



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  
401 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, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

### ***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 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 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 *Qualified Opinion on Regulatory Basis of Accounting* and *Unmodified Opinion on Regulatory Basis of Accounting* paragraphs 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, 2016 and 2015, and the respective 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, 2014 and 2015 no payment was made and in 2016 \$5,000 was paid by the General Fund for this adjustment leaving a \$24,254 uncorrected balance at December 31, 2016. The effect of this issue would have been to decrease the December 31, 2013, 2014 and 2015 cash fund balance of the General Fund by \$29,354 respectively and on December 31, 2016 decrease the balance of the General Fund by \$24,354 and to increase the December 31, 2013, 2014 and 2015 cash fund balance of the Road and Bridge Fund by \$29,354 respectively and the December 31, 2016 cash fund balance of the Road and Bridge Fund by \$24,354.

***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 cash balances, receipts and disbursements by fund type, and related notes of the General Fund and Special Revenue Funds of Andover Township, Ashtabula County, as of December 31, 2016 and 2015, 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.

***Unmodified Opinion on Regulatory Basis of Accounting***

Further, 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 Debt Service Fund and Capital Projects Funds of Andover Township, Ashtabula County, as of December 31, 2016 and 2015, 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 April 4, 2018, 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

April 4, 2018

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**Andover Township**  
Ashtabula County, Ohio  
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	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	39,585	378,219	22,506		440,310
Licenses, Permits and Fees	7,906				7,906
Intergovernmental	25,915	164,537		24,000	214,452
Earnings on Investments	246	2,682			2,928
Miscellaneous	4,495	1,798			6,293
<b>Total Cash Receipts</b>	<b>78,147</b>	<b>547,236</b>	<b>22,506</b>	<b>24,000</b>	<b>671,889</b>
<b>Cash Disbursements</b>					
Current:					
General Government	33,326	2,484			35,810
Public Safety		116,826			116,826
Public Works		302,201			302,201
Health	20,791	38,360			59,151
Capital Outlay				24,000	24,000
Debt Service:					
Principal Retirement			9,634		9,634
Interest and Fiscal Charges			955		955
<b>Total Cash Disbursements</b>	<b>54,117</b>	<b>459,871</b>	<b>10,589</b>	<b>24,000</b>	<b>548,577</b>
Excess of Receipts Over (Under) Disbursements	24,030	87,365	11,917	0	123,312
Transfers In		5,000			5,000
Transfers Out	(5,000)				(5,000)
Total Other Financing Receipts (Disbursements)	(5,000)	5,000	0	0	0
Net Change in Fund Cash Balances	19,030	92,365	11,917	0	123,312
Fund Cash Balances, January 1	9,092	453,406	195	0	462,693
<b>Fund Cash Balances, December 31</b>					
Restricted		545,771	12,112		557,883
Assigned	28,122				28,122
<b>Fund Cash Balances, December 31</b>	<b>28,122</b>	<b>545,771</b>	<b>12,112</b>	<b>0</b>	<b>586,005</b>

See accompanying notes to the basic financial statements

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of 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 Community Care Ambulance Service, to provide ambulance services.

The Township participates in Ohio Township Association Risk Management Authority a public entity risk pool and the Andover Union Cemetery a jointly governed organization. Notes 7 and 11 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

The Ohio Township Association Risk Management Authority (OTARMA) Note 7.

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. Note 11

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township'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 Township 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 Township 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 Township 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 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.

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**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 revenue to repay note debt incurred for the purchase of road equipment.

**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 Township had the following significant capital project funds:

**Issue II Fund** – The township received a grant from the state for capital improvements. The proceeds are restricted for the Belden Road Improvement Project.

***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. 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.

***Budgetary Process***

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

**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.

**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.

**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 reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

***Capital Assets***

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

***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:

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Nonspendable** The Township 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.

