



Dave Yost • Auditor of State

**WELLS TOWNSHIP
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Wells Township
Jefferson County
409 Prospect Ave.
Brilliant, Ohio 43913

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Wells Township, Jefferson County (the Township) as of and for the years ended December 31, 2015 and 2014.

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 audit opinions.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification and Unmodified Opinion* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

Charges for Services receipts of the General Fund are reported as \$90,215 for the year ended December 31, 2014. We were unable to obtain sufficient appropriate audit evidence supporting \$27,642, which is 31 percent of the amount reported as Charges for Services and 6 percent of total General Fund receipts for the year ended December 21, 2014. 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 balance of the General Fund of Wells Township, Jefferson County as of December 31, 2014, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-02(D) permit, described in Note 1.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General Fund as of December 31, 2015 and the Special Revenue fund type as of December 31, 2015 and 2014, 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 May 25, 2016, 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

May 25, 2016

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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, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$245,135	\$1,239,264	\$1,484,399
Charges for Services	0	7,927	7,927
License, Permits and Fees	15,620		15,620
Fines and Forfeitures	16,131	0	16,131
Intergovernmental	70,762	256,491	327,253
Earnings on Investments	160	10	170
Miscellaneous	6,142	57,394	63,536
<i>Total Cash Receipts</i>	<u>353,950</u>	<u>1,561,086</u>	<u>1,915,036</u>
Cash Disbursements			
Current:			
General Government	199,026	0	199,026
Public Safety	69,527	596,969	666,496
Public Works	49,689	717,776	767,465
Health	11,141	0	11,141
Conservation-Recreation	0	93,626	93,626
Capital Outlay	0	33,182	33,182
Debt Service:			
Principal Retirement	0	29,754	29,754
Interest and Fiscal Charges	0	2,114	2,114
<i>Total Cash Disbursements</i>	<u>329,383</u>	<u>1,473,421</u>	<u>1,802,804</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>24,567</u>	<u>87,665</u>	<u>112,232</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	2,498	0	2,498
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,498</u>	<u>0</u>	<u>2,498</u>
<i>Net Change in Fund Cash Balances</i>	27,065	87,665	114,730
<i>Fund Cash Balances, January 1</i>	<u>275,026</u>	<u>1,109,205</u>	<u>1,384,231</u>
Fund Cash Balances, December 31			
Restricted	0	1,196,870	1,196,870
Unassigned (Deficit)	302,091	0	302,091
<i>Fund Cash Balances, December 31</i>	<u>\$302,091</u>	<u>\$1,196,870</u>	<u>\$1,498,961</u>

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

**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, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$230,712	\$1,154,875	\$1,385,587
Charges for Services	90,216	5,932	96,148
Licenses, Permits and Fees	15,845	0	15,845
Fines and Forfeitures	22,807	0	22,807
Intergovernmental	65,097	294,141	359,238
Earnings on Investments	143	7	150
Miscellaneous	20,254	66,896	87,150
<i>Total Cash Receipts</i>	<u>445,074</u>	<u>1,521,851</u>	<u>1,966,925</u>
Cash Disbursements			
Current:			
General Government	202,457	0	202,457
Public Safety	58,331	495,013	553,344
Public Works	43,134	584,916	628,050
Health	15,769	0	15,769
Conservation-Recreation	83,335	101,900	185,235
Capital Outlay	0	132,955	132,955
Debt Service:			
Principal Retirement	0	56,150	56,150
Interest and Fiscal Charges	0	987	987
<i>Total Cash Disbursements</i>	<u>403,026</u>	<u>1,371,921</u>	<u>1,774,947</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>42,048</u>	<u>149,930</u>	<u>191,978</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	0	107,665	107,665
Other Financing Sources	5,659	0	5,659
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,659</u>	<u>107,665</u>	<u>113,324</u>
Special Item	(92,000)	0	(92,000)
<i>Net Change in Fund Cash Balances</i>	(44,293)	257,595	213,302
<i>Fund Cash Balances, January 1</i>	<u>319,319</u>	<u>851,610</u>	<u>1,170,929</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted		1,109,205	1,109,205
Unassigned (Deficit)	275,026	0	275,026
<i>Fund Cash Balances, December 31</i>	<u>\$275,026</u>	<u>\$1,109,205</u>	<u>\$1,384,231</u>

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

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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, recreation services, fire protection and emergency medical services. The Township contracts with the Brilliant, New Alexandria, Smithfield and Rayland Volunteer Fire Departments to provide fire services and ambulance services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for these entities. This organization is:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority (OTARMA)

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 Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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, 2015 AND 2014
(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.

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. 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 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 2015 and 2014 budgetary activity appears in Note 3.

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.

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$916,336	\$801,664
Money Market Savings	582,625	582,567
Total deposits	1,498,961	1,384,231

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, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$329,171	\$356,448	\$27,277
Special Revenue	1,443,999	1,561,086	117,087
Total	\$1,773,170	\$1,917,534	\$144,364

2015 Budgeted vs. Actual Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$502,766	\$329,383	\$173,383
Special Revenue	1,658,150	1,473,421	\$184,729
Total	\$2,160,916	\$1,802,804	\$358,112

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$402,911	\$450,733	\$47,822
Special Revenue	1,314,877	1,629,516	314,639
Total	\$1,717,788	\$2,080,249	\$362,461

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$647,785	\$495,026	\$152,759
Special Revenue	1,530,578	1,371,921	158,657
Total	\$2,178,363	\$1,866,947	\$311,416

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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, 2015 was as follows:

	Principal	Interest Rate
Santander Lease-International Truck	\$64,704	3.5%
Total	\$64,704	

In 2014, the Township entered into a lease agreement for the purchase of a truck.

