



**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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 years ended December 31, 2000 and December 31, 1999. 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 of the Village as of December 31, 2000 and December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming that the Village of Wellsville will continue as a going concern. As discussed in Note 9 to the financial statements, the Village has been declared to be in fiscal emergency under the criteria established by Ohio Revised Code Chapter 118. This condition raises substantial doubt about the Village's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2001 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 management and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

September 13, 2001

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$546,703	\$195,929			\$742,632
Intergovernmental Receipts	188,774	185,622			374,396
Charges for Services	21,611	66,685			88,296
Fines, Licenses, and Permits	39,772				39,772
Miscellaneous	19,515	28			19,543
Total Cash Receipts	<u>816,375</u>	<u>448,264</u>			<u>1,264,639</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	357,214	524,070			881,284
Leisure Time Activities	18,535				18,535
Community Environment	3,429	42,283			45,712
Basic Utility Services	19,390	2,605			21,995
General Government	267,744	24,160			291,904
Financing and Other Debt-Service Related		32,874			32,874
Capital Outlay	103,827	53,290			157,117
Total Disbursements	<u>770,139</u>	<u>679,282</u>			<u>1,449,421</u>
Total Receipts Over/(Under) Disbursements	<u>46,236</u>	<u>(231,018)</u>			<u>(184,782)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		169,230	15,134		184,364
Transfers-Out	(184,364)				(184,364)
Total Other Financing Receipts/(Disbursements)	<u>(184,364)</u>	<u>169,230</u>	<u>15,134</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(138,128)</u>	<u>(61,788)</u>	<u>15,134</u>		<u>(184,782)</u>
Fund Cash Balances January 1	<u>221,782</u>	<u>(110,972)</u>	<u>(15,134)</u>	<u>715</u>	<u>96,391</u>
Fund Cash Balances, December 31	<u>\$83,654</u>	<u>(\$172,760)</u>		<u>\$715</u>	<u>(\$88,391)</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, 2000**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$531,682			\$531,682
Miscellaneous		1,169		1,169
Total Operating Cash Receipts	531,682	1,169		532,851
Operating Cash Disbursements:				
Personal Services	19,850			19,850
Fringe Benefits	515			515
Contractual Services	371,339			371,339
Supplies and Materials	9,123			9,123
Total Operating Cash Disbursements	400,827			400,827
Operating Income/(Loss)	130,855	1,169		132,024
Non-Operating Cash Receipts:				
Other Non-Operating Receipts			14,890	14,890
Total Non-Operating Cash Receipts			14,890	14,890
Non-Operating Cash Disbursements:				
Debt Service	144,806			144,806
Other Non-Operating Cash Disbursements			11,132	11,132
Total Non-Operating Cash Disbursements	144,806		11,132	155,938
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(13,951)	1,169	3,758	(9,024)
Net Receipts Over/(Under) Disbursements	(13,951)	1,169	3,758	(9,024)
Fund Cash Balances, January 1	401,699	47,368	3,206	452,273
Fund Cash Balances, December 31	\$387,748	\$48,537	\$6,964	\$443,249