**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.

**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.

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,506	\$78,147	\$12,641
Special Revenue	472,351	552,236	79,885
Debt Service	22,309	22,506	197
Capital Projects	41,200	24,000	(17,200)
Total	\$601,366	\$676,889	\$75,523

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,600	\$59,117	\$2,483
Special Revenue	580,694	459,871	120,823
Debt Service	22,309	10,589	11,720
Capital Projects	41,200	24,000	17,200
Total	\$705,803	\$553,577	\$152,226

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 4 – 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>2016</u>
Other time deposits ( NOW account)	<u>\$586,005</u>
Total deposits	<u>\$586,005</u>

***Deposits***

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

**Note 5 – Property Taxes**

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.

**Note 6 – Interfund Balances**

Five Thousand dollars was repaid (transferred) from the General fund to the Road and Bridge fund in 2016. Twenty thousand dollars is budgeted to repay in 2017 with the balance paid in 2018. See Finding 2016-002.

**Note 7 – Risk Management**

***Risk Pool Membership***

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b>2016 Contributions to OTARMA</b>
\$5,355

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 8 – Defined Benefit Pension Plans**

**Ohio Public Employees Retirement**

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 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 9 – Postemployment Benefits**

OPERS offers a 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 10 – Debt**

Debt outstanding at December 31, 2016. was as follows:

	Principal	Interest Rate
OPWC Owen Hill Road	\$5,000	0%
General Obligation Notes -Truck	19,385	2.85%
Total	\$24,385	

The Township issued a general obligation note to finance the purchase of an International Truck for Township road maintenance. The Township issued general obligation notes to finance the purchase of a new backhoe for Township road maintenance which was paid in full in 2015. 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

**Amortization**

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

Year Ending December 31:	OPWC	General Obligation Notes
2017	\$2,500	8,088
2018	2,500	8,088
2019	0	4,044
Total	\$5,000	\$20,221

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 11 – 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 inside millage of .34 was paid to the Union Cemetery. The Township passed a 5 year .5 mill Cemetery levy in 2015. After passage of the levy and at the Township's request the inside millage paid the Cemetery was reduced .2 mills and returned to the Township's General fund by the County Budget Commission.

**Andover Township**  
*Ashtabula County, Ohio*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2015*

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$27,614	\$341,012	\$21,060	\$389,686
Licenses, Permits and Fees	5,563			5,563
Intergovernmental	24,433	158,437		182,870
Earnings on Investments	203	62		265
Miscellaneous	801	534		1,335
<i>Total Cash Receipts</i>	<u>58,614</u>	<u>500,045</u>	<u>21,060</u>	<u>579,719</u>
<b>Cash Disbursements</b>				
Current:				
General Government	32,169	6,546		38,715
Public Safety		151,234		151,234
Public Works		294,562		294,562
Health	20,908	21,358		42,266
Conservation-Recreation		100		100
Debt Service:				
Principal Retirement			19,205	19,205
Interest and Fiscal Charges			1,660	1,660
<i>Total Cash Disbursements</i>	<u>53,077</u>	<u>473,800</u>	<u>20,865</u>	<u>547,742</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,537</u>	<u>26,245</u>	<u>195</u>	<u>31,977</u>
<i>Fund Cash Balances, January 1</i>	<u>3,555</u>	<u>427,161</u>	<u>0</u>	<u>430,716</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		453,406	195	453,601
Assigned	9,092			9,092
<i>Fund Cash Balances, December 31</i>	<u>\$9,092</u>	<u>\$453,406</u>	<u>\$195</u>	<u>\$462,693</u>

See accompanying notes to the basic financial statements

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

---

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of 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 Community Care Ambulance Service, to provide ambulance services.

The Township participates in Ohio Township Association Risk Management Authority a public entity risk pool and the Andover Union Cemetery a jointly governed organization. Notes 7 and 11 to the financial statements provides additional information for these entities. These organizations are:

**Public Entity Risk Pool:**

The Ohio Township Association Risk Management Authority (OTARMA) Note 7.

**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. Note 11

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township'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 Township 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 Township 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 Township 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 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.

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**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 revenue to repay note debt incurred for the purchase of road equipment.

