



Dave Yost • Auditor of State

**WELLS TOWNSHIP
JEFFERSON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	21

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Wells Township
Jefferson County
409 Prospect Ave
Brilliant, Ohio 43910

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Wells Township, Jefferson County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse and qualified audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

Miscellaneous receipts of the General Fund are reported as \$88,846 and \$87,004 for the years ended December 31, 2013 and 2012 respectively, which is 20 percent of total General Fund operating receipts for the year ended December 31, 2013, and 22 percent of total General Fund operating receipts for the year ended December 31, 2012. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as miscellaneous receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General Fund of Wells Township, Jefferson County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Special Revenue and Capital Projects fund types of Wells Township, Jefferson County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

November 26, 2014

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**WELLS TOWNSHIP
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$214,787	\$1,065,252		\$1,280,039
Charges for Services		4,724		4,724
Licenses, Permits and Fees	16,078			16,078
Fines and Forfeitures	27,946			27,946
Intergovernmental	97,691	267,659	\$74,780	440,130
Earnings on Investments	238	14		252
Miscellaneous	88,846	71,768		160,614
<i>Total Cash Receipts</i>	<u>445,586</u>	<u>1,409,417</u>	<u>74,780</u>	<u>1,929,783</u>
Cash Disbursements				
Current:				
General Government	214,631			214,631
Public Safety	62,098	510,917		573,015
Public Works	43,793	646,514	74,780	765,087
Health	21,548			21,548
Conservation-Recreation	70,000	67,459		137,459
Capital Outlay	10,000	13,520		23,520
Debt Service:				
Principal Retirement		32,258		32,258
Interest and Fiscal Charges		2,233		2,233
<i>Total Cash Disbursements</i>	<u>422,070</u>	<u>1,272,901</u>	<u>74,780</u>	<u>1,769,751</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>23,516</u>	<u>136,516</u>	<u>0</u>	<u>160,032</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	8,616			8,616
<i>Total Other Financing Receipts (Disbursements)</i>	<u>8,616</u>	<u>0</u>	<u>0</u>	<u>8,616</u>
<i>Net Change in Fund Cash Balances</i>	32,132	136,516	0	168,648
<i>Fund Cash Balances, January 1</i>	<u>287,187</u>	<u>715,094</u>		<u>1,002,281</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	851,610	0	851,610
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	319,319	0	0	319,319
<i>Fund Cash Balances, December 31</i>	<u>\$319,319</u>	<u>\$851,610</u>	<u>\$0</u>	<u>\$1,170,929</u>

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$189,933	\$944,776	\$1,134,709
Charges for Services		4,899	4,899
Licenses, Permits and Fees	16,017		16,017
Fines and Forfeitures	34,018		34,018
Intergovernmental	72,426	289,786	362,212
Earnings on Investments	342	5	347
Miscellaneous	87,004	117,384	204,388
<i>Total Cash Receipts</i>	<u>399,740</u>	<u>1,356,850</u>	<u>1,756,590</u>
Cash Disbursements			
Current:			
General Government	215,296	272,803	488,099
Public Safety	48,879	241,185	290,064
Public Works	53,528	691,867	745,395
Health	8,545		8,545
Conservation-Recreation	50,826	96,185	147,011
Capital Outlay	73,219	1,011	74,230
Debt Service:			
Principal Retirement		32,259	32,259
Interest and Fiscal Charges		2,233	2,233
<i>Total Cash Disbursements</i>	<u>450,293</u>	<u>1,337,543</u>	<u>1,787,836</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(50,553)</u>	<u>19,307</u>	<u>(31,246)</u>
Other Financing Receipts (Disbursements)			
Advances In	36,700	36,700	73,400
Advances Out	(36,700)	(36,700)	(73,400)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(50,553)</u>	<u>19,307</u>	<u>(31,246)</u>
<i>Fund Cash Balances, January 1</i>	<u>337,740</u>	<u>695,787</u>	<u>1,033,527</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted	0	715,094	715,094
Committed	0	0	0
Assigned	0	0	0
Unassigned (Deficit)	287,187	0	287,187
<i>Fund Cash Balances, December 31</i>	<u>\$287,187</u>	<u>\$715,094</u>	<u>\$1,002,281</u>

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 Wells Township, Jefferson 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, emergency medical and police services. The Township contracts with Brilliant, New Alexandria and Rayland Volunteer Fire Departments to provide fire and 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. The organization is:

Public Entity Risk Pool:

The Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Codes Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Police Fund - This fund receives levy tax money to pay for police services.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund in 2013:

Issue II Fund - The Township received a grant to resurface Plum Run Road.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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:

	2013	2012
Demand deposits	\$588,421	\$419,960
Money Market Savings	582,508	582,321
Total deposits	\$1,170,929.00	\$1,002,281.00

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$297,235	\$454,202	\$156,967
Special Revenue	1,345,501	1,409,417	63,916
Capital Projects	0	74,780	74,780
Total	\$1,642,736	\$1,938,399	\$295,663

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$426,210	\$422,070	\$4,140
Special Revenue	1,512,479	1,272,901	239,578
Capital Projects	0	74,780	(74,780)
Total	\$1,938,689	\$1,769,751	\$168,938

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$260,257	\$436,440	\$176,183
Special Revenue	1,370,111	1,393,550	23,439
Total	\$1,630,368	\$1,829,990	\$199,622

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$487,019	\$486,992	\$27
Special Revenue	1,521,922	1,374,243	147,679
Total	\$2,008,941	\$1,861,235	\$147,706

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.

