



Mary Taylor, CPA
Auditor of State

ANDOVER TOWNSHIP
ASHTABULA COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

July 21, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Andover Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the third and fourth following paragraphs.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Ohio Revised Code § 5705.10 requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. During 2007 and 2008, the Township posted homestead and rollback taxes and public utility deregulation monies into the General Fund and also in 2008, to the Fire Levy Fund rather than the Road and Bridge, Cemetery, and Ambulance Funds. Note 9 further disclose the adjustments that have not been made to the financial statements.

Also, in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, the combined fund cash balances and reserves for encumbrances of the General and Special Revenue funds of Andover Township, Ashtabula County, as of December 31, 2008 and 2007, and the related combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and reserve for encumbrances of the Debt Service, Capital Projects, and Agency funds of Andover Township, Ashtabula County, as of December 31, 2008 and 2007, and the related combined cash receipts and disbursements for the years then ended on the accounting basis as described in Note 1.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 21, 2010

**ANDOVER TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$23,934	\$290,858	\$1,876	\$0	\$316,668
Licenses, Permits, and Fees	4,186				4,186
Intergovernmental	67,723	133,734		76,791	278,248
Earnings on Investments	714	941			1,655
Miscellaneous	3,499	21,415			24,914
Total Cash Receipts	<u>100,056</u>	<u>446,948</u>	<u>1,876</u>	<u>76,791</u>	<u>625,671</u>
Cash Disbursements:					
Current:					
General Government	87,525	6,769			94,294
Public Safety		102,417			102,417
Public Works		322,139			322,139
Health		17,822			17,822
Capital Outlay				101,791	101,791
Debt Service:					
Redemption of Principal		5,146	5,000		10,146
Interest and Other Fiscal Charges		600			600
Total Cash Disbursements	<u>87,525</u>	<u>454,893</u>	<u>5,000</u>	<u>101,791</u>	<u>649,209</u>
Total Receipts Over/(Under) Disbursements	<u>12,531</u>	<u>(7,945)</u>	<u>(3,124)</u>	<u>(25,000)</u>	<u>(23,538)</u>
Other Financing Receipts / (Disbursements):					
Other Debt Proceeds				25,000	25,000
Transfers-In		15,039	2,500		17,539
Transfers-Out	(17,539)				(17,539)
Total Other Financing Receipts / (Disbursements)	<u>(17,539)</u>	<u>15,039</u>	<u>2,500</u>	<u>25,000</u>	<u>25,000</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(5,008)	7,094	(624)	0	1,462
Fund Cash Balances, January 1	<u>(23,079)</u>	<u>77,967</u>	<u>625</u>		<u>55,513</u>
Fund Cash Balances, December 31	<u>(\$28,087)</u>	<u>\$85,061</u>	<u>\$1</u>	<u>\$0</u>	<u>\$56,975</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$571</u>	<u>\$0</u>	<u>\$0</u>	<u>\$571</u>

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

ANDOVER TOWNSHIP
ASHTABULA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	\$0
Total Non-Operating Cash Receipts	<u>0</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>0</u>
Total Non-Operating Cash Disbursements	<u>0</u>
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balances, January 1	<u>5,567</u>
Fund Cash Balances, December 31	<u><u>\$5,567</u></u>

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

**ANDOVER TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$28,289	\$242,741	\$5,000	\$0	\$276,030
Licenses, Permits, and Fees	2,791				2,791
Intergovernmental	52,705	139,186		63,385	255,276
Earnings on Investments	1,342	935			2,277
Miscellaneous	1,403	6,427			7,830
	<u>86,530</u>	<u>389,289</u>	<u>5,000</u>	<u>63,385</u>	<u>544,204</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	120,335	5,205			125,540
Public Safety		45,875			45,875
Public Works		312,357			312,357
Health	9,000	20,610			29,610
Capital Outlay				63,385	63,385
Debt Service:					
Redemption of Principal	5,147		5,000		10,147
Interest and Other Fiscal Charges	816				816
	<u>135,298</u>	<u>384,047</u>	<u>5,000</u>	<u>63,385</u>	<u>587,730</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>(48,768)</u>	<u>5,242</u>	<u>0</u>	<u>0</u>	<u>(43,526)</u>
Fund Cash Balances, January 1	<u>25,689</u>	<u>72,725</u>	<u>625</u>		<u>99,039</u>
Fund Cash Balances, December 31	<u>(\$23,079)</u>	<u>\$77,967</u>	<u>\$625</u>	<u>\$0</u>	<u>\$55,513</u>

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

ANDOVER TOWNSHIP
ASHTABULA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$75</u>
Total Non-Operating Cash Receipts	<u>75</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>0</u>
Total Non-Operating Cash Disbursements	<u>0</u>
Net Receipts Over/(Under) Disbursements	75
Fund Cash Balances, January 1	<u>5,492</u>
Fund Cash Balances, December 31	<u><u>\$5,567</u></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, 2008 AND 2007**

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, community center maintenance, fire protection and emergency medical services. The Township contracts with the Andover Volunteer Fire Department to provide fire services and Pymatuning Ambulance Service, to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

OTARMA is a member of the American Public Entities Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposits, saving account, and the money market account at cost.