**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 Township had the following significant capital project funds:

**Issue II Fund** – The Township received a grant from the state for the Belden Road Improvement Project, no activity in 2015.

***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. 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.

***Budgetary Process***

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

**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.

**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.

**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 reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

***Capital Assets***

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

***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:

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Nonspendable** The Township 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.

**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.

**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.

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,685	\$58,614	(\$2,071)
Special Revenue	514,723	500,045	(14,678)
Debt Service	21,060	21,060	0
Capital Projects	41,200	0	(41,200)
Total	\$637,668	\$579,719	(\$57,949)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,389	\$53,077	\$9,312
Special Revenue	611,244	473,800	137,444
Debt Service	22,309	20,865	1,444
Capital Projects	41,200	0	41,200
Total	\$737,142	\$547,742	\$189,400

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 4 – 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>2015</u>
Other time deposits (NOW account)	<u>\$462,693</u>
Total deposits	<u>\$462,693</u>

***Deposits***

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

**Note 5 – Property Taxes**

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.

**Note 6 – Interfund Balances**

See Finding 2016-002.

**Note 7 – Risk Management**

***Risk Pool Membership***

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015.

	<b>2015</b>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b>Contributions to OTARMA</b>	
	<b>2015</b>
	<b>\$5,008</b>

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement***

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 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**Note 9 – Postemployment Benefits**

OPERS offers a 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015.

**Note 10 – Debt**

Debt outstanding at December 31, 2015, was as follows:

	Principal	Interest Rate
OPWC Owen Hill Road	\$7,500	0%
General Obligation Notes -Truck	26,761	2.85%
Total	\$34,261	

The Township issued a general obligation note to finance the purchase of an International Truck for Township road maintenance. The Township issued general obligation notes to finance the purchase of a new backhoe for Township road maintenance which was paid in full in 2015. 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

***Amortization***

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

Year Ending December 31:	OPWC	General Obligation Notes
2016	\$2,500	\$8,088
2017	2,500	8,088
2018	2,500	8,088
2019	0	4,044
Total	\$7,500	\$28,309

**ANDOVER TOWNSHIP**  
**Ashtabula County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 11 – 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 inside millage of .34 was paid to the Union Cemetery. The Township passed a 5 year .5 mill Cemetery levy in 2015.



# 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 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 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, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated April 4, 2018 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 opinions 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.

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 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.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-003 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 2016-001 through 2016-004.

***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

April 4, 2018

ANDOVER TOWNSHIP  
ASHTABULA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 and 2015

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

1. Annual Appropriations

<i>Finding Number</i>	2016-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.38 requires an annual appropriation resolution to be passed on or about the 1st day of the fiscal year. A temporary appropriation resolution may be passed until the final amended certificate is received, but annual appropriations are required to be adopted before April 1st. No expenditure can be made until an appropriation resolution is passed. Ohio Admin Code Section 117-2-02(C)(1) provides that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Temporary 2015 appropriations of \$859,700 were approved in the minutes on December 29, 2014. Permanent appropriations were never adopted and no appropriation resolution was filed with the County Budget Commission. The UAN budgetary comparison worksheet reflected \$737,143 as 2015 appropriations.

Temporary 2016 appropriations of \$995,906 were approved in the minutes on December 30, 2015. A resolution with the same date was filed with the County Budget Commission and indicated it was the annual appropriation resolution and the amount was \$810,830. Permanent 2016 appropriations of \$1,116,154 were approved in the minutes, but no appropriation resolution was filed with the County Budget Commission. The UAN budgetary comparison worksheet reflected \$705,804 as 2016 appropriations.

Appropriations must be reflected in the UAN accounting system as approved by the Board and at the legal level of control (Fund, Program, Object). The approved resolution must be prepared and approved at the same legal level of Control and a copy retained in the minutes of the Township Board meetings. Further, an accurate copy must be sent to the County Auditor/Budget Commission.

Our test also noted 2015 appropriations posted to UAN exceeded estimated resources in the General Fund by \$3,230.

