



Dave Yost • Auditor of State



ANDOVER TOWNSHIP  
ASHTABULA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types- For the Year Ended December 31, 2010 .....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Fiduciary Fund Type- For the Year Ended December 31, 2010.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types- For the Year Ended December 31, 2009.....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Fiduciary Fund Type- For the Year Ended December 31, 2009.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21
Schedule of Prior Audit Findings.....	25

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# Dave Yost • 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 Township 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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

October 25, 2011

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# Dave Yost • 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, 2010 and 2009. 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(A) mandates 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 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

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, but 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 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 as of and for the year ended December 31, 2010.

Also, in our opinion, except for the matter referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective combined fund cash balances and reserves for encumbrances of the General Fund and Special Revenue Funds of Andover Township, Ashtabula County, as of December 31, 2010 and 2009, and its respective combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Further, 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 the Debt Service Fund, Capital Projects Funds, and fiduciary fund of Andover Township, Ashtabula County, as of December 31, 2010 and 2009, 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 October 25, 2011, 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.



**Dave Yost**  
Auditor of State

October 25, 2011



**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, 2010**

	<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	\$26,580	\$363,310	\$2,500		\$392,390
Licenses, Permits, and Fees	5,061				5,061
Intergovernmental	38,305	139,665		\$93,744	271,714
Earnings on Investments	57	343			400
Miscellaneous	10,693	4,893			15,586
<b>Total Cash Receipts</b>	<u>80,696</u>	<u>508,211</u>	<u>2,500</u>	<u>93,744</u>	<u>685,151</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	64,162	2,552			66,714
Public Safety		106,470			106,470
Public Works		314,426			314,426
Health		26,070			26,070
Conservation - Recreation		2,850			2,850
Capital Outlay				82,677	82,677
Debt Service:					
Redemption of Principal and Interest		10,310	2,500		12,810
<b>Total Cash Disbursements</b>	<u>64,162</u>	<u>462,678</u>	<u>2,500</u>	<u>82,677</u>	<u>612,017</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>16,534</u>	<u>45,533</u>	<u>0</u>	<u>11,067</u>	<u>73,134</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Notes	47,000				47,000
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>47,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>47,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>63,534</u>	<u>45,533</u>	<u>0</u>	<u>11,067</u>	<u>120,134</u>
<b>Fund Cash Balances, January 1. Restated</b>	<u>(58,453)</u>	<u>189,868</u>	<u>1</u>	<u>0</u>	<u>131,416</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$5,081</b></u>	<u><b>\$235,401</b></u>	<u><b>\$1</b></u>	<u><b>\$11,067</b></u>	<u><b>\$251,550</b></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, 2010

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Total Non-Operating Cash Receipts	<u>0</u>
<b>Non-Operating Cash Disbursements:</b>	
Total Non-Operating Cash Disbursements	<u>0</u>
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balances, January 1	<u>5,567</u>
<b>Fund Cash Balances, December 31</b>	<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, 2009**

	<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	\$27,406	\$364,032			\$391,438
Licenses, Permits, and Fees	5,155				5,155
Intergovernmental	45,493	134,309		\$108,526	288,328
Earnings on Investments	123	294			417
Miscellaneous	12,275	8,995			21,270
<b>Total Cash Receipts</b>	<u>90,452</u>	<u>507,630</u>	<u>0</u>	<u>108,526</u>	<u>706,608</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	66,062	8,371			74,433
Public Safety		116,095			116,095
Public Works		293,233			293,233
Health		26,854			26,854
Capital Outlay				108,526	108,526
Debt Service:					
Redemption of Principal and Interest		13,026			13,026
<b>Total Cash Disbursements</b>	<u>66,062</u>	<u>457,579</u>	<u>0</u>	<u>108,526</u>	<u>632,167</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>24,390</u>	<u>50,051</u>	<u>0</u>	<u>0</u>	<u>74,441</u>
 Fund Cash Balances, January 1	 (28,087)	 85,061	 1	 0	 56,975
<b>Fund Cash Balances, December 31</b>	<b><u>(\$3,697)</u></b>	<b><u>\$135,112</u></b>	<b><u>\$1</u></b>	<b><u>\$0</u></b>	<b><u>\$131,416</u></b>
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, 2009

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

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

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Township participates in the Andover Union Cemetery, a jointly governed organization, and the Ohio Plan Risk Management, Inc., a public entity risk pool. Notes 9 and 12 to the financial statements provides additional information for these entities. These organizations are:

**Jointly Governed Organization:**

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

**Public Entity Risk Pool:**

Ohio Plan Risk Management, Inc., a non-profit corporation providing various insurance coverage to its members sold through fourteen appointed independent agents in the State of Ohio.