**ANDOVER TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds

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

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

3. Debt Service Fund

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project:

Issue II Fund - The Township received grants from the State of Ohio for Ayers and Owen Hill Roads.

5. Fiduciary Funds

Fiduciary funds include agency funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for Unclaimed Moneys.

**ANDOVER TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. 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.

G. 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.

**ANDOVER TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

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>2008</u>	<u>2007</u>
Demand deposits	\$62,542	\$61,080

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,618	\$100,056	\$35,438
Special Revenue	466,360	461,987	(4,373)
Debt Service	10,000	4,376	(5,624)
Capital Projects	113,915	101,791	(12,124)
Total	\$654,893	\$668,210	\$13,317

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,140	\$105,064	(\$32,924)
Special Revenue	411,483	455,464	(43,981)
Debt Service	10,000	5,000	5,000
Capital Projects	113,915	101,791	12,124
Total	\$607,538	\$667,319	(\$59,781)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,637	\$86,530	\$13,893
Special Revenue	376,394	389,289	12,895
Debt Service	5,000	5,000	0
Capital Projects	177,300	63,385	(113,915)
Total	\$631,331	\$544,204	(\$87,127)

**ANDOVER TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$142,563	\$135,298	\$7,265
Special Revenue	405,752	384,047	21,705
Debt Service	5,624	5,000	624
Capital Projects	177,300	63,385	113,915
Total	\$731,239	\$587,730	\$143,509

Contrary to Ohio Revised Code § 5705.41 (B), the following funds had expenditures plus encumbrances in excess of appropriations as of December 31, 2008: General, Gas Tax, Road and Bridge, Fire Levy, Ambulance, Motor Vehicle Permissive License Tax, and Andover Commons.

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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, 2008 was as follows:

	Principal	Interest Rate
General Obligation Note - Dump Truck	\$10,258	4.25%
General Obligation Note - OPWC - Ayers Road	10,000	0%
General Obligation Note - OPWC - Owen Hill	25,000	0%
Total	\$45,258	

The Township issued general obligation notes to finance the purchase of a new dump truck. The Township has two Issue II grants – Ayers Road, and Owen Hill Road, Phase I. The Township's taxing authority collateralized the above debt.

**ANDOVER TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. DEBT – (Continued)

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

Year ending December 31:	G.O. Notes- Dump Truck	G.O. Notes- Ayers Road	G.O. Notes- Owen Hill Road
2009	\$5,526	\$5,000	\$2,500
2010	5,307	5,000	2,500
2011			2,500
2012			2,500
2013-2017			15,000
Total	\$10,833	\$10,000	\$25,000

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

**ANDOVER TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. RISK MANAGEMENT (Continued)

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$9,571.

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.

<u>Contributions to OTARMA</u>	
2006	\$12,101
2007	\$9,904
2008	\$10,182

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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
DECEMBER 31, 2008 AND 2007
(Continued)**

8. FUND BALANCE ADJUSTMENTS

The financial statements for the audit period January 1, 2007 through December 31, 2008 reflect negative fund balances in the General fund of \$23,079 (2007) and \$28,087 (2008). The negative fund balances are the result of prior audit period adjustments being made to the General fund for payments made for General fund obligations using other fund's revenues and revenue postings made to the General fund in error.

9. AUDIT ADJUSTMENTS

Ohio Revised Code § 5705.10 requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. During 2007 and 2008, the Township posted homestead and rollback taxes and public utility deregulation monies into the General Fund and also in 2008, to the Fire Levy Fund rather than the Road and Bridge, Cemetery, and Ambulance Funds. Management has declined to record these adjustments in their accounting records and the accompanying financial statements do not reflect them.