Inaccurate and incomplete entry into the UAN system and filing of required appropriation resolutions could result in elected officials making unauthorized expenditures and does not provide for accurate monitoring of budgetary activity. These weaknesses could also result in deficit fund balances.

We recommend that temporary and permanent appropriations be adopted in accordance with Ohio Rev. Code § 5705.38 and filed with the County Budget Commission that the approved appropriations are accurately enter into the accounting system. Officials should be utilizing appropriation resolutions and accounting system reports as a basis for monitoring the Township's budgetary activity.

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

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 and 2015  
(CONTINUED)**

**2. Finding for Adjustment – Note Proceeds**

<i>Finding Number</i>	2016-002
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NONCOMPLIANCE AND MATERIAL WEAKNESS

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 bonds of the township for which the full faith and credit of the township shall be pledged.

The Township issued a five-year 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 promissory note has been fully repaid from the Road and Bridge fund. However, the note proceeds were credited to the General fund in violation of the statute.

The Township paid \$17,646 of the initial finding for adjustment from the General fund to the Road and Bridge fund in 2011 and 2012; no payments were made in 2013 and 2014. A \$5,000 payment from the General fund to the Road and Bridge fund was made in 2016. The Township has declined to record an adjustment for the remaining balance of the promissory note. The accompanying financial statements do not reflect the remaining 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, 2016 and 2015 as follows:

<b>FUND</b>	<b>FUND BALANCE DECEMBER 31, 2016</b>	<b>FUND BALANCE DECEMBER 31, 2015</b>
General Fund (overstated)	\$24,354	\$29,354
Road and Bridge (understated)	\$24,354	\$29,354

The balance of the adjustment needed to return these monies to the Road and Bridge Fund as of December 31, 2016 is as follows:

<b>FUND</b>	<b>FUND BALANCE December 31, 2016</b>
General	(\$24,354)
Road and Bridge (Special Revenue)	\$24,354

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General fund in the amount of \$24,354, and in favor of the Road and Bridge Fund in the amount of \$24,354.

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

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 and 2015  
(CONTINUED)**

**3. Financial reporting**

<i>Finding Number</i>	2016-003
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NONCOMPLIANCE AND 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.

The following posting deficiencies were noted in the financial statements and the accounting records:

- In 2016, a partially unrecorded on-behalf payment made by OPWC resulted in the Capital Projects fund revenue understated of \$9,451 and related disbursements understated by \$9,451. Also, the reimbursement to the Road and Bridge fund for in-kind labor and equipment of \$17,200 was not posted. The Fiscal Officer corrected the reimbursement error of \$17,200 after the close of the 2016 books using a fund balance adjustment. The Fiscal Officer amended the 2016 financial statement by posting \$17,200 as revenue in the Road and Bridge fund to reimburse labor and equipment costs paid out for the project.
- Temporary Appropriations for the General fund exceed the subsequent year's estimated receipts requiring the 2015 and 2016 fund balances of \$9,092 and \$28,122, respectively, to be reported as assigned instead of unassigned fund balance.

Additionally, Ohio Rev. Code § 5705.10(C) provides that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used only for the purposes for which such fund is established.

The following transaction amounts were posted to the incorrect funds:

- In 2015, an auto license receipt in the amount of \$294 was posted to the General fund instead of the Motor Vehicle Tax fund.
- In 2016, homestead and rollback receipts of \$1,473 were posted to the General fund, but should have been posted to the following funds: \$231 to Road and Bridge, \$88 to Cemetery, \$495 to Fire, and \$659 to Ambulance.
- In 2016, an Auto Permissive tax receipt of \$1,161 was posted to the Ambulance fund instead of the Permissive Tax fund.
- In 2016, a Gasoline Tax receipt totaling \$2,632 was posted to the Motor Vehicle License fund instead of the Gas Tax fund.
- A Bureau of Workers Compensation refund received in 2016 was posted to the General fund rather than being pro-rated back to the funds from which the premium was paid. Thus, the General fund owed \$1,202 to the following funds: \$68 to Motor Vehicle License, \$81 to Gas Tax, and \$1,053 Road & Bridge.

