



**Auditor of State
Betty Montgomery**

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Wellsville
Columbiana County
1200 Main Street
Wellsville, Ohio 43968

We have audited the accompanying financial statements of the Village of Wellsville, Columbiana County, (the Village) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

The Auditor of State served during the year ended December 31, 2003 as the Village's financial supervisor in accordance with procedures established under Ohio Rev. Code §118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State may assume broad management powers, duties, and functions in accordance with Ohio Rev. Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Village as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

As described in Note 10 to the financial statements, the Village has been declared to be in fiscal emergency under the criteria established by Ohio Revised Code Chapter 118.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 30, 2004

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$536,051	\$307,182	\$11,000		\$854,233
Intergovernmental Receipts	116,917	251,739			368,656
Charges for Services	200	85,504			85,704
Fines, Licenses, and Permits	67,711	1,948			69,659
Earnings on Investments	1,703				1,703
Miscellaneous	149,062	938			150,000
Total Cash Receipts	871,644	647,311	11,000		1,529,955
Cash Disbursements:					
Current:					
Security of Persons and Property	322,211	280,683			602,894
Public Health Services	5,494	59,502			64,996
Leisure Time Activities	29,046				29,046
Community Environment		13,647			13,647
Transportation		126,692			126,692
General Government	369,564	5,997			375,561
Debt Service:					
Principal Payments		40,768			40,768
Interest Payments					0
Financing and Other Debt-Service Related					0
Capital Outlay		110,046			110,046
Total Cash Disbursements	726,315	637,335			1,363,650
Total Receipts Over/(Under) Disbursements	145,329	9,976	11,000		166,305
Other Financing Receipts and (Disbursements):					
Transfers-In	6,821	152,390			159,211
Transfers-Out	(150,621)	(6,821)			(157,442)
Other Sources		2,191			2,191
Total Other Financing Receipts/(Disbursements)	(143,800)	147,760			3,960
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,529	157,736	11,000		170,265
Fund Cash Balances, January 1	66,868	(109,060)		750	(41,442)
Fund Cash Balances, December 31	\$68,397	\$48,676	\$11,000	\$750	\$128,823
Reserves for Encumbrances, December 31	\$13,754	\$4,116	\$0	\$0	\$17,870

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

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$616,208			\$616,208
Miscellaneous		1,769		1,769
Total Operating Cash Receipts	<u>616,208</u>	<u>1,769</u>		<u>617,977</u>
Operating Cash Disbursements:				
Personal Services	11,071			11,071
Fringe Benefits	5,995			5,995
Contractual Services	235,721			235,721
Supplies and Materials	530			530
Miscellaneous	294			294
Capital Outlay	469,479			469,479
Debt Service	235,665			235,665
Total Operating Cash Disbursements	<u>958,755</u>			<u>958,755</u>
Operating Income/(Loss)	<u>(342,547)</u>	<u>1,769</u>		<u>(340,778)</u>
Non-Operating Cash Receipts:				
OPWC Loan Proceeds	99,583			99,583
Intergovernmental Receipts	381,331			381,331
Other Non-Operating Receipts			79,827	79,827
Total Non-Operating Cash Receipts	<u>480,914</u>		<u>79,827</u>	<u>560,741</u>
Non-Operating Cash Disbursements:				
Debt Service				
Other Non-Operating Cash Disbursements			80,283	80,283
Total Non-Operating Cash Disbursements			<u>80,283</u>	<u>80,283</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	138,367	1,769	(456)	139,680
Transfers-Out		(1,769)		(1,769)
Net Receipts Over/(Under) Disbursements	138,367		(456)	137,911
Fund Cash Balances, January 1	<u>317,617</u>	<u>35,543</u>	<u>2,932</u>	<u>356,092</u>
Fund Cash Balances, December 31	<u>\$455,984</u>	<u>\$35,543</u>	<u>\$2,476</u>	<u>\$494,003</u>
Reserve for Encumbrances, December 31	<u>\$29,206</u>	<u>\$0</u>	<u>\$0</u>	<u>\$29,206</u>

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

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Wellsville, Columbiana County, (the Village) 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 Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including sewer utilities, park operations (leisure time activities), fire and police services and community development.

The Village's management believes these financial statements present all activities for which the Village 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 received in cash rather than when earned, and disbursements are recognized 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 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.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. 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.

2. Special Revenue Fund

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 Village had the following significant Special Revenue Fund:

Fire Levy fund – This fund receives property tax monies for the fire fighters salaries.

