



Dave Yost • Auditor of State



**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Andover Township  
Ashtabula County  
410 East Main Street  
Andover, Ohio 44003

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Andover Township, Ashtabula County (the Township) as of and for the years ended December 31, 2012 and 2011.

### ***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 of 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 Township'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 Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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 Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

During 2010, the Township issued a promissory note pursuant to the authority of Ohio Rev. Code §5549.021(A) to purchase a backhoe for the road department. Ohio Rev. Code 5549.021(A) restricts the use of the note proceeds to the purchase of machinery, tools, trucks, and other equipment for use in constructing, maintaining, and repairing roads. The note proceeds were credited to the General Fund, however, the cost of the backhoe was paid from the Road and Bridge Fund, a special revenue fund. Had the note proceeds been properly credited to the Road and Bridge Fund, the effect would have been to decrease the cash December 31, 2010 fund balance of the General Fund by \$47,000 and to increase the cash fund balance of the Road and Bridge Fund by \$47,000. During 2011 and 2012 the General Fund repaid the \$17,646 of this adjustment leaving a \$29,254 uncorrected balance at December 31, 2012. The effect of this issue would have been to decrease the December 31, 2011 and 2012 cash fund balance of the General Fund by \$38,394 and \$29,354 respectively and to increase the December 31, 2011 and 2012 cash fund balance of the Road and Bridge Fund by \$38,394 and \$29,354 respectively.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the respective combined cash balances of the General Fund and Special Revenue Funds of Andover Township, Ashtabula County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Unmodified Opinion***

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Debt Service Fund and Capital Projects Funds of Andover Township, Ashtabula County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 Andover Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion with regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2014, on our consideration of the Township'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 Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 27, 2014

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**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$16,771	\$359,926	\$12,733		\$389,430
Licenses, Permits and Fees	5,914				5,914
Intergovernmental	28,442	132,007		\$58,687	219,136
Earnings on Investments	307	130			437
Miscellaneous	3,592	1,050			4,642
<i>Total Cash Receipts</i>	<u>55,026</u>	<u>493,113</u>	<u>12,733</u>	<u>58,687</u>	<u>619,559</u>
<b>Cash Disbursements</b>					
Current:					
General Government	49,017	5,575			54,592
Public Safety		111,334			111,334
Public Works		276,360			276,360
Health	19,716	23,584			43,300
Capital Outlay		27,559		58,687	86,246
Debt Service:					
Principal Retirement			11,900		11,900
Interest and Fiscal Charges			1,071		1,071
<i>Total Cash Disbursements</i>	<u>68,733</u>	<u>444,412</u>	<u>12,971</u>	<u>58,687</u>	<u>584,803</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,707)</u>	<u>48,701</u>	<u>(238)</u>	<u>0</u>	<u>34,756</u>
<b>Other Financing Receipts (Disbursements)</b>					
Other Debt Proceeds			238		238
Transfers In	5,443				5,443
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,443</u>	<u>0</u>	<u>238</u>	<u>0</u>	<u>5,681</u>
<i>Net Change in Fund Cash Balances</i>	<u>(8,264)</u>	<u>48,701</u>	<u>0</u>	<u>0</u>	<u>40,437</u>
<i>Fund Cash Balances, January 1</i>	<u>5,413</u>	<u>303,645</u>	<u>1</u>	<u>0</u>	<u>309,059</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	357,138	1	0	357,139
Unassigned (Deficit)	(2,851)	(4,792)	0	0	(7,643)
<i>Fund Cash Balances, December 31</i>	<u>(\$2,851)</u>	<u>\$352,346</u>	<u>\$1</u>	<u>\$0</u>	<u>\$349,496</u>

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

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Fiduciary Fund Type
	Agency
<b>Operating Cash Receipts</b>	
<i>Total Operating Cash Receipts</i>	\$0
<b>Operating Cash Disbursements</b>	
<i>Total Operating Cash Disbursements</i>	0
<i>Operating Income (Loss)</i>	0
 Transfers Out	 (5,443)
<i>Net Change in Fund Cash Balances</i>	(5,443)
<i>Fund Cash Balances, January 1</i>	5,443
<i>Fund Cash Balances, December 31</i>	\$0

