

VILLAGE OF ANDOVER

ASHTABULA COUNTY

Audit Report

For the Years Ended December 31, 2017 and 2016





Dave Yost • Auditor of State

Village Council
Village of Andover
134 Maple Street
Andover, Ohio 44003

We have reviewed the *Independent Auditor's Report* of the Village of Andover, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. 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.

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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 10, 2018

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**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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, 2017 and 2016.

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 such 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 2 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, 2017 and 2016, and the 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Andover, Ashtabula County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018, 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.



Charles E. Harris & Associates, Inc.
June 15, 2018

Village of Andover, Ohio
Ashtabula County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$64,825	\$99,276	\$0	\$164,101
Municipal Income Tax	344,595	45,644	68,466	458,705
Intergovernmental	33,309	81,045	0	114,354
Charges for Services	5,765	4,010	0	9,775
Fines, Licenses and Permits	16,742	1,540	0	18,282
Earnings on Investments	520	8	0	528
Miscellaneous	5,289	172	0	5,461
<i>Total Cash Receipts</i>	<u>471,045</u>	<u>231,695</u>	<u>68,466</u>	<u>771,206</u>
Cash Disbursements				
Current:				
Security of Persons and Property	254,956	96,244	0	351,200
Public Health Services	9,403	1,828	0	11,231
Leisure Time Activities	19,083	896	0	19,979
Community Environment	5,508	0	0	5,508
Basic Utility Services	1,477	0	0	1,477
Transportation	0	155,789	24,232	180,021
General Government	178,525	0	0	178,525
Capital Outlay	0	0	146,856	146,856
Debt Service:				
Principal Retirement	0	0	30,267	30,267
Interest and Fiscal Charges	0	0	1,106	1,106
<i>Total Cash Disbursements</i>	<u>468,952</u>	<u>254,757</u>	<u>202,461</u>	<u>926,170</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	2,093	(23,062)	(133,995)	(154,964)
Other Financing Receipts (Disbursements)				
Other Loan Proceeds	0	0	103,354	103,354
Transfers In	0	706	0	706
Transfers Out	(706)	0	0	(706)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(706)</u>	<u>706</u>	<u>103,354</u>	<u>103,354</u>
<i>Net Change in Fund Cash Balances</i>	1,387	(22,356)	(30,641)	(51,610)
<i>Fund Cash Balances, January 1</i>	<u>60,203</u>	<u>93,656</u>	<u>36,092</u>	<u>189,951</u>
Fund Cash Balances, December 31				
Restricted	0	71,300	0	71,300
Committed	0	0	5,451	5,451
Unassigned	61,590	0	0	61,590
<i>Fund Cash Balances, December 31</i>	<u>\$61,590</u>	<u>\$71,300</u>	<u>\$5,451</u>	<u>\$138,341</u>

See accompanying notes to the basic financial statements

Village of Andover, Ohio
Ashtabula County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$680,922	\$0	\$680,922
Fines, Licenses and Permits	0	17,450	17,450
Miscellaneous	1,509	0	1,509
<i>Total Operating Cash Receipts</i>	<u>682,431</u>	<u>17,450</u>	<u>699,881</u>
Operating Cash Disbursements			
Personal Services	147,466	0	147,466
Employee Fringe Benefits	72,152	0	72,152
Contractual Services	132,785	0	132,785
Supplies and Materials	53,885	0	53,885
Other	3,731	17,680	21,411
<i>Total Operating Cash Disbursements</i>	<u>410,019</u>	<u>17,680</u>	<u>427,699</u>
<i>Operating Income (Loss)</i>	272,412	(230)	272,182
Non-Operating Receipts (Disbursements)			
Capital Outlay	(34,711)	0	(34,711)
Principal Retirement	(141,751)	0	(141,751)
Interest and Other Fiscal Charges	(23,622)	0	(23,622)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(200,084)</u>	<u>0</u>	<u>(200,084)</u>
<i>Net Income (Loss)</i>	72,328	(230)	72,098
<i>Fund Cash Balances, January 1</i>	<u>241,265</u>	<u>975</u>	<u>242,240</u>
<i>Fund Cash Balances, December 31</i>	<u>\$313,593</u>	<u>\$745</u>	<u>\$314,338</u>

See accompanying notes to the basic financial statements

Village of Andover, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Andover, Ashtabula County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Andover Fire Department to receive fire protection services. The Village also contracts with Community Care Ambulance to provide ambulance and emergency medical services.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 10 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund. The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village. This fund receives a 10% portion of the Village's municipal income tax collections.