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 Negotiable Order of Withdrawal (NOW) accounts at cost.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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 Funds**

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 Projects 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 Projects funds:

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

NOPEC Fund – The Township received a grant for energy conservation renovations at the Township Hall.

**5. Fiduciary Funds**

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

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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 re-appropriated.

A summary of 2010 and 2009 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.

**2. PRIOR PERIOD RESTATEMENT**

During the prior audit period, 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.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**2. PRIOR PERIOD RESTATEMENT – (Continued)**

The adjustments posted in 2010 to record these monies in the Road and Bridge, Cemetery, Fire Levy and Ambulance Levy Funds are as follows:

FUND	Posted audit adjustments for 2007	Posted audit adjustments for 2008	Total – 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
<b>Restated Fund Type Balances:</b>			
General Fund 12/31/09 Fund Balance			(\$3,697)
Posted 2007-08 Audit Adjustments			(54,756)
General Fund 1/1/2010 Balance			(58,453)
Special Revenue Funds 12/31/09 Fund Balance			135,112
Posted 2007-08 Audit Adjustments			54,756
Special Revenue Funds 1/1/2010 Balance			\$189,868

**3. EQUITY IN POOLED DEPOSITS**

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

	2010	2009
Other time deposits (NOW account)	<u>257,117</u>	<u>136,983</u>

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



**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

**2010 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$129,898	\$127,696	(\$2,202)
Special Revenue	623,090	508,211	(114,879)
Debt Service	2,500	2,500	0
Capital Projects	169,412	93,744	(75,668)
Total	\$924,900	\$732,151	(\$192,749)

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,602	\$64,162	\$8,440
Special Revenue	584,725	462,678	122,047
Debt Service	2,500	2,500	0
Capital Projects	162,412	82,677	79,735
Total	\$822,239	\$612,017	\$210,222

**2009 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,907	\$90,452	\$22,545
Special Revenue	558,912	507,630	(51,282)
Debt Service	10,924	0	(10,924)
Capital Projects	150,000	108,526	(41,474)
Total	\$787,743	\$706,608	(\$81,135)

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,917	\$66,062	\$11,855
Special Revenue	529,743	458,150	71,593
Debt Service	15,000	0	15,000
Capital Projects	150,000	108,526	41,474
Total	\$772,660	\$632,738	\$139,922

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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.

**6. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Owen Hill Project	\$20,000	0%
Backhoe	47,000	3.95%
Total	\$67,000	

The Township issued a general obligation note to finance the purchase of a new backhoe. The Township also has one outstanding Issue II loan – Owen Hill Road Phase I. The Township’s taxing authority collateralized the above debt.

The backhoe was purchased from the Road and Bridge Fund pursuant to Ohio Rev. Code Section 5549.01(A), however, the proceeds of the general obligation note was credited to the General Fund in violation of the statute.

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

	G.O. Note Backhoe	G.O. Note Owen Hill Road
Year ending December 31:		
2011	\$10,472	\$2,500
2012	10,472	2,500
2013	10,472	2,500
2014	10,472	2,500
2015	10,470	2,500
2016-2020		7,500
Total	\$52,358	\$20,000

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. RETIREMENT SYSTEMS**

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. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**8. 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 Workers Compensation.

The Township elected to withdraw from the Ohio Township Association Risk Management Authority (OTARMA) and join the Ohio Plan Risk Management, Inc (OPRM) in February 2010.

**Risk Pool Membership**

Prior to 2009, the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. RISK MANAGEMENT - (Continued)**

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for itsmembers. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009, and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

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

**9. CONTINGENT LIABILITIES**

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

**10. RELATED PARTY TRANSACTIONS**

A Township Trustee is part owner of a company from which the Township acquired furnaces during the year. The Township paid \$5,500 for this acquisition.

**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**11. JOINTLY GOVERNED ORGANIZATIONS**

The Andover Union Cemetery District, 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 a representative from each of the participating governments: The Village of Andover and Andover Township. The members serve staggered three-year terms. In 2010, a tax valuation of .34 mills was paid to the Cemetery District.