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Improvement Fund - This fund receives property taxes for capital improvements.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Sewer Update Fund - This fund receives charges for services from residents to cover the cost of providing sewer system updates.

Sewer Disposal Fund - This fund receives charges for services from residents to cover the cost of providing this utility

5. 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 Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor's Court Fund – This fund receives fines, fees, forfeitures and court costs imposed by the Magistrate.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The Council 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.

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 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

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	2003
Demand deposits	<u>\$587,826</u>
Certificates of deposit	35,000
Total deposits	<u><u>\$622,826</u></u>

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

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$985,762	\$878,465	(\$107,297)
Special Revenue	863,241	801,892	(61,349)
Capital Projects	11,000	11,000	0
Enterprise	1,133,404	1,097,122	(36,282)
Fiduciary	1,800	1,769	(31)
Total	\$2,995,207	\$2,790,248	(\$204,959)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$984,483	\$890,690	\$93,793
Special Revenue	655,717	648,272	7,445
Capital Projects	11,000	0	11,000
Enterprise	1,039,166	987,961	51,205
Fiduciary	1,800	1,769	31
Total	\$2,692,166	\$2,528,692	\$163,474

Ohio Revised Code § 5705.41(D) – The Village did not properly certify all obligations as required by this section.

The Budgetary activity footnote reflects amounts that ordinarily would result in noncompliance citations under Revised Code Chapter 5705. Since the Village is in fiscal emergency, however, its financial operations are restricted by the provisions of Chapter 118 rather than Chapter 5705. Citations to Chapter 5705 are therefore presented only for funds which did not contribute to the Village being placed in fiscal emergency.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. 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 and real property located within the Village.

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

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

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Public Works	112,913	0.00%
Ohio Public Works	113,120	0.00%
Ohio Water Development Authority Loan	120,651	7.00%
Ohio Water Development Authority Loan	10,933	7.00%
Ohio Water Development Authority Loan	25,999	2.20%
Ohio Water Development Authority Loan	51,340	2.20%
Ohio Water Development Authority Loan	661,902	2.20%
Ohio Water Development Authority Loan	15,566	5.89%
Ohio Water Development Authority Loan	92,772	1.00%
United States Department of Agriculture	140,400	4.75%
Total	\$1,345,596	

The Ohio Public Works Commission (OPWC) Loan relates to sewer improvements at Russell Heights. The OPWC has approved \$125,459 in a loan to the Village for this project. The loan will be repaid in semiannual installments of \$3,136 over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by sewer receipts. The Village has agreed to set sewer rates sufficient to cover OPWC debt requirements.

The Ohio Public Works Commission (OPWC) Loan relates to sewer improvements at Wells Avenue. The OPWC has approved \$125,689 in a loan to the Village for this project. The loan will be repaid in semiannual installments of \$3,142 over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by sewer receipts. The Village has agreed to set sewer rates sufficient to cover OPWC debt requirements.

The Ohio Water Development Authority (OWDA) loan relates to the construction, maintenance, and operation of the Sewer Disposal System Update Project. The OWDA has approved up to \$1,809,465 in a loan to the Village for this project. The loan will be repaid in semiannual installments of \$28,451, including interest, over 25 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan interest has been changed to 7% and a revised schedule payment plan has not been updated. These payments have not been included in the amortization schedule below. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to the construction, maintenance, and operation of the Sewer Disposal System Update Project. The OWDA has approved up to \$43,941 in a loan to the Village for this project. The loan will be repaid in semiannual installments of \$2,578, including interest, over 19 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan interest has been changed to 7% and a revised schedule payment plan has not been updated. These payments have not been included in the amortization schedule below. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to the construction, maintenance, and operation of the Sewer Disposal System Update Project. The OWDA has approved up to \$124,488 in a loan to the Village for this project. The loan will be repaid in semiannual installments of \$13,214, including interest, over 5 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to the construction, maintenance, and operation of the Sewer Disposal System Update Project. The OWDA has approved up to \$57,138 in a loan to the Village for this project. The loan will be repaid in semiannual installments of \$1,848 including interest, over 19 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to the construction, maintenance, and operation of the Phase 1 Sewer Disposal System Project. The OWDA has approved up to \$862,911 in a loan to the Village for this project. The loan will be repaid in semiannual installments of \$26,782, including interest, over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to the construction, maintenance and operation of the Sewer Disposal System Update Project. The OWDA has approved \$20,529 in a loan to the Village for this project. The loan will be repaid in semiannual installments of \$1,373, including interest, for 10 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to the sewer improvements of the Sewer Update Project. The OWDA has approved \$150,000 in a loan to the Village for this project. The loan will be repaid in semiannual installments, including interest, for 20 years. The scheduled payments are not available, due to OWDA still disbursing the funds, and are not included in the amortization schedule below. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The United States Department of Agriculture, Rural Development loan relates to the construction, maintenance and operation of the Sewer Disposal System Update Project. The USDA has approved up to \$162,000 in a loan to the Village for this project. The loan will be repaid in annual installments of \$19,515, including interest, over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	<u>OWDA Loan</u>	<u>OPWC Loan</u>	<u>General Obligation Notes</u>
2004	\$148,952	\$12,557	\$12,769
2005	122,523	12,557	12,679
2006	91,494	12,557	12,680
2007	60,465	12,557	12,767
2008	60,465	12,557	12,734
2009 – 2013	294,085	62,787	63,636
2014 – 2018	259,735	62,787	63,663
2019 – 2023	0	37,674	12,675
Total	<u>\$1,037,719</u>	<u>\$226,033</u>	<u>\$203,603</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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 2003, Village law enforcement officers and firefighters contributed 8% and 9% respectively and the Village contributed 2% and 1% respectively of their wages to the OP&F. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance for the uniform employees. It provides health insurance, dental and vision coverage to non-uniform employees through a private carrier.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