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

Village of Andover, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (continued)

Fire Protection Fund- This fund receives a property tax levy to fund Village fire protection services.

Capital Projects 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 projects fund:

Permanent Capital Improvement Fund- This fund receives 15% of the Village’s municipal income tax collections. The income tax is being used to finance various capital improvement projects within the Village.

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 users to cover water service costs.

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

Other Enterprise Fund- This fund receives charges for water sales of Camplands Water to residents of Holiday Camplands and Lake Village Campgrounds.

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.

Basis of Accounting

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. Council 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.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Village of Andover, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (continued)

Appropriations. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

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.

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

A summary of 2017 budgetary activity appears in Note 3.

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, 2017. Funds are held in interest bearing checking and savings accounts.

Capital Assets

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

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.

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:

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

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

Village of Andover, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (continued)

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

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 ordinance or resolution, or by State Statute. The Village may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$471,142	\$471,045	(\$97)
Special Revenue	233,047	232,401	(646)
Capital Projects	171,820	171,820	(0)
Enterprise	631,325	682,431	51,106

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$470,123	\$469,658	\$465
Special Revenue	259,264	254,757	4,507
Capital Projects	202,461	202,461	(0)
Enterprise	612,682	610,103	2,579

Village of Andover, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits

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:

	<u>2017</u>
Demand Deposits	\$10,339
Public Funds Money Market Account	422,124
Utility Savings Account	<u>20,216</u>
Total Deposits	<u>\$452,679</u>

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

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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.

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.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Village of Andover, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management – (continued)

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Employment practices
- Liability of public officials
- Liability of law enforcement
- Vehicles

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Approximately fifteen employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Four (4) Village council members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Andover, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Loan #CG07I -West Main Street Sewer Rehab	\$25,536	0%
OPWC Loan #CG18N - Station Water Main and Pavement	138,354	0%
OWDA Loan #7290 - Assume Camplands Loan	580,170	2%
OWDA Loan #7218 - Purchase Camplands Water	484,938	2.04 - 2.39%
Water Meter Loan	103,354	2%
Total	\$1,332,352	

The Ohio Public Works Commission (OPWC) Station Water Main and Pavement Improvements loan (CG18N) was issued in 2012 and is used to finance waterline improvements on Station Street in the Village. The original issue was \$197,648 and will be repaid in semiannual installments of \$4,941 over 20 years at zero interest rate. The loan is collateralized by water and sewer usage fees.

The Ohio Public Works Commission (OPWC) Sewer Rehabilitation loan (CG071) was issued in 2010 and is used to finance sewer line improvements on West Main Street sewer in the Village. The original issue was \$42,560 and will be repaid in semiannual installments of \$1,064 over 20 years at zero interest rate. The loan is collateralized by water & sewer usage fees.

The Ohio Water Development Authority (OWDA) loan #7290, Assumption of Camplands Water, LLC, was issued in 2016 as part of the agreement of the Village’s purchase of Holiday Camplands and Lake Village Camplands. The Village assumed the loan balance (non-cash transaction) of the Camplands Water, LLC. in the amount of \$637,960. The Village will pay the loan in semiannual installments of \$25,451 over 14.5 years at 2.0% interest. The loan is collateralized by water usage fees of Holiday Camplands and Lake Village Camplands.

