



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 of the cash balances, receipts and disbursements by fund type and related notes of Andover Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2014 and 2013.

### ***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 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 (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 Township 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 Township as of December 31, 2014 and 2013, 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. During 2013 and 2014 no payment was made by General Fund for this adjustment leaving a \$29,254 uncorrected balance at December 31, 2014. The effect of this issue would have been to decrease the December 31, 2013 and 2014 cash fund balance of the General Fund by \$29,354 respectively and to increase the December 31, 2013 and 2014 cash fund balance of the Road and Bridge Fund by \$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, 2014 and 2013, 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, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

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

December 30, 2015

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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, 2014**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$26,759	\$343,100	\$12,972	\$382,831
Licenses, Permits and Fees	7,221			7,221
Intergovernmental	15,931	140,201		156,132
Earnings on Investments	316	121		437
Miscellaneous	6,471	14,958		21,429
<i>Total Cash Receipts</i>	<u>56,698</u>	<u>498,380</u>	<u>12,972</u>	<u>568,050</u>
<b>Cash Disbursements</b>				
Current:				
General Government	35,083	5,750		40,833
Public Safety		118,521		118,521
Public Works		312,877		312,877
Health	19,745	18,210		37,955
Conservation-Recreation		131		131
Capital Outlay		65,750		65,750
Debt Service:				
Principal Retirement		3,567	11,900	15,467
Interest and Fiscal Charges		477	1,072	1,549
<i>Total Cash Disbursements</i>	<u>54,828</u>	<u>525,283</u>	<u>12,972</u>	<u>593,083</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,870</u>	<u>(26,903)</u>	<u>0</u>	<u>(25,033)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Notes		37,500		37,500
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>37,500</u>	<u>0</u>	<u>37,500</u>
<i>Net Change in Fund Cash Balances</i>	1,870	10,597	0	12,467
<i>Fund Cash Balances, January 1</i>	<u>1,685</u>	<u>416,564</u>	<u>0</u>	<u>418,249</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		425,649		425,649
Committed		1,512		1,512
Unassigned (Deficit)	3,555			3,555
<i>Fund Cash Balances, December 31</i>	<u>\$3,555</u>	<u>\$427,161</u>	<u>\$0</u>	<u>\$430,716</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)  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$26,844	\$343,336	\$12,972	\$0	\$383,152
Licenses, Permits and Fees	6,251				6,251
Intergovernmental	27,195	149,967		9,211	186,373
Earnings on Investments	311	126			437
Miscellaneous	6,271	710			6,981
<i>Total Cash Receipts</i>	<u>66,872</u>	<u>494,139</u>	<u>12,972</u>	<u>9,211</u>	<u>583,194</u>
<b>Cash Disbursements</b>					
Current:					
General Government	42,313	8,381			50,694
Public Safety	0	117,930			117,930
Public Works	0	278,539			278,539
Health	20,023	15,071			35,094
Capital Outlay	0	10,000		9,211	19,211
Debt Service:					
Principal Retirement			11,900		11,900
Interest and Fiscal Charges			1,072		1,072
<i>Total Cash Disbursements</i>	<u>62,336</u>	<u>429,921</u>	<u>12,972</u>	<u>9,211</u>	<u>514,440</u>
<i>Net Change in Fund Cash Balances</i>	4,536	64,218	0	0	68,754
<i>Fund Cash Balances, January 1</i>	<u>(2,851)</u>	<u>352,346</u>	<u>0</u>	<u>0</u>	<u>349,495</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		416,993	0		416,993
Unassigned (Deficit)	1,685	(429)			1,256
<i>Fund Cash Balances, December 31</i>	<u>\$1,685</u>	<u>\$416,564</u>	<u>\$0</u>	<u>\$0</u>	<u>\$418,249</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, 2014 AND 2013**

**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, and fire protection. The Township contracts with the Andover Township Volunteer Fire Department for fire protection services and Community Care for ambulance services.

The Township participates in Ohio Plan Risk Management a public entity risk pool and the Andover Union Cemetery a jointly governed organization. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

**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.

**Jointly Governed Organization:**

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 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The 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.

Certificates of Deposit are valued at cost.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The 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.

Ambulance Fund - This fund receives property tax money to pay for emergency medical service contract with Community Care.

**3. Debt Service Fund**

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

Note Retirement Fund – This fund receives property tax revenue to repay note debt incurred for the purchase of road equipment.

**4. Capital Projects Fund**

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 assets. The Township had the following significant Capital Projects Funds:

Issue II Fund – The Township received a grant from the State of Ohio for the South Shores Boulevard storm drain and culvert project.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund 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. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and re-appropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3

**F. Fund Balance**

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.