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

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$31,097	\$351,052	\$12,972		\$395,121
Licenses, Permits and Fees	4,394				4,394
Intergovernmental	44,813	143,348		\$50,900	239,061
Earnings on Investments	360	138			498
Miscellaneous	24,339	5,988			30,327
<i>Total Cash Receipts</i>	<u>105,003</u>	<u>500,526</u>	<u>12,972</u>	<u>50,900</u>	<u>669,401</u>
<b>Cash Disbursements</b>					
Current:					
General Government	74,932	12,078			87,010
Public Safety		109,046			109,046
Public Works		294,477			294,477
Health	19,490	23,700			43,190
Conservation-Recreation		3,452			3,452
Capital Outlay				61,968	61,968
Debt Service:					
Principal Retirement			11,107		11,107
Interest and Fiscal Charges			1,865		1,865
<i>Total Cash Disbursements</i>	<u>94,422</u>	<u>442,753</u>	<u>12,972</u>	<u>61,968</u>	<u>612,115</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,581</u>	<u>57,773</u>	<u>0</u>	<u>(11,068)</u>	<u>57,286</u>
<i>Net Change in Fund Cash Balances</i>	10,581	57,773	0	(11,068)	57,286
<i>Fund Cash Balances, January 1 as Restated (note 2)</i>	<u>(5,168)</u>	<u>245,872</u>	<u>1</u>	<u>11,068</u>	<u>251,773</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	304,844	1	0	304,845
Unassigned (Deficit)	5,413	(1,199)	0	0	4,214
<i>Fund Cash Balances, December 31</i>	<u>\$5,413</u>	<u>\$303,645</u>	<u>\$1</u>	<u>\$0</u>	<u>\$309,059</u>

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

ANDOVER TOWNSHIP  
ASHTABULA COUNTY

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

	<u>Fiduciary Fund Type</u> <u>Agency</u>
<b>Operating Cash Receipts</b>	
<i>Total Operating Cash Receipts</i>	\$0
<b>Operating Cash Disbursements</b>	
<i>Total Operating Cash Disbursements</i>	0
<i>Operating Income (Loss)</i>	0
<i>Fund Cash Balances, January 1 as restated (note 2)</i>	5,443
<i>Fund Cash Balances, December 31</i>	<u>\$5,443</u>

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

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 Andover Township, Ashtabula County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Andover Volunteer Fire Department to provide fire services and Pymatuning Ambulance Service, to provide ambulance services.

The Township participates in Andover Union Cemetery a jointly governed organizations and the Ohio Plan Risk Management public entity risk pool. Notes 10 and 8 to the financial statements provides additional information for these entities. These organizations are:

**Jointly Governed Organizations:**

The Andover Union Cemetery, a jointly governed organization is a political subdivision governed by a board of trustees, which possesses its own contracting and budgeting authority.

**Public Entity Risk Pool:**

Ohio Plan Risk Management, Inc a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Township'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 Township values its Negotiable Order of Withdrawal (NOW) accounts at cost.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies – (Continued)**

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than Debt Service or Capital Projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Note Retirement Fund – This fund receives property tax revenues to repay note debt used to purchase road equipment.

**4. Capital Project Funds**

These funds account for and report financial resources that restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets . The Township had the following significant capital project funds

Issue II Fund - The Township received grants from the State of Ohio for Gibbs and Owen Hill Roads. Also, a road storm drain and culvert project.

NOPEC Fund energy conservation grant for the Township Hall.

**7. Fiduciary Funds**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for Unclaimed Moneys. As of March 24, 2012 the Township transfer the unclaimed money into the general fund in accordance with Section 9.39 of the Ohio Revised Code.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies – (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

**F. Fund Balance**

Beginning in 2011 fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**2. Restricted**

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

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies – (Continued)**

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Prior Period Restatement**

On November 18, 2011 the Township posted a January 1, 2011 beginning fund balance adjustment to begin returning money to the Road and Bridge fund per audit finding 2010-03.