The Ohio Water Development Authority (OWDA) loan #7218, Purchase Camplands Water, LLC, relates to the Village’s purchase of Holiday Camplands and Lake Village Camplands. The Village obtained an additional \$515,867 loan for technical and contractor work on the property. Village will repay the loan in semiannual installments of \$16,220 over 20 years at interest rates 2.04% to 2.39%. The loan is collateralized by water usage fees of Holiday Camplands and Lake Village Camplands.

Village of Andover, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt – (continued)

The Village entered into an agreement with Government Obligation Contract on September 1, 2017 with Tax Exempt Leasing Corporation for the purchase of water meters, reading software and other equipment for water and sewer. So far, \$103,354 has been obtained to purchase an automatic water meter system, 566 meters and all the necessary computer software. The total contact amount is \$295,000 payable in four annual installments of \$79,534 at 2% interest. The first payment is scheduled for September 2018.

Amortization

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

Year Ending December 31:	OWDA Loan 7290	OWDA Loan 7218	OPWC Loan CG18N	OPWC Loan CG07I	Water Meter Loan
2018	\$50,903	\$32,441	\$9,882	\$2,128	\$79,534
2019	50,903	32,441	9,882	2,128	79,534
2020	50,903	32,441	9,882	2,128	79,534
2021	50,903	32,441	9,882	2,128	79,534
2022	50,903	32,441	9,882	2,128	0
2023-2027	254,515	162,205	49,412	10,640	0
2028-2032	152,709	162,205	39,532	4,256	0
2033-2037	0	113,543	0	0	0
Total	<u>\$661,739</u>	<u>\$600,158</u>	<u>\$138,354</u>	<u>\$25,536</u>	<u>\$318,136</u>

Note 10 – Public Entity Risk Pool

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016 (the latest information available).

Village of Andover, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Public Entity Risk Pool – (continued)

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 equity at December 31, 2016 (the latest information available).

	2016
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 11 – Contingent Liabilities

The Village is currently not a party to any claims or lawsuits.

Note 12 – Related Party Transactions

The Village Fiscal Officer is related by marriage to one of the Council members.

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Village of Andover Ohio
Ashtabula County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$70,622	\$98,107	\$0	\$168,729
Municipal Income Tax	355,657	46,508	71,131	473,296
Intergovernmental	32,231	77,126	0	109,357
Special Assessments	0	0	490	490
Charges for Services	269	1,584	0	1,853
Fines, Licenses and Permits	17,250	2,065	0	19,315
Earnings on Investments	411	14	0	425
Miscellaneous	35,100	0	5,703	40,803
<i>Total Cash Receipts</i>	<u>511,540</u>	<u>225,404</u>	<u>77,324</u>	<u>814,268</u>
Cash Disbursements				
Current:				
Security of Persons and Property	275,402	94,079	0	369,481
Public Health Services	9,235	1,743	0	10,978
Leisure Time Activities	15,164	378	0	15,542
Community Environment	7,193	0	0	7,193
Basic Utility Services	1,412	0	0	1,412
Transportation	0	96,471	0	96,471
General Government	198,767	780	0	199,547
Capital Outlay	0	0	698	698
Debt Service:				
Principal Retirement	0	0	101,169	101,169
Interest and Fiscal Charges	0	0	5,482	5,482
<i>Total Cash Disbursements</i>	<u>507,173</u>	<u>193,451</u>	<u>107,349</u>	<u>807,973</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	4,367	31,953	(30,025)	6,295
<i>Fund Cash Balances, January 1</i>	<u>55,836</u>	<u>61,703</u>	<u>66,117</u>	<u>183,656</u>
Fund Cash Balances, December 31				
Restricted	0	93,656	4,719	98,375
Committed	0	0	31,373	31,373
Unassigned	60,203	0	0	60,203
<i>Fund Cash Balances, December 31</i>	<u>\$60,203</u>	<u>\$93,656</u>	<u>\$36,092</u>	<u>\$189,951</u>

