



**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006-2005**



**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, OH 44030

To the Andover Township 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

November 14, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Andover Township  
Ashtabula County  
410 East Main Street  
Andover, OH 44030

To the Andover Township Trustees:

We have audited the accompanying financial statements of Andover Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2006 and 2005. 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.

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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 second following paragraph.

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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Andover Township, Ashtabula County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 November 14, 2008, 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

November 14, 2008



**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, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$28,237	\$242,197	\$5,000	\$275,434
Licenses, Permits, and Fees	4,263			4,263
Intergovernmental	62,431	143,723		206,154
Earnings on Investments	1,698	881		2,579
Miscellaneous	<u>2,518</u>	<u>8,770</u>		<u>11,288</u>
Total Cash Receipts	<u>99,147</u>	<u>395,571</u>	<u>5,000</u>	<u>499,718</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	88,180	2,455		90,635
Public Safety		49,842		49,842
Public Works		306,208		306,208
Health	10,162	18,740		28,902
Debt Service:				
Redemption of Principal	5,167		5,000	10,167
Interest and Other Fiscal Charges	<u>1,036</u>			<u>1,036</u>
Total Cash Disbursements	<u>104,545</u>	<u>377,245</u>	<u>5,000</u>	<u>486,790</u>
Total Receipts Over/(Under) Disbursements	<u>(5,398)</u>	<u>18,326</u>	<u>0</u>	<u>12,928</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Other Financing Sources	<u>1,018</u>	<u>5,266</u>		<u>6,284</u>
Total Other Financing Receipts / (Disbursements)	<u>1,018</u>	<u>5,266</u>	<u>0</u>	<u>6,284</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(4,380)	23,592	0	19,212
Fund Cash Balances, January 1	<u>30,069</u>	<u>49,133</u>	<u>624</u>	<u>79,826</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$25,689</u></b>	<b><u>\$72,725</u></b>	<b><u>\$624</u></b>	<b><u>\$99,038</u></b>
Reserve for Encumbrances, December 31	<u>\$93</u>	<u>\$620</u>	<u>\$0</u>	<u>\$713</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, 2006

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

*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, 2005**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$25,391	\$224,547	\$26,729		\$276,667
Licenses, Permits, and Fees	3,996				3,996
Intergovernmental	26,888	142,368		\$67,000	236,256
Earnings on Investments	2,012	656			2,668
Miscellaneous	4,466	4,071			8,537
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	62,753	371,642	26,729	67,000	528,124
<b>Cash Disbursements:</b>					
Current:					
General Government	79,654	1,257			80,911
Public Safety	0	69,899			69,899
Public Works	0	305,687			305,687
Health		15,608			15,608
Capital Outlay	26,762	14,476		67,000	108,238
Debt Service:					
Redemption of Principal			25,876		25,876
Interest and Other Fiscal Charges			229		229
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	106,416	406,927	26,105	67,000	606,448
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(43,663)	(35,285)	624	0	(78,324)
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Notes	25,717				25,717
Sale of Fixed Assets	7,022				7,022
Other Financing Sources	610	281			891
Other Financing Uses	0	(203)			(203)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	33,349	78	0	0	33,427
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(10,314)	(35,207)	624	0	(44,897)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	40,383	84,340	0		124,723
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>\$30,069</b>	<b>\$49,133</b>	<b>\$624</b>	<b>\$0</b>	<b>\$79,826</b>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$93</u>	<u>\$620</u>	<u>\$0</u>	<u>\$0</u>	<u>\$713</u>

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

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**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**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, fire protection and emergency medical services. The Township contracts with the Andover Volunteer Fire Department to provide fire services and Pymatuning Ambulance Services, Inc., 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 provide 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. Cash 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 maintains a general checking account and a Government Sweep Money Market – Repurchase Agreement account. The Repurchase Agreements are valued at cost.

**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:

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

Fire Levy Fund - This fund receives property tax money for maintaining/purchasing equipment and covering costs for providing fire protection.

Ambulance Levy Fund - This fund receives property tax money for providing emergency medical services.

**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:

General Note Retirement Fund – This fund receives special assessment tax money for the repayment of an Issue II waterline project.

**4. Capital Project Fund**

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 fund:

Issue II Fund - The Township received a grant from the State of Ohio for Phase 1 of the Marvin Road resurfacing project.

**5. Fiduciary Fund (Agency Fund)**

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 for stale-dated warrants removed from the reconciliation by the fiscal officer.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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. Encumbered 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 2006 and 2005 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, 2006 AND 2005  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2005	2006
Demand deposits	(\$7,557)	\$2,978
Investments:		
Repo- Government Sweep	87,383	101,552
Total deposits and investments	\$79,826	\$104,530

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

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,249	\$100,165	\$5,916
Special Revenue	320,200	400,837	80,637
Debt Service	27,375	5,000	(22,375)
Fiduciary	0	0	0
Total	\$441,824	\$506,002	\$64,178

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$131,893	\$104,638	\$27,255
Special Revenue	398,567	377,865	20,702
Debt Service	5,000	5,000	0
Capital Projects	0	0	0
Total	\$535,460	\$487,503	\$47,957



**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,800	\$96,102	\$45,302
Special Revenue	315,078	371,923	56,845
Debt Service	27,104	26,729	(375)
Capital Project	67,000	67,000	0
Total	\$459,982	\$561,754	\$101,772

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$110,365	\$106,509	\$3,856
Special Revenue	429,712	407,750	21,962
Debt Service	27,104	26,105	999
Capital Project	67,000	67,000	0
Total	\$634,181	\$607,364	\$26,817

**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, 2006 was as follows:

	Principal	Interest Rate
General Obligation Note - Issue II	\$20,000	0%
General Obligation Note - Dump Truck	20,551	4.25%
Total	\$40,551	

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. DEBT (Continued)**

The Township issued general obligation notes to finance the purchase of a new dump truck and to repay an Issue II loan for a road improvement project (Ayers Road). The Township's taxing authority collateralized the notes.