The adjustment required to record these monies in the Road and Bridge, Cemetery and Ambulance funds follows:

Fund	To Correct 2007 Receipts	Restated Fund Balances at 12/31/2007	To Correct 2008 Receipts	Restated Fund Balances at 12/31/2008
General	(\$14,052)	(\$37,131)	(\$40,704)	(\$82,843)
Special Revenue Funds:				
Road and Bridge	\$7,646	\$45,215	\$31,987	\$77,947
Cemetery	\$1,183	\$4,597	\$1,776	\$6,373
Ambulance	\$5,069	\$14,447	7,608	\$26,573
Fire Levy	\$154	\$2,416	(\$667)	\$3,528
Total Special Revenue Funds	\$14,052		\$40,704	



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of the Andover Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 21, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We issued an adverse opinion on the Township's regulatory basis statements because the Township posted homestead and rollback monies and public deregulation monies into the General fund in 2008 and 2007 and also into the Fire Levy Fund in 2008, rather than the Road and Bridge, Cemetery, Ambulance, and Fire Levy (2007) funds, contrary to Ohio Revised Code Section 5705.10. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-002 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above, finding number 2008-002 is also a material weakness. We also noted certain matters that we reported to the Township's management in a separate letter dated July 21, 2010.

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002. We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated July 21, 2010.

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

We intend this report solely for the information and use of management and the Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 21, 2010

ANDOVER TOWNSHIP
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Material Noncompliance

Expenditures Plus Encumbrances in Excess of Appropriations

Ohio Revised Code § 5705.41 (B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated.

Budgetary expenditures (that is, expenditures and encumbrances) as enacted by the Board of Trustees and filed with the County Auditor may not exceed appropriations at the legal level of control for all funds.

The following funds had expenditures plus encumbrances in excess of appropriations as of December 31, 2008:

FUND	Appropriations	Expenditures Plus Encumbrances	Variance
General	\$72,140	\$105,064	(\$32,924)
Special Revenue Funds:			
Gas Tax	85,800	98,191	(12,391)
Road and Bridge	172,500	198,967	(26,467)
Fire Levy	44,113	44,832	(719)
Ambulance	56,000	57,585	(1,585)
MV Permissive License	19,570	22,673	(3,103)
Andover Commons	1,500	2,209	(709)

The Board approved appropriations as submitted to the County Auditor did not agree to the appropriations used in posting to the accounting system. We recommend that the Township verify that all expenditures and encumbrances have proper appropriations prior to expending funds, and that the approved appropriations as submitted to the County Auditor be the ones posted to the Township's accounting system.

Officials' Response:

The Appropriation Ledger accounts will equal Board approved appropriations.

FINDING NUMBER 2008-002

Material Weakness/Material Noncompliance – Finding for Adjustment

Ohio Revised Code § 5705.10 requires that all receipts derived from a special levy are to be credited to a special fund for the purpose for which the levy was made. This applies to other intergovernmental revenue received in the form of property tax rollback reimbursements and public utility deregulation monies.

In 2007 and 2008, the Township posted homestead and rollback reimbursement and public deregulation monies into the General Fund and Fire Levy Fund instead of the Road and Bridge, Cemetery, and Ambulance Funds.

**FINDING NUMBER 2008-002
 (Continued)**

The adjustments required to record these monies in the Road and Bridge, Cemetery, Fire Levy and Ambulance Levy Funds are as follows:

FUND	Proposed adjustments 2007	Proposed adjustments 2008	Total – Proposed Audit Adjusting Entries
General	\$(14,052)	\$(40,704)	\$(54,756)
Special Revenue Funds:			
Road and Bridge	7,646	31,987	39,633
Cemetery	1,183	1,776	2,959
Ambulance	5,069	7,608	12,677
Fire Levy	154	(667)	(513)
Total Special Revenue Funds	\$14,052	\$40,704	\$54,756

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund in the amount of (\$54,756) and the Fire Levy Fund in the amount of (\$513) and in favor of the Road and Bridge Fund in the amount of \$39,633, Cemetery Fund in the amount of \$2,959, and Ambulance Fund in the amount of \$12,677.

Management was not in a position to record these adjustments at the time the audit was in progress (insufficient General Fund balance), and the accompanying financial statements do not reflect these adjustments.

The Uniform Accounting Network Manual in the Appendix provides a Township Chart of Accounts which details the revenue and expenditure codes, name of the source information, and a brief description of the type of revenue or expenditure that relates to the code to be used for the accounting of those transactions.

The Township should use the UAN Accounting Manual and UAN crosswalk table of revenues and expenditures as a source, for proper recording of receipts and disbursements. The Township should make every attempt to correct audit adjustments in a timely manner in order for the financial statements to provide an accurate account of the Township's activity.

Officials' Response:

Funds will be posted correctly. Adjustments will be made when funds become available.

**ANDOVER TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 and 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Bank Loan proceeds and subsequent retirement were not properly recorded	No	Not corrected; comment in management letter. Debt payments were made from "other expense" and "operating supplies" line items.
2006-002	Revenue and expenditure transactions were not properly classified, resulting in material adjustments to the financial statements.	No	Not corrected. Repeated as Finding 2008-002.



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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
SEPTEMBER 16, 2010**