See accompanying notes to the basic financial statements

Village of Andover, Ohio
Ashtabula County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$605,334	\$0	\$605,334
Fines, Licenses and Permits	0	17,103	17,103
Miscellaneous	2,199	0	2,199
<i>Total Operating Cash Receipts</i>	<u>607,533</u>	<u>17,103</u>	<u>624,636</u>
Operating Cash Disbursements			
Personal Services	147,252	0	147,252
Employee Fringe Benefits	54,765	0	54,765
Contractual Services	121,544	0	121,544
Supplies and Materials	47,508	0	47,508
Other	4,262	16,803	21,065
<i>Total Operating Cash Disbursements</i>	<u>375,331</u>	<u>16,803</u>	<u>392,134</u>
<i>Operating Income (Loss)</i>	232,202	300	232,502
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	515,867	0	515,867
Capital Outlay	(505,274)	0	(505,274)
Principal Retirement	(137,933)	0	(137,933)
Interest and Other Fiscal Charges	(12,435)	0	(12,435)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(139,775)</u>	<u>0</u>	<u>(139,775)</u>
<i>Net Change in Fund Cash Balances</i>	92,427	300	92,727
<i>Fund Cash Balances, January 1</i>	<u>148,838</u>	<u>675</u>	<u>149,513</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$241,265</u></u>	<u><u>\$975</u></u>	<u><u>\$242,240</u></u>

See accompanying notes to the basic financial statements

Andover Village
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Andover, Ashtabula County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Andover Fire Department to provide fire protection services. The Village also contracts with Community Care Ambulance to provide ambulance and emergency medical services.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 10 to the financial statement provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 - This fund receives a portion of the Village 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 construction, 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.

Fire Protection Fund- This fund receives a property tax levy to fund Village fire protection services.

Andover Village
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies - (continued)

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 fund:

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.

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Other Enterprise Fund The fund receives charges for water sales of Camplands Water to residents of Holiday Camplands and Lake Village Camplands.

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 accounts for Mayor's Court activity.

Basis of Accounting

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. Council 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.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Andover Village
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies - (continued)

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

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.

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 2016 budgetary activity appears in Note 3.

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, 2016. Funds are held in interest bearing checking and savings accounts.

Capital Assets

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

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.

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:

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

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.

Andover Village
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies - (continued)

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

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 ordinance or resolution, or by State Statute. The Village may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$477,069	\$511,540	\$34,471
Special Revenue	175,528	225,404	49,876
Capital Projects	120,000	77,324	(42,676)
Enterprise	1,074,092	1,123,400	49,308

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$522,241	\$507,173	\$15,068
Special Revenue	198,079	193,451	4,628
Capital Projects	129,713	107,349	22,364
Enterprise	1,078,714	1,030,973	47,741

Andover Village
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits

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:

	<u>2016</u>
Demand Deposits	\$9,564
Public Funds Money Market Account	403,271
Utility Savings Account	<u>19,356</u>
Total Deposits	<u>\$432,191</u>

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

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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.

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.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Andover Village
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management – (continued)

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Employment practices
- Liability of public officials
- Liability of law enforcement
- Vehicles

Settlement amounts did not exceed insurance coverage for the past three fiscal years. Also, there was reduction of limits from last year.

Note 7- Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Several of the Village's council members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016

Andover Village
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9- Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC Loan CG07I - West Main Street & Sewer Rehab	\$27,664	0%
OPWC Loan CG18N - Station Water Main and Pavement	148,237	0%
OWDA Loan 2661- Wastewater Treatment Plant	100,550	2%
OWDA Loan #7290- Assume Camplands Water Loan	618,888	2%
OWDA Loan #7218- Purchase Camplands Water	505,677	2.04 - 2.39%
Total	\$1,401,016	

The Ohio Public Works Commission (OPWC) Station Water Main and Pavement Improvements loan (CG18N) was issued in 2012 and is used to finance waterline improvements on Station Street in the Village. The original issue was \$197,648 and will be repaid in semiannual installments of \$4,941 over 20 years at zero interest rate. The loan is collateralized by water and sewer usage fees.