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 GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$522,054	\$187,152			\$709,206
Intergovernmental Receipts	247,595	332,604			580,199
Charges for Services		65,215			65,215
Fines, Licenses, and Permits	47,870				47,870
Miscellaneous	114,448	10,460			124,908
Total Cash Receipts	<u>931,967</u>	<u>595,431</u>			<u>1,527,398</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	380,736	448,463			829,199
Public Health Services		947			947
Leisure Time Activities	12,478				12,478
Community Environment	27,820	279,381			307,201
General Government	228,607	36,006			264,613
Debt Service:					
Principal Payments		23,247	23,482		46,729
Interest Payments		4,423	1,082		5,505
Total Disbursements	<u>649,641</u>	<u>792,467</u>	<u>24,564</u>		<u>1,466,672</u>
Total Receipts Over/(Under) Disbursements	<u>282,326</u>	<u>(197,036)</u>	<u>(24,564)</u>		<u>60,726</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		146,900	24,800		171,700
Transfers-Out	(171,700)				(171,700)
Total Other Financing Receipts/(Disbursements)	<u>(171,700)</u>	<u>146,900</u>	<u>24,800</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	110,626	(50,136)	236		60,726
Fund Cash Balances January 1	<u>111,156</u>	<u>(60,836)</u>	<u>(15,370)</u>	<u>715</u>	<u>35,665</u>
Fund Cash Balances, December 31	<u><u>\$221,782</u></u>	<u><u>(\$110,972)</u></u>	<u><u>(\$15,134)</u></u>	<u><u>\$715</u></u>	<u><u>\$96,391</u></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, 1999**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$523,328			\$523,328
Miscellaneous	11			11
Total Operating Cash Receipts	<u>523,339</u>			<u>523,339</u>
Operating Cash Disbursements:				
Contractual Services	538,434			538,434
Supplies and Materials	19,031			19,031
Total Operating Cash Disbursements	<u>557,465</u>			<u>557,465</u>
Operating Income/(Loss)	<u>(34,126)</u>			<u>(34,126)</u>
Non-Operating Cash Receipts:				
Intergovernmental Receipts	350,625			350,625
Other Non-Operating Receipts			20,220	20,220
Total Non-Operating Cash Receipts	<u>350,625</u>		<u>20,220</u>	<u>370,845</u>
Non-Operating Cash Disbursements:				
Debt Service	119,673			119,673
Other Non-Operating Cash Disbursements	25,540		21,249	46,789
Total Non-Operating Cash Disbursements	<u>145,213</u>		<u>21,249</u>	<u>166,462</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	171,286		(1,029)	170,257
Net Receipts Over/(Under) Disbursements	171,286		(1,029)	170,257
Fund Cash Balances, January 1	<u>230,413</u>	<u>47,368</u>	<u>4,235</u>	<u>282,016</u>
Fund Cash Balances, December 31	<u><u>\$401,699</u></u>	<u><u>\$47,368</u></u>	<u><u>\$3,206</u></u>	<u><u>\$452,273</u></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, 2000 AND 1999**

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

Repurchase Agreements are valued at cost.

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.

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 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:

Permissive Fund - This fund receives the monies from the Bureau of Motor Vehicles for constructing, maintaining and repairing Village streets.

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fire Levy Fund - This fund receives property tax monies for paying the firefighters salaries.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Debt Service Fund - This fund received the proceeds from an emergency loan for the paving of streets in the Village.

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 Deposit 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 costs imposed by the Mayor.

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, 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. Appropriations lapse at year end.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 use the encumbrance method of accounting.

A summary of 2000 and 1999 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. Unpaid Vacation and Sick 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 cash basis of accounting used by the Village.

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:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 81,128	\$ 32,881
Total deposits	81,128	32,881
Repurchase Agreement	273,730	515,783
Total investments	273,730	515,783
Total deposits and investments	\$ 354,858	\$ 548,664

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Village has invested in overnight repurchase agreement with the Citizen's Banking Company. This type of investment is an eligible investment under Ohio Revised Code §135.14 and 133.03(A).

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and December 31, 1999 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 201,577	\$ 816,375	\$ 614,798
Special Revenue	629,784	617,494	(12,290)
Debt Service	0	15,134	15,134
Enterprise	593,400	531,682	(61,718)
Fiduciary	0	1,169	1,169
Total	<u>\$ 1,424,761</u>	<u>\$ 1,981,854</u>	<u>\$ 557,093</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 908,861	\$ 954,503	\$ (45,642)
Special Revenue	656,910	679,282	(22,372)
Debt Service	0	0	0
Enterprise	572,759	545,633	27,126
Fiduciary	0	0	0
Total	<u>\$ 2,138,530</u>	<u>\$ 2,179,418</u>	<u>\$ (40,888)</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 726,897	\$ 931,967	\$ 205,070
Special Revenue	556,541	742,331	185,790
Debt Service	137,530	24,800	(112,730)
Enterprise	478,193	873,964	395,771
Fiduciary	1,200	0	(1,200)
Total	<u>\$ 1,900,361</u>	<u>\$ 2,573,062</u>	<u>\$ 672,701</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 864,843	\$ 821,341	\$ 43,502
Special Revenue	623,044	792,467	(169,423)
Debt Service	24,800	24,564	236
Enterprise	490,300	702,678	(212,378)
Fiduciary	0	0	0
Total	<u>\$ 2,002,987</u>	<u>\$ 2,341,050</u>	<u>\$ (338,063)</u>