9. CONTINGENT LIABILITIES

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

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

10. FISCAL EMERGENCY

In accordance with Ohio Revised Code Chapter 118, the Village was placed under fiscal emergency by the Auditor of State in August 2001. The declaration of fiscal emergency resulted from spending exceeding revenues and relying on carry over cash balances from prior years.

Under Chapter 118, a financial planning and supervision commission has been established to oversee all fiscal decisions and activities of the Village. The Village is analyzing fund operations and taking appropriate steps to alleviate the deficits.

VILLAGE OF WELLSVILLE

COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Agriculture:</i>			
Surveys, Studies, Investigations and Special Purposes Grants		66.606	<u>\$366,445</u>

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B-- MATCHING REQUIREMENTS

The Federal program requires that the Village contribute non-Federal funds (matching funds) to support the Federally-funded program. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Wellsville
Columbiana County
1200 Main Street
Wellsville, Ohio 43968

To the Village Council:

We have audited the financial statements of Village of Wellsville as of and for the year ended December 31, 2003, and have issued our report thereon dated June 30, 2004 wherein we noted that the Auditor of State served during the year ended December 31, 2003 as the Village's financial supervisor in accordance with procedures established under Ohio Rev. Code § 118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State may assume broad management powers, duties, and functions in accordance with Ohio Rev. Code § 118.04. 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.

Compliance

As part of obtaining reasonable assurance about whether Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of finding as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation 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 operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 30, 2004.

This report is intended for the information and use of the audit committee, management, Village Council, and federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 30, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Village of Wellsville
Columbiana County
1200 Main Street
Wellsville, Ohio 43968

Compliance

We have audited the compliance of the Village of Wellsville with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated June 30, 2004.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over federal compliance that did not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 30, 2004.

This report is intended for the information and use of the audit committee, management, Village Council, and federal awarding agencies' and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 30, 2004

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505**

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 66.606 STAG Grant
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

B. If the amount involved is less than three thousand dollars, the fiscal officer issues a then and now certificate, but may authorize it to be paid without the affirmation of the Village Council.

Incurring obligations prior to the fiscal officer's certification of the availability of funds to pay such obligations could result in the Village spending more than what was appropriated. We noted that in 2003 there were a total of 10 out of the 60 items tested in which the certificates were dated subsequent to the obligation date. Neither of the exceptions was utilized for these transactions. We also noted 7 out of 60 vouchers tested had the purchase order amount less than the invoice amount.

We recommend that the Village implement policies and procedures to ensure that purchase orders including the fiscal officer's certification are issued prior to the obligation of monies.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Ohio Revised Code 5705.39, Appropriated amounts in excess of total estimated resources	No	Partially Corrected. This will be included in the management letter.
2002-002	Ohio Revised Code 5705.41(D), failure to certify funds	No	This finding will be reported in the current audit as Finding #2003-001.



**Auditor of State
Betty Montgomery**

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VILLAGE OF WELLSVILLE

COLUMBIANA 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
SEPTEMBER 28, 2004**