

**WELLER TOWNSHIP
RICHLAND COUNTY**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2005 AND DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Weller Township
2155 State Route 96
Ashland, Ohio 44805

We have reviewed the *Independent Auditor's Report* of Weller Township, Richland County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Weller Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 10, 2006

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**WELLER TOWNSHIP, OHIO
RICHLAND COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Weller Township, Richland County
2155 State Route 96
Ashland, OH 44805

We have audited the accompanying financial statements of Weller Township, Richland County (the Township), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As described 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 principals 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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, 2005 and 2004 do not present fairly, in conformity with accounting principals generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Weller Township as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 September 11, 2006 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 agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

September 11, 2006

Weller Township, Ohio
Richland County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental Fund Types
For the Year Ended December 31, 2005

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts				
Local Taxes	\$22,322	\$255,827	\$0	\$278,149
Charges for Services	0	15,824	0	15,824
Intergovernmental	39,733	126,273	0	166,006
Licenses, Permits and Fees	1,875	0	0	1,875
Earnings on Investments	6,056	838	0	6,894
Miscellaneous	25	75	0	100
Total Cash Receipts	70,011	398,837	0	468,848
Cash Disbursements				
Current:				
General Government	66,065	0	0	66,065
Public Safety	3,500	46,036	0	49,536
Public Works	0	290,629	0	290,629
Health	110	0	0	110
Capital Outlay	0	98,378	0	98,378
Debt Service:				
Redemption of Principal	0	0	17,296	17,296
Interest and Other Fiscal Charges	0	0	4,611	4,611
Total Cash Disbursements	69,675	435,043	21,907	526,625
Total Receipts Over/(Under) Disbursements	336	(36,206)	(21,907)	(57,777)
Fund Cash Balances, January 1, 2005	48,271	282,049	21,907	352,227
Fund Cash Balances, December 31, 2005	\$48,607	\$245,843	\$0	\$294,450
Reserve For Encumbrances	\$0	\$0	\$0	\$0

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

Weller Township, Ohio
Richland County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental Fund Types
For the Year Ended December 31, 2004

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts				
Local Taxes	\$22,026	\$234,629	\$21,907	\$278,562
Charges for Services	19,835	0	0	19,835
Intergovernmental	30,873	92,600	0	123,473
Licenses, Permits and Fees	1,470	0	0	1,470
Earnings on Investments	2,372	521	0	2,893
Miscellaneous	247	147	0	394
Total Cash Receipts	<u>76,823</u>	<u>327,897</u>	<u>21,907</u>	<u>426,627</u>
Cash Disbursements				
Current:				
General Government	63,011	0	0	63,011
Public Safety	10,230	38,088	0	48,318
Public Works	0	224,015	0	224,015
Health	418	0	0	418
Capital Outlay	0	52,362	0	52,362
Debt Service:				
Redemption of Principal	0	16,498	0	16,498
Interest and Other Fiscal Charges	0	5,409	0	5,409
Total Cash Disbursements	<u>73,659</u>	<u>336,372</u>	<u>0</u>	<u>410,031</u>
Total Receipts Over/(Under) Disbursements	3,164	(8,475)	21,907	16,596
Fund Cash Balances, January 1, 2004	<u>45,107</u>	<u>290,524</u>	<u>0</u>	<u>335,631</u>
Fund Cash Balances, December 31, 2004	<u>\$48,271</u>	<u>\$282,049</u>	<u>\$21,907</u>	<u>\$352,227</u>
Reserve For Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

Weller Township, Ohio
Richland County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - Non-Expendable Trust Fund
For the Years Ended December 31, 2005 and December 31, 2004

	<u>2005</u>	<u>2004</u>
Cash Receipts		
Interest	<u>\$23</u>	<u>\$52</u>
Total Cash Receipts	<u>23</u>	<u>52</u>
Cash Disbursements		
Salaries	<u>0</u>	<u>152</u>
Total Cash Disbursements	<u>0</u>	<u>152</u>
Total Cash Receipts Over/(Under) Cash Disbursements	23	(100)
Fund Cash Balances, January 1,	<u>10,052</u>	<u>10,152</u>
Fund Cash Balances, December 31,	<u><u>\$10,075</u></u>	<u><u>\$10,052</u></u>
Reserve For Encumbrances, December 31,	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

WELLER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Weller Township, Richland County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides general governmental services, road and bridge maintenance, fire protection and emergency medical services (EMS). Fire and EMS services are funded by respective \$3.0 mil operating levy and includes joint activities with Franklin Township.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively

Money market mutual funds are recorded at share values reported by the mutual fund. Overnight repurchase agreements and certificates of deposits are valued at cost.