**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**2. Prior Period Restatement – (Continued)**

The adjustments posted to record the payment from the General Fund and the return of money to Road and Bridge Funds and to record un-cashed warrants in the Agency fund later donated to the Township are as follows:

Restated Fund Type Balances		
December 31, 2010 General / Agency Fund Balance	\$5,081	\$5,567
Other Revenue / Expenditure Adjustments - donation	223	(124)
Posted portion 2009-10 Audit Finding w/ interest	(10,472)	-
Restated General / Agency Fund January 1, 2011 Balance	(\$5,168)	\$5,443
December 31, 2010 Fund Balance	235,401	
Posted portion 2009-10 Audit Finding w/ interest	10,472	
Restated Special Revenue Fund January 1, 2011 Balance	\$245,873	

**3. Equity in Pooled Deposits and Investments**

The Township 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:

Other time deposits (NOW accounts)	\$349,496	\$314,502
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**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,439	\$60,469	(\$13,970)
Special Revenue	465,929	493,113	27,184
Debt Service	12,972	12,971	(1)
Capital Projects	56,900	58,687	1,787
Total	\$610,240	\$625,240	\$15,000

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. Budgetary Activity – (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,206	\$68,733	\$8,473
Special Revenue	588,746	444,412	144,334
Debt Service	12,972	12,971	1
Capital Projects	69,610	58,687	10,923
Total	<u>\$748,534</u>	<u>\$584,803</u>	<u>\$163,731</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,729	\$105,003	(\$726)
Special Revenue	472,670	500,526	27,856
Debt Service	12,972	12,972	0
Capital Projects	72,160	50,900	(21,260)
Total	<u>\$663,531</u>	<u>\$669,401</u>	<u>\$5,870</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,729	\$94,442	\$11,287
Special Revenue	554,402	442,753	111,649
Debt Service	12,972	12,972	0
Capital Projects	83,277	61,968	21,309
Total	<u>\$756,380</u>	<u>\$612,135</u>	<u>\$144,245</u>

**5. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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 Township.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**5. Property Tax - (Continued)**

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

**6. Debt**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Owen Hill Road Project (OPWC)	\$15,000	0%
Backhoe Note	29,354	3.95%
Total	\$44,354	

The Township issued general obligation notes to finance the purchase of a new backhoe for Township road maintenance. The Township also, has one outstanding Ohio Public Work Commission (Issue II) loan – The Owen Hill Road Project. The Township’s taxing authority collateralized the notes

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

	General Obligation Backhoe Note	OPWC Owen Hill Road Note
Year ending December 31:		
2013	\$10,472	\$2,500
2014	10,472	2,500
2015	10,471	2,500
2016		2,500
2017		2,500
2018		2,500
Total	\$31,415	\$15,000

**7. Retirement Systems**

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants’ gross salaries. The Township has paid all contributions required through December 31, 2012.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. Risk Management**

The Township is exposed to various risks of and casualty losses and injuries to employee. The Township insures against injuries to employees through the Ohio Bureau of Workers Compensation.

**Risk Pool Membership**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage 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, except OPRM retains 41.5% (effective November 1, 2011) 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, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Assets	<u>\$13,100,381</u>	<u>\$12,501,280</u>
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**9. Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**10. Jointly Governed Organizations**

The Andover Union Cemetery, a jointly governed organization, is a political subdivision governed by a board of trustees, which possesses its own contracting and budgeting authority. The board of trustees consists of representatives from each of the participating governments: The Village of Andover, and Andover Township. The members serve staggered three-year terms. In 2012, .34 mills of the tax valuation was paid to the Union Cemetery.

**11. Fund Balance Adjustments**

The financial statements for the audit period December 31, 2012 reflect a negative fund balance in the General fund of (\$2,851). The negative fund balances is the result of prior and current audit period adjustments (except the balance of finding 2012-04 which has not been posted) being made to the General fund for payments made for General fund obligations using other fund's revenues and revenue postings made to the General fund in error. The Township is seeking voter approval of a 2 year .5 mill general operating levy in May 2014 to address the deficit balances in the General Fund.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Andover Township  
Ashtabula County  
410 East Main Street  
Andover, Ohio 44003

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Andover Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated February 27, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Township adopted new accounting guidance in *Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Definitions*. We qualified our opinion on the General Fund and Special Revenue Funds because the Township credited note proceeds for the purchase of road equipment to the General Fund contrary to Ohio Rev. Code §5549.021(A).

