the sewer and sewer improvement fund to the sewer debt fund to pay debt and from the water fund to water improvement fund.

Council must approve all transfers and advances by resolution specifying the funds to pay and receive the money. There will be increased diligence on the legislative approval of the transfers. This will alleviate any future citations.

Village's Course of Action - There will be increased diligence on the legislative approval of the transfers and advances. This will alleviate any future citations.

FINDING NUMBER 2007 - VA – 005

Noncompliance Citation

Appropriations vs. Total Estimated Resources

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..." This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources. Contrary to this requirement, the Enterprise Fund – Sewer Replacement Fund had total appropriations exceeded the estimated resources in 2006 as follows:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Sewer Replacement	\$49,760	\$53,060	\$(3,300)

Village's Course of Action - This will be addressed through the same avenues as Findings Number 2007 – 002, 003, and 004 above. Through the timely preparation of financial statements and the coordination of the Clerk-Treasurer, Finance Committee, and Audit Committee these three areas should show improvement.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Deferent Corrective Action Taken; or finding no longer Valid; Explain:
2005 - VA - 001	Ohio Revised Code Section 5705.41(D) Failed to properly certify commitment or obligations.	Yes	Corrective Action Taken
2005 - VA - 002	Ohio Revised Code Section 117.38 Timely Filing of the Financial Statements	No	Not Corrected Reissued 2007 - VA - 001
2005 - VA - 003	Ohio Revised Code Section 5705.41(B) Budgetary expenditures exceeded appropriation authority.	No	Not Corrected Reissued 2007 - VA - 002
2005 - VA - 004	Ohio Revised Code Section 5705.36(A)(2) Estimated receipts over actual receipts	No	Not Corrected Reissued 2007 - VA - 003
2005 - VA - 005	Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 Unauthorized Transfers	No	Not Corrected Reissued 2007 - VA - 004
2005 - VA - 006	Ohio Revised Code Section 5705.39 Appropriations exceeded estimated resources.	No	Not Corrected Reissued 2007 - VA - 005



Mary Taylor, CPA
Auditor of State

VILLAGE OF ANDOVER

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 2, 2008