D. Fund Accounting

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

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

WELLER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

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

Special Revenue Funds - These funds are used to account for proceeds from specific sources (other than from 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 Maintenance and Repair – This fund receives permissive sales tax, gasoline tax and motor vehicle tax money for use in maintaining and repairing Township roads and bridges.

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

Special Levy – This fund receives tax monies for use in paying for fire and EMS protection for the Township.

Debt Service Fund – This fund is used to accumulate resources for the payment of note indebtedness.

Fiduciary Funds (Trust and Agency Funds) – Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a Non-Expendable Trust Fund. The Township has the following significant Non-Expendable Trust Funds:

Wolford Trust Fund – This fund is used to record interest income earned on donated monies. Interest may only be used to pay for maintenance and repairs at the Township's cemetery.

E. Budgetary Process

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

Appropriations - Budgetary expenditures (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.

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.

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

WELLER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as a liability under the cash basis of accounting used by the Township.

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

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

	2005	2004
Demand deposits	\$26,701	\$22,733
Money Market	0	10,000
Certificate of Deposit	10,000	0
Total Deposits	36,701	32,733
Overnight Repurchase Agreements	267,824	329,546
Total Deposits and Investments	<u>\$304,525</u>	<u>\$362,279</u>

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 ended December 31, 2005 and December 31, 2004 was as follows:

WELLER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

3. **BUDGETARY ACTIVITY** (continued)

2005 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$60,771	\$70,011	\$9,240
Special Revenue	331,804	398,837	67,033
Debt Service	0	0	0
Fiduciary	80	23	(57)
Total	<u>\$392,655</u>	<u>\$468,871</u>	<u>\$76,216</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$109,044	\$69,675	\$39,369
Special Revenue	613,855	435,043	178,812
Debt Service	21,907	21,907	0
Fiduciary	133	0	133
Total	<u>\$744,939</u>	<u>\$526,625</u>	<u>\$218,314</u>

2004 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$89,107	\$76,823	(\$12,284)
Special Revenue	292,747	327,897	35,150
Debt Service	21,907	21,907	0
Fiduciary	80	52	(28)
Total	<u>\$403,841</u>	<u>\$426,679</u>	<u>\$22,838</u>

WELLER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

3. **BUDGETARY ACTIVITY** (continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$134,216	\$73,659	\$60,557
Special Revenue	572,437	336,372	236,065
Debt Service	21,907	0	21,907
Fiduciary	231	152	79
 Total	 \$728,791	 \$410,183	 \$318,608

4. **PROPERTY TAX**

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

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

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

The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Township.

5. **RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

WELLER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

6. **RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Public official's liability

The Township also provides health insurance to its full-time employees through a private carrier.

7. **DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Emergency One, Inc.	\$77,970	4.84%

The Emergency One, Inc. Lease was originally issued in 2003 at \$131,441 for the lease purchase of a fire truck. Annual installments of \$21,907 starting in 2004 are due through 2009.

Amortization of the above debt, including interest payments of \$9,657 is scheduled as follows:

Year Ending December 31,	<u>Emergency One, Inc.</u>
2006	\$21,907
2007	21,907
2008	21,907
2009	<u>21,906</u>
Total	<u><u>\$87,627</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Board of Trustees
Weller Township, Richland County
2155 State Route 96
Ashland, OH 44805

We have audited the financial statements of Weller Township, Richland County (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 11, 2006, 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 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

We noted certain matters that we reported to management of the Township in a separate letter dated September 11, 2006.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

September 11, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WELLER TOWNSHIP

RICHLAND 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
OCTOBER 19, 2006**