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-02 through 2012-04 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2012-01 through 2012-04.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 27, 2014



**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

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

**FINDING NUMBER 2012-01**

**Noncompliance Finding**

**Force Accounts**

**Ohio Rev. Code §5575.01(A)** provides that in the maintenance and repair of roads, the board of township trustees may use force account labor provided the board has first caused the county engineer to complete the Auditor of State's prescribed force account project assessment form as required by **Ohio Rev. Code §117.16**. The form shall include costs for employee salaries and benefits, any other labor costs, materials, freight, fuel, hauling, overhead expense, workers' compensation premiums, and all other items of cost and expense, including a reasonable allowance for the use of all tools and equipment used on or in connection with such work and for the depreciation on the tools and equipment.

Force accounts may not be used and bidding is required when the total estimated cost of the project, including labor, for maintenance and repair of roads exceeds \$45,000. Bids from private contractors should be sought when the total estimated cost of the project, including labor, for construction or reconstruction of roads exceeds \$15,000 per mile.

During 2012, The Township completed drainage and road construction funded by Ohio Public Works Commission (OPWC) project CGW17. Portions of the projects were completed by Township employees and by contractors. The County Engineer provided the Township with engineering services for these projects and completed a "cost estimate", but did not complete the force account assessment form developed by the Auditor of State as required by Ohio Rev. Code §5575.01(C).

The estimated cost of project CGW17 was \$153,800 of which the force account (in-kind) portion was \$69,200. The costs exceeded the force account limits prescribed by law. Therefore, the Township was required to competitively bid the force account portions of the project in accordance with applicable bidding laws.

Based on these violations and prior violation in 2009, the force account limits for the Township is reduced to fifteen thousand dollars for maintenance and repair of a road or five thousand dollars per mile for construction or reconstruction of a township road for a period of two years.

**Officials Response**

Township Officials had already awarded the bids before Officials became aware of this requirement.

## FINDING NUMBER 2012-02

### **Noncompliance Finding and Material Weakness**

#### **Payments in Excess of Taxes Collected Material Reclassifications**

**Ohio Rev. Code § 507.04** states the fiscal officer must keep an accurate record of the township's accounts and transactions.

The Township is the recipient of property tax money that is intended to be passed through to the Andover Union Cemetery. During 2011 the Township sent money in excess of the property taxes received for the Union Cemetery in the amount of \$1,199 and in the process shorted the Fire Fund by the same amount due to a posting error.

During 2012 the Township sent money in excess of the property taxes received for the Union Cemetery in the amount of \$3,592 and in the process shorted Road and Bridge Fund by \$3,164, the Fire Fund by \$314 and General Fund \$114 due to posting errors.

To correct the financial statements, the township posted an adjustment to the Cemetery Fund in the amount of \$4,791, and in favor of the Road and Bridge fund in the amount of \$3,164 and in favor of the Fire Fund in the amount of \$1,513 and General Fund \$114.

Further, the Township's revenue and expenditure transactions were not always classified or recorded to the correct financial statement line items, based on the UAN descriptions and nature of the transactions. For example, (1) Revenue of \$30,374 received from State grants in 2011 and 2012 was posted as miscellaneous receipts instead of intergovernmental receipts; (2) a donation was classified as a special item but should have been posted as miscellaneous revenue. (3) The transfer of \$5,443 from the Unclaimed Money Fund to the General Fund used a Fund balance adjustment instead of a Transfer. The Statements have been adjusted to reflect the proper classification.

The failure to accurately record revenues and expenditures to the proper line item resulted in material misstatements to the financial statements. The reclassifications we made between revenue, expenditure, and fund balance accounts are reflected in the financial statements. The lack of accurate recordkeeping may prevent the Township from receiving and depositing funds collected or due or expending money that is not available or appropriated both of which could result in the potential misstatement of financial statement amounts.

The Township should also, use the UAN Accounting Manual and UAN crosswalk table of revenues and expenditures as sources of information regarding the proper recording of transactions.

We recommend the Board of Trustees review monthly financial reports and cash reconciliations from the Fiscal Officer for changes in anticipated revenue, expenditure and transfers and the accuracy and completeness of the reports, and any discrepancies should be investigated and corrected timely manner.