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

	Santander Lease- International Truck
Year ending December 31:	
2016	\$24,252
2017	23,730
2018	23,197
Total	\$71,179

6. RETIREMENT SYSTEMS

The Township's full-time Police Officers belong to the Ohio Public Employees Retirement System (OPERS) along with all other employees. OPERS is 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 2015 and 2014, OPERS law enforcement participants contributed 13% of their gross salaries and the Township contributed an amount equaling 18.10% of participants' gross salaries. For 2015 and 2014, 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, 2015.

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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.

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, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$ 37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$ 28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$14,764.

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT (Continued)

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>2015</u>	<u>2014</u>
27,857	25,883

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 Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

9. SPECIAL ITEM

On November 25, 2014, The Board of Trustees authorized the transfer of property in which the Wells Township Haunted House is located from the Township to the non-profit, Wells Township Haunted House Inc. In addition, on December 6, 2014, a check in the amount of \$92,000 was issued to Wells Township Haunted Inc., which represents monies previously raised in connection with the operation of the Haunted House the Township held on their behalf. These actions were the result of the Board of Trustees wish to end their affiliation with the Haunted House operations.

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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 the cash balances, receipts, and disbursements by fund type of the Wells Township, Jefferson County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated May 25, 2016 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 amount reported as Charges for Services receipts in the General Fund in 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Township's Response to Findings

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

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

May 25, 2016

**WELLS TOWNSHIP
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Non Compliance 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 used this fund for receipts and expenditures generated by the operation of a seasonal haunted house. The Township no longer operated the Haunted House after the 2014 season.

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.

The Township should obtain permission from the Auditor of State prior to establishing any funds.

Officials Response: Permission was granted midway through 2014 to establish a separate Haunted House Fund.

FINDING NUMBER 2015-002

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 abide by the adopted chart of accounts and incorrectly coded and classified various transactions in 2014 and 2015 which resulted in adjustments and reclassifications to the financial statements. The Township Fiscal Officer has agreed to and posted the following reclassifications, which are reflected in the accompanying financial statements.

2014 Adjustment:

Fund	Account Type	Amount	Description
Haunted House-Special Revenue	Other Financing Sources	(\$93,448)	To eliminate illegal Fund activity
	Recreation Disbursement	(79,550)	
	Other Financing Uses	(92,000)	
	Fund Balance	(4,655)	
General Fund	Charges for Services	+\$90,215	To post activity of illegal fund eliminated
	Miscellaneous Revenue	+ 7,017	
	Recreation Disbursement	+ 83,334	
	Special Items Disbursement	+ 92,000	
	Fund Balance	+ 4,655	
Road and Bridge	Proceeds of Debt and Capital Outlay Disbursement	+107,665	To record purchase of truck

**FINDING NUMBER 2015-002
 (Continued)**

2014 Reclassifications:

Fund	Account Type	Amount	Description
General	Intergovernmental Revenue	4,227	Incorrectly posted as Taxes
Road and Bridge	Intergovernmental Revenue	8,518	Incorrectly posted as Taxes
Police	Intergovernmental Revenue	4,930	Incorrectly posted as Taxes
Police	Intergovernmental Revenue	10,630	Incorrectly posted as Miscellaneous
Recreation	Intergovernmental Revenue	1,446	Incorrectly posted as Taxes
Recreation	Intergovernmental Revenue	3,000	Incorrectly posted as Miscellaneous
Fire	Intergovernmental Revenue	1,617	Incorrectly posted as Taxes
Road and Bridge	Principal and Interest	57,138	Incorrectly posted as Capital Outlay and Public Works expenditures
General Fund	Special Items	\$92,000	Disbursement of Haunted House proceeds to nonprofit, originally classified as Other Uses

2015 Reclassifications:

Fund	Account Type	Amount	Description
Road and Bridge	Debt Principal Disbursement	29,573	Incorrectly posted as Capital outlay
Road and Bridge	Debt Interest Disbursement	2,113	Incorrectly posted as Capital outlay
General	Fines, License, Fees Revenue	15,620	Incorrectly posted as Miscellaneous Revenue

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: No response received.

FINDING NUMBER 2015-003

Material Weakness

Revenue Support

The Township Fiscal Officer did not maintain documentation to support all revenues 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 concessions and gift shop sales.

Receipts were initially posted to the Miscellaneous Special Revenue Fund, 2902, which was set up specifically for the Haunted House. This fund was eliminated in 2014 and activity posted to the General Fund. Charges for Services receipts of the General Fund are reported as \$90,215 for the year ended December 31, 2014. We were unable to obtain sufficient appropriate audit evidence supporting \$27,642, which is 31 percent of the amount reported as Charges for Services and 6 percent of total General Fund receipts for the year ended December 31, 2014.

While we were able to trace all receipts to deposit slips and bank statements, we were not always able to distinguish between number of visitors (based on an admittance fee) who paid at the door, online ticket sales, concession or gift shop revenues.

The Township should have an internal control system to reasonably assure that all transactions are accurately accounted for and posted. 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:

- 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: No response received.

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**WELLS TOWNSHIP
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	ORC 5705.12 Illegal Fund	No	Reissued as Finding 2015-001
2013-002	ORC 5705.14 Illegal Transfer	Yes	
2013-003	Revenue Support	No	Reissued as Finding 2015-003
2013-004	Posting Receipts and Expenditures	No	Reissued as Finding 2015-002

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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
JUNE 23, 2016**