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

Year ending December 31:	General Obligation Note - Dump Truck	General Obligation Note- Issue II
2007	\$5,963	\$5,000
2008	5,746	5,000
2009	5,526	5,000
2010	5,307	5,000
Total	\$22,542	\$20,000

**6. RETIREMENT SYSTEMS**

OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

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. OTARMA is a member of the American Public Entity 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.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do 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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$25,414. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>	
2004	\$12,413
2005	\$12,441
2006	\$12,707

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.



# 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, OH 44030

To the Township Board of Trustees:

We have audited the financial statements of Andover Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 14, 2008 wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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.

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.

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We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However 2006-001 and 2006-002 are also material weaknesses.

However, we noted certain matters that we reported to the Township's management in a separate letter dated November 14, 2008.

#### **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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 14, 2008.

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

November 14, 2008

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Material Weakness**

**Debt**

Users of the Uniform Accounting Network (UAN) shall maintain their accounting records and file their annual report in accordance with UAN guidelines and in accordance with forms prescribed by the Auditor of State. The annual report shall contain, among other things, the amount of public debt of each taxing district, the purpose for which each item of such debt was created, and the provision made for the payment thereof.

The Township borrowed \$25,718 from Andover Bank in August 2005 to purchase a dump truck. In order to properly account for debt proceeds and payments, account codes have been established in the UAN system that address these types of transactions. The following accounting transaction in regards to this loan was noted:

- a. The loan was recorded on the Township's books in the General Fund as "other miscellaneous revenue."
- b. The purchase of the dump truck and the cab and chassis totaled \$32,147 and was charged to the following funds and account codes:

General Fund	\$ 6,646.00	Salaries
Motor Vehicle License	3,501.00	Public Works-Repair and Maint., Other
Gasoline Tax	1,000.00	Public Works-Other
Road and Bridge	9,500.00	Public Works-Other
Permissive Motor Vehicle	11,500.00	Public Works-Operating Supplies, Other
- c. Debt payments made in 2006 were charged to General Fund "Other-other expense."
- d. Debt schedules, including debt amortization schedules, were not prepared for the 2005 or 2006 annual reports.

These practices and procedures do not provide proper accountability of the Township's debt on their accounting records or their annual report. This could lead to the Township not tracking the amortization of the debt properly to its conclusion, accounting for all debt that the Township has outstanding, and assuring that the Township is within the limitations of indebtedness set by the Ohio Revised Code.

When note proceeds are issued, the year they are received the amount should be reflected as "Other Financing Sources – Proceeds of Notes", in the fund that the proceeds are to be used. The expenditure of the note proceeds should be classified as a "Capital Outlay" line item, or one that is appropriate for the issue, also within the fund that the proceeds were recorded. The repayment of the debt should be recorded under the current expenditure category, "Retirement of Debt – Principal and Interest", either within a separate Debt Service fund or the fund in which the debt was incurred. The financial statements were adjusted for the above reclassifications. All debt should be properly budgeted for in order to address the proper line items for posting of estimated receipts and setting of appropriations.

**FINDING NUMBER 2006-001  
(Continued)**

**Material Weakness**

**Debt**

The Township Officials should use the Township Handbook as their guide which will provide a more detailed explanation and examples in the handling of debt, specifically Section E. Notes and Bonds. The Township Handbook may be found at the following web site:

[http://www.auditor.state.oh.us/LGS/Publications/LocalGovernmentManualsHandbooks/ohio\\_township\\_handbook.pdf](http://www.auditor.state.oh.us/LGS/Publications/LocalGovernmentManualsHandbooks/ohio_township_handbook.pdf)

**Officials' Response:**

The Fiscal Officer is now using the chart of accounts from the UAN accounting manual to code receipts and expenditures of the Township.

**FINDING NUMBER 2006-002**

**Material Weakness**

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.

Revenue and expenditure transactions were not always classified or recorded to the correct financial statement line items, based on the UAN descriptions and nature of the transactions for the years 2006 and 2005. Failure to accurately record revenues and expenditures to the proper line item did result in material misstatements to the financial statements. The General fund and various Special Revenue funds were adjusted for posting errors of Homestead and Rollback taxes, Personal Property taxes and Auto License tax in dollar amounts ranging from \$190 to \$44,458. The financial statements and accounting records have been adjusted to correct these errors.

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.

**Officials' Response:**

The Fiscal Officer is now using the chart of accounts from the UAN accounting manual to code receipts and expenditures of the Township.





**Mary Taylor, CPA**  
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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  
DECEMBER 9, 2008**