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# Dave Yost • 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 Andover Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated October 25, 2011 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 also noted 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(A) mandates the Auditor of State to audit Ohio governments. We qualified our report 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). 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-02 and 2010-03 described in the accompanying schedule of findings to be material weaknesses.

### **Material Noncompliance**

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings items 2010-01 to 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 25, 2011.

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, Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

October 25, 2011



ANDOVER TOWNSHIP  
ASHTABULA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010

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

FINDING NUMBER 2010-01

NONCOMPLIANCE FINDING

Force Accounts

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

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

During 2009, The Township completed drainage and road construction funded by Ohio Public Works Commission (OPWC) project CG56M and project CGT02. Portions of the projects were completed by Township employees and by contractors. The County Engineer provided the Township with engineering services for these projects and completed a "cost estimate", but did not complete the force account assessment form developed by the Auditor of State as required by Ohio Rev. Code §5575.01(C). The "cost estimate" prepared by the County Engineer did not break out the costs for employee salaries and benefits, materials, or overhead and the form was for the entire OPWC projects which made it difficult to determine the estimated cost for the force account portion of the projects.

The estimated cost of project CG56M was \$116,000 of which the force account (in-kind) portion was \$49,000. The estimated cost of project CGT02 was \$349,000 of which the force account (in-kind) portion was \$99,000. These costs exceeded the force account limits prescribed by law. Therefore, the Township was required to competitively bid the force account portions of the projects in accordance with applicable bidding laws.

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

**Officials Response:**

The Township officials did not respond to this finding.

## FINDING NUMBER 2010-02

### NONCOMPLIANCE FINDING/MATERIAL WEAKNESS

#### Township Records

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

During 2010 and 2009, the Township's revenue and expenditure transactions were not always classified or recorded to the correct financial statement line items, based on the UAN descriptions and nature of the transactions. For example, (1) rollback and homestead taxes in the amount of \$3,983 were posted as property taxes instead of intergovernmental receipts; (2) debt principal payments of \$10,310 were posted as public works expenditures; (3) a donation of \$4,200 was classified as a special item but should have been posted as miscellaneous revenue; and (4) a \$35,330 posting error was corrected by adjusting the beginning cash balance of the Debt Service Fund and the Road and Bridge Fund. The error should have been corrected by reducing revenue in the Debt Service Fund and increasing revenue in the Road and Bridge Fund.

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

The Township should use the UAN Accounting Manual and UAN crosswalk table of revenues and expenditures as a source, for proper recording of transactions. We also recommend the Board of Trustees request monthly financial reports and cash reconciliations from the Fiscal Officer. The Board should review the reports and reconciliation for accuracy and completeness. Any discrepancies should be investigated and corrected timely.

#### Officials Response:

We are trying to improve on our use of fund codes. The Trustees receive twice a month financial reports; one copy to sign and one for them to keep.

## FINDING NUMBER 2010-03

### NONCOMPLIANCE FINDING/MATERIAL WEAKNESS

#### Finding for Adjustment – Note Proceeds

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

**FINDING NUMBER 2010-03  
(Continued)**

The Township issued a promissory note pursuant to the authority of Ohio Rev. Code §5549.021(A) on or about October 27, 2010 to purchase a backhoe for the road department. The backhoe was paid from the Road and Bridge Fund and the promissory note is being repaid from the Road and Bridge Fund. However, the note proceeds were credited to the General Fund in violation of the statute. The adjustment to properly return these monies to the Road and Bridge Fund is as follows:

<b>FUND</b>	<b>FUND BALANCE DECEMBER 31, 2010</b>
General	(\$ 47,000)
Road and Bridge	(47,000)

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund in the amount of \$47,000, and in favor of the Road and Bridge Fund in the amount of \$47,000.

Township officials have declined to record this adjustment, and the accompanying financial statements do not reflect this adjustment.

**Officials Response:**

The Board intends to repay the loan from the General Fund.

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**ANDOVER TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2008-001	The Township had expenditures plus encumbrances exceed appropriations in several funds in violation of Ohio Rev.Code Section 5705.41(B).	Yes	Finding no longer valid.
2008-002	The Township miss-posted tax and public deregulation money contrary to Ohio Rev.Code Section 5705.10 which resulted in findings for adjustments between several funds.	Yes	The adjustments were made and the prior finding is no longer valid. However, finding 2010-03 indicates another finding for adjustment for the miss-posting of note proceeds.

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# Dave Yost • Auditor of State

**ANDOVER TOWNSHIP**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 29, 2011**