#### **Officials Response**

These items were posting errors. The Board of Trustees does receive financial reports at every meeting and will review and make adjustment as soon as possible.

**FINDING NUMBER 2012-03**

**Noncompliance Finding - Material Weakness**

**Financial Statement Adjustment - Improper Transfer of Money - Ineligible Expenditures**

**Ohio Rev. Code §5705.14** provides that no transfer shall be made from one fund of a subdivision to any other fund except as authorized under Ohio Revised Code section 5705.14, or by approval of the Court of Common Pleas.

During 2012 the Township transferred, via a fund balance adjustment, \$4,000 from the Motor Vehicle License Tax Fund (Fund 2011) to the Fire Fund (Fund 2191) in violation of the Ohio Revised Code.

To correct the financial statements, the township posted an adjustment to decrease the Fire Fund in the amount of \$4,000, and in increase of the Motor Vehicle License Tax Fund in the amount of \$4,000.

**Ohio Rev. Code §5705.10(H)** provides that money paid into any fund shall be used only for the purposes for which such fund is established.

The Township used fund balance adjustments to pay the Ashtabula County Health District fees from the Fire Fund (Fund 2191) in the amount of \$4,000 and the Ambulance Fund (Fund 2192) in the amount of \$5,858. The respective levies authorized by the voters do not permit these funds to pay Health District fees.

To correct the financial statements, the township posted an adjustment to decrease the General Fund in the amount of \$9,858, and increase the Fire Fund (Fund 2191) in the amount of \$4,000 and increase the Ambulance Fund (Fund 2192) in the amount of \$5,858.

**Officials Response**

The Township has corrected the posting error.

**FINDING NUMBER 2012-04**

**Noncompliance Finding - Material Weakness**

**Finding for Adjustment – Note Proceeds**

Ohio Rev. Code §5549.021(A) allows the Township to purchase machinery, tools, trucks, and other equipment for use in constructing, maintaining, and repairing roads and, subject to Chapter 133 of the Revised Code, the Township may issue for that purpose general obligation notes of the township for which the full faith and credit of the township shall be pledged.

The Township issued a promissory note pursuant to the authority of Ohio Rev. Code §5549.021(A) on or about October 27, 2010 to purchase a backhoe for the road department in the amount of \$47,000. The backhoe was paid from the Road and Bridge Fund and the promissory note was repaid from the Road and Bridge Fund in 2011. However, the note proceeds were credited to the General Fund in violation of the statute.

The Township paid \$17,646 for debt principal and \$3,297 for interest from the General Fund in 2011 and 2012, but has not recorded an adjustment for the remaining balance of the promissory note. The accompanying financial statements do not reflect this adjustment. As a result, the cash fund balance reported in the financial statements for the General Fund is overstated and the Special Revenue Funds (Road and Bridge Fund) is understated at December 31, 2012 and 2011 as follows:

<b>FUND</b>	<b>FUND BALANCE DECEMBER 31, 2011</b>	<b>FUND BALANCE DECEMBER 31, 2012</b>
General Fund (overstated)	\$38,394	\$29,354
Road and Bridge (understated)	\$38,394	\$29,354

The balance of the adjustment needed to return these monies to the Road and Bridge Fund as of December 31, 2012 is as follows:

<b>FUND</b>	<b>FUND BALANCE DECEMBER 31, 2012</b>
General	(\$29,354)
Road and Bridge	\$29,354

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund in the amount of \$29,354, and in favor of the Road and Bridge Fund in the amount of \$29,354.

**Officials Response**

Township Officials are working on correcting this issue. A Township is seeking approval of a short term general levy in May 2014 to resolve this issue.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	Did not complete the force account assessment form.	No	Not Corrected, See 2012-01
2010-02	Classification of revenue and expenditures.	No	Partially Corrected, See 2012-02
2010-03	Finding for adjustment against the General Fund in the amount of \$47,000, and in favor of the Road and Bridge Fund in the amount of \$47,000	No	Partially Corrected, See 2012-04

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# Dave Yost • Auditor of State

**ANDOVER TOWNSHIP**

**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  
APRIL 10, 2014**