To correct the financial statements, the Fiscal Officer posted adjustments to the Township's Financial Statements and where applicable, the accounting records.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 and 2015  
(CONTINUED)**

Failure to accurately record revenues and expenditures to the proper funds and line items resulted in misstatements to the financial statements; adjustments are reflected in the financial statements. The lack of accurate record keeping could result in the Township expending money that is not available in a particular fund and may cause errors to go undetected.

We recommend the Fiscal Officer use the Ohio Township Handbook, the UAN Accounting Manual, and any other applicable guidance from the Auditor of State's Office as sources 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 and for accuracy and completeness of expenditures and transfers. Discrepancies should be investigated and corrected in a timely manner.

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

**4. Force Account Project Assessment Form**

<i>Finding Number</i>	2016-004
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NONCOMPLIANCE

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 before bids are considered by Trustees when the total estimated cost of the project, including labor, for maintenance and repair of roads exceeds \$45,000, or when the total estimated cost of the project, including labor, for construction or reconstruction of roads exceeds \$15,000 per mile. The Belden Road project was estimated cost was \$82,400.

Township officials proceeded with the OPWC Belden Road project (DGS01) without advertising for bids. Further, the Township provided employees and equipment (force account) to complete the work without obtaining the required Auditor of State's force account project assessment form prepared by the county engineer.

The Township has had two previous findings regarding not obtaining the required force account assessment forms in 2010 and 2012. Pursuant to Ohio Rev. Code § 117.16(C)(3), if the Auditor of State finds that a township has violated the force account limits for a third or subsequent time, the Auditor of State is required to certify to the tax commissioner the amount determined to be twenty percent of the total cost of the force account project that is the basis of the violation. Twenty percent of the Belden Road project, the basis of the third violation, is \$16,480.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 and 2015  
(CONTINUED)**

Upon receipt of the certification, the tax commissioner is required to withhold the certified amount from any funds under the tax commissioner's control that are due or payable to Township.

If the tax commissioner determines that no funds are due and payable to Township or that insufficient amounts of such funds are available to cover the entire certified amount, the tax commissioner must withhold and deposit to the credit of the local transportation improvement program fund any amount available and certify the remaining amount to be withheld to the county auditor of the county in which the Township is located. The county auditor shall withhold from the Township any amount, up to that certified by the tax commissioner, that is available from any funds under the county auditor's control, that is due or payable to the Township, and that can be lawfully withheld.

The aforementioned payments are in addition to the force account limit reductions provided for in Ohio Rev. Code § 117.16(C)(1)(b), and, pursuant to said section, the limit for the Township shall be fifteen thousand dollars for maintenance and repair of a road or five thousand per mile for construction or reconstruction of a township road.

We recommend that prior to any work being done on any road construction or reconstruction project using Township labor or equipment (force account), the Board of Trustees obtain from the county engineer a completed Force Account Project Assessment Form for the project. When project cost exceeds the bid limit the Township shall invite and receive competitive bids for furnishing all the labor, materials, and equipment and doing the work, as provided in Ohio Rev. Code § 5575.02 of the Revised Code, and shall consider and reject them before ordering the work done by force account.

This matter will be certified to the tax commissioner pursuant to the provisions of Ohio Rev. Code § 117.16(C)(3).

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

Glenn Day, Trustee  
William French, Trustee  
Andrew Kirby, Trustee

Karen Chapman, Fiscal Officer  
440-293-2489

**ANDOVER TOWNSHIP  
BOARD OF TRUSTEES  
410 EAST MAIN STREET  
ANDOVER, OHIO 44003**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JANUARY 1, 2015 THROUGH DECEMBER 31, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Multiple postings errors	Not Corrected	
2014-002 initial finding from 2008	Ohio Rev. Code §5549.021(A) Finding for Adjustment – Note Proceeds.	Ohio Rev. Code §5549.021(A) Finding for Adjustment – Note Proceeds.	Township plans to fully correct by end of 2018.



# 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 24, 2018**