



**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

To the Village Council:

We have audited the accompanying financial statements of the Village of Wellsville, Columbiana County, Ohio, (the Village) as of and for the year ended December 31, 2001. 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed 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, 2001, 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 December 18, 2003 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.

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.

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Betty Montgomery
Auditor of State

December 18, 2003

**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, 2001**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$516,698	\$262,752	\$0	\$779,450
Intergovernmental Receipts	119,972	111,241	0	231,213
Charges for Services	1,952	59,896	0	61,848
Fines, Licenses, and Permits	46,121	2,664	0	48,785
Earnings on Investments	3,261	915	0	4,176
Miscellaneous	50,271	427	0	50,698
Total Cash Receipts	<u>738,275</u>	<u>437,895</u>	<u>0</u>	<u>1,176,170</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	402,442	315,044	0	717,486
Public Health Services	4,034	64,794	0	68,828
Leisure Time Activities	2,050	0	0	2,050
Community Environment	19,263	6,819	0	26,082
Transportation	0	156,283	0	156,283
General Government	264,786	5,852	0	270,638
Capital Outlay	12,471	13,890	0	26,361
Debt Service	204	68,268	0	68,472
Total Cash Disbursements	<u>705,250</u>	<u>630,950</u>	<u>0</u>	<u>1,336,200</u>
Total Receipts Over/(Under) Disbursements	<u>33,025</u>	<u>(193,055)</u>	<u>0</u>	<u>(160,030)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	34,426	116,192	0	150,618
Transfers-Out	(116,192)	(1)	0	(116,193)
Other Sources	13,851	1,166	35	15,052
Other Uses	(8,784)	(500)	0	(9,284)
Total Other Financing Receipts/(Disbursements)	<u>(76,699)</u>	<u>116,857</u>	<u>35</u>	<u>40,193</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(43,674)</u>	<u>(76,198)</u>	<u>35</u>	<u>(119,837)</u>
Fund Cash Balances, January 1	<u>83,655</u>	<u>(172,759)</u>	<u>715</u>	<u>(88,389)</u>
Fund Cash Balances, December 31	<u>\$39,981</u>	<u>(\$248,957)</u>	<u>\$750</u>	<u>(\$208,226)</u>
Reserves for Encumbrances, December 31	<u>\$7,482</u>	<u>\$5,249</u>	<u>\$0</u>	<u>\$12,731</u>

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, 2001

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Agency	
Operating Cash Receipts:					
Charges for Services	\$515,318	\$0	\$0		\$515,318
Total Operating Cash Receipts	515,318	0	0	0	515,318
Operating Cash Disbursements:					
Personal Services	5,887	0	0		5,887
Fringe Benefits	71	0	0		71
Contractual Services	67,678	0	0		67,678
Supplies and Materials	120	0	0		120
Capital Outlay	507,800	0	0		507,800
Total Operating Cash Disbursements	581,556	0	0	0	581,556
Operating Income/(Loss)	(66,238)	0	0	0	(66,238)
Non-Operating Cash Receipts:					
Intergovernmental Receipts	51,496				51,496
Other Non-Operating Cash Receipts				13,836	13,836
Other Proceeds from sale of public debt	153,507	0	0		153,507
Total Non-Operating Cash Receipts	205,003	0	0	13,836	218,839
Non-Operating Cash Disbursements:					
Debt Service-Principal	130,212	0	0		130,212
Debt Service-Interest	55,383	0	0		55,383
Other Non-Operating Cash Disbursements				13,586	13,586
Total Non-Operating Cash Disbursements	185,595	0	0	13,586	199,181
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(46,830)	0	0	250	(46,580)
Transfers-Out	(34,416)	(9)	0		(34,425)
Net Receipts Over/(Under) Disbursements	(81,246)	(9)	0	250	(81,005)
Fund Cash Balances, January 1	387,746	9	48,537	6,964	443,256
Fund Cash Balances, December 31	\$306,500	\$0	\$48,537	\$7,214	\$362,251
Reserve for Encumbrances, December 31	\$137,373	\$0	\$0	\$0	\$137,373

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, 2001**

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.

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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 Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Cemetery Fund - This fund receives monies from property tax, grave openings and closing, plot sales, cremations, interest earned and donations.

Fire Levy fund – This fund receives property tax monies for the firefighters' salaries.

3. 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.

4. 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 fund:

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

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the 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 2001 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 liabilities under the Village's basis of accounting.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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:

	2001
Demand deposits	\$104,573
Certificates of deposit	49,452
Total deposits	154,025

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$760,848	\$786,552	\$25,704
Special Revenue	815,083	555,253	(259,830)
Enterprise	683,520	720,321	36,801
Internal Service	0	0	
Expendable Trust	0	35	35
Total	\$2,259,451	\$2,062,161	(\$197,290)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$801,564	\$837,708	(\$36,144)
Special Revenue	663,610	636,700	26,910
Enterprise	570,259	938,940	(368,681)
Internal Service	128,800	9	128,791
Expendable Trust	0	0	0
Total	\$2,164,233	\$2,413,357	(\$249,124)

Ohio Revised Code § 5705.39 – Various funds had appropriations exceed the total certified resources, contrary to this section.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Ohio Revised Code § 5705.41(B) – Various funds had expenditures plus encumbrances which exceeded the amount appropriated, contrary to this section.