**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.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**F. Fund Balance (Continued)**

**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. 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:

	<u>2014</u>	<u>2013</u>
Demand deposits	\$430,716	\$418,249

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

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,800	\$56,698	(\$3,102)
Special Revenue	506,950	535,880	28,930
Debt Service	12,972	12,972	0
Total	\$579,722	\$605,550	\$25,828

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,466	\$54,828	\$7,638
Special Revenue	641,585	525,283	116,302
Debt Service	12,972	12,972	0
Total	\$717,023	\$593,083	\$123,940

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,513	\$66,872	(\$7,641)
Special Revenue	492,113	494,139	2,026
Debt Service	12,972	12,972	0
Capital Projects	23,000	9,211	(13,789)
Total	\$602,598	\$583,194	(\$19,404)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,912	\$62,336	\$8,576
Special Revenue	597,537	429,921	167,616
Debt Service	12,972	12,972	0
Capital Projects	23,000	9,211	13,789
Total	\$704,421	\$514,440	\$189,981

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**4. 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.

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

**5. Debt**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
General Obligation Note: Dump Truck	\$33,933	2.85%
OPWC Loan	8,750	0%
Total	\$45,146	

The Township issued general obligation notes to finance the purchase of a new backhoe. The Township's taxing authority collateralized the notes.

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

Year ending December 31:	Dump Truck Note	OPWC Loan
2015	\$8,088	\$2,500
2016	8,088	2,500
2017	8,088	2,500
2018	8,088	1,250
2019	4,044	0
Total	\$36,396	\$8,750

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. Risk Management**

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 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, 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 (and through October 2014) 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 774 and 783 members as of December 31, 2013 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</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, 2014 AND 2013  
(Continued)**

**8. 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 2014, .34 mills of the tax valuation was paid to the Union Cemetery.



# 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  
401 East Main Street  
Andover, Ohio 440003

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 the cash balances, receipts and disbursements by fund type of Andover Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2015 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 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 2014-001 and 2014-002 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-002.

***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

December 30, 2015

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**1. Financial Reporting**

**FINDING NUMBER 2014 - 001**

**MATERIAL WEAKNESS**

An entity's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounts, and preparing financial statements. Sound financial reporting is the responsibility of management and the Trustees.

We found the following posting errors affecting fund balances:

- In 2013 the Fiscal Officer posted \$13,789 OPWC reimbursement to General Fund; however, \$1,742 of that reimbursement should have been posted to the Road & Bridge Fund.
- In 2013 the Fiscal Officer posted a \$2,557 Gas Tax receipt to Road & Bridge instead of Gas Tax Fund.
- In 2013 the Fiscal Officer posted \$450 manufactured homes homestead rollback taxes to Road & Bridge instead of Ambulance Fund.
- In 2014 the Fiscal Officer posted \$3,596 Homestead Rollback reimbursement to the Fire Fund instead of to the Ambulance Fund.
- In 2014 the Fiscal Officer posted a \$1,512 paving expenditure to Fire Fund instead of to Gas Tax fund.

We found the following classification posting errors:

- In 2014 the Fiscal Officer posted \$37,500 note proceeds to Special Revenue Funds Miscellaneous Revenue instead of Proceeds from Sale of Notes.
- In 2014 the Fiscal Officer posted \$4,044 debt principal and interest repayments to Special Revenue Public Works instead of Principal (\$3,567) and Interest/Fiscal Charges (\$477).

The Fiscal Officer has corrected the Township's accounting records and the Financial Statements.

We recommend the Fiscal Officer should use the Ohio Township Handbook, UAN Accounting Manual and any applicable guidance from the Auditor of State's Office as a source of information regarding the proper recording of transactions. Additionally, the Board of Trustees should review monthly financial reports and cash reconciliations from the Fiscal Officer for changes in anticipated revenue, expenditures and transfers for accuracy and completeness of the reports. Any discrepancies should be investigated and corrected in a timely manner.

**Official's Response:** We did not receive a response from Officials to this finding.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

**FINDING NUMBER 2014 - 002**

**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, 2013 and 2014. However, the note proceeds were credited to the General Fund in violation of the statute.

The Township paid \$17,646 for debt principal from the General Fund in 2011 and 2012 no payments were made in 2013 and 2014. The Township has declined to record 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, 2013 and 2014 as follows:

FUND	FUND BALANCE DECEMBER 31, 2013	FUND BALANCE DECEMBER 31, 2014
General Fund (overstated)	\$29,354	\$29,354
Road and Bridge (understated)	\$29,354	\$29,354

The balance of the adjustment needed to return these monies to the Road and Bridge Fund as of December 31, 2014 is as follows:

FUND	FUND BALANCE DECEMBER 31, 2014
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:** We did not receive a response from Officials to this finding.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2012-01	Ohio Rev. Code §5575.01(A) using force account labor for the maintenance and repair of Twp. roads	Yes	Finding no longer valid.
2012-02	Ohio Rev. Code §507.04 maintaining an accurate account of Twp. transactions and records. Amounts for property tax money passed through to Andover Cemetery were incorrect.	No	Repeat as material weakness for posting errors as 2014-001.  Cemetery passed through money was fully corrected.
2012-03	Ohio Rev. Code §5705.14 improper transfer of money.	Yes	Finding no longer valid.
2012-04	Ohio Rev. Code §5549.021(A) Finding for Adjustment – Note Proceeds.	No.	Partially Corrected. Repeat as Finding 2014-002.

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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  
JANUARY 12, 2016**