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, 2013 was as follows:

	Principal	Interest Rate
Massey Tractor Lease	\$24,503	3%
Ford Dump Truck Lease	16,247	2%
Total	\$40,750	

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	Massey Tractor Lease	Ford Dump Truck Lease
2014	\$25,271	\$9,221
2015		9,221
Total	\$25,271	\$18,442

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS participants, full time police officers contributed 12.60% and 12.10%, respectively, of their gross salaries for each year and the Township contributed an amount equaling 18.10% of participants' gross salaries. For 2013 and 2012, OPERS members, all other employees, 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, 2013.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2012, (the latest information available)..

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$14,000.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$24,859	\$23,030

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

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

8. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Management cannot presently determine the outcome of these lawsuits.



Dave Yost • Auditor of State

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

Wells Township
Jefferson County
409 Prospect Ave.
Brilliant, Ohio 43910

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Wells Township, Jefferson County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the Township's lack of sufficient appropriate evidence supporting the amounts reported as miscellaneous receipts in the General Fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001, 2013-003 and 2013-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Entity's Response to Findings

The Government'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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 26, 2014

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.12 provides that the taxing authority of a subdivision may establish, with the approval of and in the manner prescribed by the auditor of state, such other funds as are desirable, and may provide by ordinance or resolution that money derived from specified sources other than the general property tax shall be paid directly into such funds.

The Township failed to get permission from the Auditor of State when establishing a Miscellaneous Special Revenue Fund (2902). The Township utilizes this fund for receipts and expenditures generated by their haunted house.

Adjustments are reflected in the accompanying financial statements to reflect the elimination of the Special Revenue Fund and the addition of the financial activity in the General fund.

During the course of the audit, the Township did get approval to establish this fund as an enterprise type fund. We recommend the Township obtain permission from the Auditor of State prior to establishing any funds.

Officials Response: Changes have already been made in accordance with this advice.

FINDING NUMBER 2013-002

Noncompliance Citation

Ohio Rev. Code § 5705.14 generally prohibits subdivisions from making transfers between funds except for expressly permitted interfund transfers. Interfund transfers authorized by this section shall only be made by resolution of the taxing authority passed with the affirmative vote of two thirds of the members.

A transfer was illegally made from Recreation Fund to General Fund in 2013 in the amount of \$17,674. The General Fund made large repairs to the pool in 2012 and was seeking reimbursement from the Recreation Fund. An adjustment is reflected in the accompanying financial statements to eliminate the transfer.

We recommend the Township follow the requirements of Ohio Revised Code Sections 5705.14 through 5705.16 to ensure compliance and proper use of public funds.

Officials Response: This was done through misunderstanding the Auditor's advice. I thought they advised me to make a long term advance and repay a portion each year. I did not hear the part that I needed a court order to do it. The amounts have been reversed.

FINDING NUMBER 2013-003

Material Weakness

Revenue Support

The Township Fiscal Officer did not maintain documentation to support receipts generated by Haunted House admissions, concession sales and gift shop receipts. The Township did not employ the use of pre-numbered tickets, tally sheets, or any other method to account for admissions, concessions and gift shop sales.

The receipts were posted to the As noted in finding number 2013-001, this fund was not properly established. As a result, the financial statements were adjusted to reflect the related activity in the General Fund. The total of the receipts revenue not properly supported was \$75,639 and \$83,286 in 2012 and 2013, respectively.

While we were able to trace all receipts to deposit slips and bank statements, we were not able to distinguish between the number of visitors (based on an admittance fee) who paid at the door, online ticket sales, concession or gift shop receipts. This lack of support for miscellaneous receipts resulted in an opinion qualification.

We recommend that the township have an internal control system to reasonably assure that all transactions are accurately accounted for. When making a deposit, the deposit ticket should include all pertinent detail, i.e admissions, concessions and gift shop receipts identified separately. In addition, to adequately support the receipts recorded and reported for admissions at the door, concession and gift shop sales, the Township should establish procedures to substantiate the amounts collected. The procedures should include, but not be limited to:

- The use of pre-numbered tickets, tally sheet, or another method that would provide an accurate count of the number of paid admissions at the door.
- Specific procedures by which ticket seller(s) would reconcile nightly the number of tickets sold to cash received.
- The use of tally sheets or daily inventory reconciliations to support concession and gift shop sales.

Officials Response: Haunted House operator Sean Norman this year provided a head count for ticket sales. Long term the trustees are pursuing a plan to divest the Haunted House operation to a non profit.

FINDING NUMBER 2013-004

Material Weakness

Posting Receipts and Expenditures

Sound financial reporting is the responsibility of the fiscal Officer and the Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Fiscal Officer did not correctly code and classify various transactions in 2012 and 2013 which resulted in adjustments and reclassifications to the financial statements. The Township Fiscal Officer has agreed to the following reclassifications, which are reflected in the accompanying financial statements.

FINDING NUMBER 2013-004
(Continued)

2012:

Fund Name	Account Type	Amount	Description
Reclassifications			
Road & Bridge	Principal Expense	32,258	Posted as Capital Outlay Expense
Road & Bridge	Interest Expense	2,233	Posted as Capital Outlay Expense
Fire Levy	Public Safety	176,610	Posted as General Government

2013:

Fund Name	Account Type	Amount	Description
Reclassifications			
Road & Bridge	Principal Expense	\$32,258	Posted as Capital Outlay Expense
Road & Bridge	Interest Expense	2,233	Posted as Capital Outlay Expense

Failure to consistently follow a uniform chart of accounts increases the possibility the Township will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Township is accurately recorded and reported.

Officials Response: These have been addressed.

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**WELLS TOWNSHIP
JEFFERSON COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid, Explain
2011-01	ORC § 5705.41(D)	Yes	
2011-02	Misposting of Receipts & Expenditures	No	Re-issued as Finding 2013-004

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Dave Yost • Auditor of State

WELLS TOWNSHIP

JEFFERSON 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 23, 2014**