Ohio Revised Code § 5705.41(D) – The Village did not certify all expenditures 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 preceding 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.

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.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

Ohio Water Development Authority Loan	19,685	9.72%
Ohio Water Development Authority Loan	756,271	2.20%
Ohio Water Development Authority Loan	58,660	2.20%
Ohio Water Development Authority Loan	88,561	2.20%
Ohio Water Development Authority Loan	19,761	5.89%
United States Department of Agriculture Commerical Loan	151,700	4.75%
Ohio Public Works Commission	37,283	4.50%
Fire Equipment Lease	125,459	0.00%
	64,483	6.24%
Total	<u>\$1,539,106</u>	

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 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 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 \$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 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.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(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 \$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 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.

The Village borrowed \$120,000 from Sky Bank to pave streets in the Village. The loan will be repaid in annual installments of \$32,875, including interest, over 5 years.

The Village leased fire equipment for \$247,027 from Emergency One, Inc. The lease will be repaid in annual installments of \$35,289, including interest, over 7 years.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

6. DEBT (Continued)

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

Year Ending December 31:	OWDA Loan	Commercial Loan	USDA Loan	OPWC Loan	Fire Equipment Loan
2002	148,951	32,875	12,706	6,273	35,289
2003	148,952	5,480	12,745	6,273	35,290
2004	148,952		12,769	6,273	
2005	135,737		12,679	6,273	
2006	122,523		12,680	6,273	
2007-2011	300,951		63,660	31,365	
2012-2016	288,594		63,661	31,365	
2017-2021	113,437		38,154	31,364	
Total	<u>\$1,408,097</u>	<u>\$38,355</u>	<u>\$229,054</u>	<u>\$125,459</u>	<u>\$70,579</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 2001, 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 2001. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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.

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.

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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 accompanying financial statements of the Village of Wellsville, Columbiana County, Ohio (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated December 18, 2003, wherein we noted the Village has been placed in fiscal emergency under Ohio Revised Code Chapter 118. 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 the 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-001 through 2001-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 18, 2003.

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 December 18, 2003.

Village of Wellsville
Columbiana County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, Village Council, 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

December 18, 2003

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001

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

FINDING NUMBER 2001-001

Noncompliance Citation

Ohio Revised Code § 5705.39, states that total appropriation from each fund shall not exceed the total estimated revenue certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total official estimate or amended official estimate.

The Village appropriated amounts in excess of total estimated revenues as certified by the county budget commission in the following funds for 2001

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Police Pension	0	5,650	5,650
Fire Pension	0	3,200	3,200
Police Salary	7,564	24,450	16,886
Fire Truck Levy	13,385	50,800	37,415

FINDING NUMBER 2001-002

Ohio Revised Code § 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2001 Budgetary Expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures and Encumbrances</u>	<u>Variance</u>
General	\$801,564	\$837,706	\$ (36,142)
CDBG	0	9,439	(9,439)
Water	3,000	35,559	(32,559)
Sewer	263,800	684,168	(420,268)

FINDING NUMBER 2001-003

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.

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

FINDING NUMBER 2001-003

Ohio Revised Code § 5705.41(D (Continued))

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 one 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 2001 there were a total of 5 out of the 30 items tested in which the certificates were dated subsequent to the obligation and neither of the above exceptions was used

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, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-31215-001	Shortage in the Mayor's Court	No	Not corrected
2000-31215-002	Ohio Revised Code 5705.39, Appropriated amounts in excess of total estimated resources	No	This Finding will be reported in the current audit as Finding #2001-001.
2000-31215-003	Ohio Revised Code 5705.41(D), failure to certify funds	No	This Finding will be reported in the current audit as Finding #2001-003.
2000-31215-004	Ohio Revised Code 5705.41(B) budgetary expenditures exceeded appropriations	No	This Finding will be reported in the current audit as Finding #2001-002.
2000-31215-005	Ohio Revised Code 5705.10 negative fund balances	No	Partially corrected
2000-31215-006	Ohio Revised Code 5705.36 certified receipts exceed actual receipts	No	Finding No Longer Valid
2000-31215-007	Ohio Administrative code 117-5-05, 06 & 08 not proper coding	Yes	Finding No Longer Valid
2000-31215-008	Ohio Revised Code 5705.16 transfers not identified in minutes	Yes	Finding No Longer Valid
2000-31215-009	Ohio Administrative Code 117-5-09 not maintaining cash journal	Yes	Finding No Longer Valid
2000-31215-010	Ohio Administrative code 117-5-10 not maintaining a receipt ledger	Yes	Finding No Longer Valid
2000-31215-011	Ohio Administrative code 117-5-10 not maintaining an appropriation ledger	Yes	Finding No Longer Valid
2000-31215-012	Mayor's Court bank reconciliations not reconciled	Yes	Finding No Longer Valid
2000-31215-013	Receipts and expenditures not posted to financial records	Yes	Finding No Longer Valid



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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
JANUARY 13, 2004**