The Ohio Public Works Commission (OPWC) Sewer Rehabilitation loan (CG071) was issued in 2010 and is used to finance sewer line improvements on West Main Street sewer in the Village. The original issue was \$42,560 and will be repaid in semiannual installments of \$1,064 over 20 years at zero interest rate. The loan is collateralized by water & sewer usage fees.

The Ohio Water Development Authority (OWDA) Wastewater Treatment loan #2661 was issued in 1997 and relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved \$3,275,307 in loans to the Village for this project. The Village will repay the loans in semiannual installments \$101,656 over 20 years at 2.20% interest. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village's taxing authority collateralized the bonds.

The Ohio Water Development Authority (OWDA) loan #7290, Assumption of Camplands Water, LLC, was issued in 2016 as part of the agreement of the Village's purchase of Holiday Camplands and Lake Village Camplands. The Village assumed the loan balance (non-cash transaction) of the Camplands Water, LLC. in the amount of \$637,960. The Village will pay the loan in semiannual installments of \$25,451 over 14.5 years at 2.0% interest. The loan is collateralized by water usage fees of Holiday Camplands and Lake Village Camplands.

Andover Village
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9– Debt - (continued)

The Ohio Water Development Authority (OWDA) loan #7218, Purchase Camplands Water, LLC, relates to the Village’s purchase of Holiday Camplands and Lake Village Camplands. The Village obtained an additional \$515,867 loan for technical and contractor work on the property. Village will repay the loan in semiannual installments of \$16,220 over 20 years at interest rates 2.04% to 2.39%. The loan is collateralized by water usage fees of Holiday Camplands and Lake Village Camplands.

Amortization

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

Year ending	OPWC Loan #CG07I	OPWC Loan #CG18N	OWDA Loan #2661	OWDA Loan #7290	OWDA Loan #7218
December 31:					
2017	\$2,128	\$9,882	\$101,656	\$50,903	\$16,220
2018	2,128	9,882		50,903	32,441
2019	2,128	9,882		50,903	32,441
2020	2,128	9,882		50,903	32,441
2021	2,128	9,882		50,903	32,441
2022-2026	10,640	49,414		254,515	162,205
2027-2031	6,384	49,413		203,612	162,205
2032-2036					64,880
Total	\$27,664	\$148,237	\$101,656	\$712,642	\$535,274

Note 10 – Public Entity Risk Pool

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM), (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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

Andover Village
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Public Entity Risk Pool – (continued)

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 equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 11 – Contingent Liabilities

The Village is currently not a party to any claims or lawsuits.

Note 12 – Related Party Transactions

The Village Fiscal Officer is related by marriage to one of the Council members.

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with the 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, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Andover, Ashtabula County (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 15, 2018, 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

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and that we consider to be a material weakness as item 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 15, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

June 15, 2018

VILLAGE OF ANDOVER
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Material Weakness:

We noted the following posting errors during 2017 and 2016. In 2016, the Village obtained a loan from Ohio Water Development Authority (OWDA) in the amount of \$515,867 for the capital outlay of Holiday Camplands and Lake Village Camplands. The loan was recorded as miscellaneous revenue.

In 2017, the Village entered into a loan contract for the upgrade and installation of water meters. The loan was recorded as miscellaneous revenue.

Adjustments were made in the financial statements and the Village records to properly reflect these transactions.

The Village Officers' Handbook and Auditor of State provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

Management Response:

See Corrective Action Plan.

**VILLAGE OF ANDOVER
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Explanation
2015-001	Debt Expenditures and OPWC Postings	Not Corrected	Repeated as Finding 2017-001
2015-002	Ohio Rev. Code §5705.41(D) - Certification of expenditures	Partially corrected	Moved to Management Letter

VILLAGE OF ANDOVER
ASHTABULA COUNTY

CORRECTIVE ACTION PLAN
December 31, 2017 and 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Any future loan monies received shall be posted as such and not a miscellaneous income.	Immediately	Cathy Williams, Fiscal Officer

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Dave Yost • Auditor of State

VILLAGE OF ANDOVER

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 23, 2018