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY - (Continued)

Ohio Revised Code § 5705.36 - Various funds had certified receipts that should have been decreased based on actual revenue received.

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

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 properly certify expenditures or properly encumber purchase orders as required by this section.

Ohio Revised Code § 5705.10 - Various funds had negative fund balances, contrary to this section.

Ohio Revised Code § 5705.16 - Transfers were made outside the guidelines in which no resolutions were passed.

Ohio Administrative Code § 117-5-05, 06 and 08 established the guidelines for proper coding and classification of village expenditures through December 31,2000.

Ohio Administrative Code § 117-5-09 established guidelines that each village shall record each expenditure of village money and each receipt of village money in a cash journal.

Ohio Administrative Code § 117-5-10 Each village shall maintain a receipts ledger which shall contain a separate sheet for each account established by the village. The account is created by the coding procedures prescribed pursuant to paragraph (C) of rule 117-5-01(C) of the Administrative Code.

Ohio Administrative Code § 117-5-11 Each village shall maintain an appropriation ledger which shall contain a separate sheet for each account established. The account is created by the coding prescribed pursuant to paragraph (D) of rule 117-5-01 of the Administrative Code.

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 payment, 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, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 249,860	9.72%
Ohio Water Development Authority Loan	22,640	9.72%
Ohio Water Development Authority Loan	792,597	2.20%
Ohio Water Development Authority Loan	54,685	2.20%
Ohio Water Development Authority Loan	112,643	2.20%
Ohio Water Development Authority Loan	10,000	0%
Ohio Water Development Authority Loan	14,800	0%
United States Department of Agricultural Commercial Loan	157,000	4.75%
	67,701	4.50%
Total	\$ 1,481,926	

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 amount below shows that \$527,829 was borrowed. 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 scheduled payment amount below shows that \$43,941 was 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 \$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 scheduled payment amount below shows that \$124,488 was 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 \$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 scheduled payment amount below shows that \$57,138 was borrowed. 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, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relate 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 amount below shows that \$862,911 was borrowed. 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 facilities design of the Sewer Disposal System Update Project. The OWDA has approved up to \$10,000 in a loan to the Village for this project. The loan will be repaid in semiannual installments of \$500, including interest, over 10 years. The scheduled payment amount below shows that \$10,000 was 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 SSES study for the Sewer Disposal System Update Project. The OWDA has approved up to \$14,800 in a loan to the Village for this project. The loan will be repaid in semiannual installments of \$740, including interest, over 10 years. The scheduled payment amount below shows that \$14,800 was borrowed. The loan is collateralized by 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 scheduled payment amount below shows that \$162,000 was borrowed. 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 \$2,740, including interest, over 5 years. The scheduled payment amount below shows that \$120,000 was borrowed.

Amortization of the above debt, including interest of \$361,977, is scheduled as follows:

Year ending December 31:	OWDA Loans	Commercial Loan	USDA Loan
2001	\$ 148,227	\$ 32,875	\$ 1,234
2002	148,247	32,875	12,296
2003	148,227	5,480	12,350
2004	148,228	0	12,390
2005	135,014	0	12,317
Subsequent	<u>818,840</u>	<u>0</u>	<u>175,303</u>
Total	<u>\$ 1,546,783</u>	<u>\$ 71,230</u>	<u>\$ 225,890</u>

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF 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 2000 and 1999, members of PFDPF contributed 8% and 9% and the Village contributed 2% and 1% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% and 24% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 1999 and 10.84% for 2000. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- 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.

8. CONTINGENT LIABILITIES

The Village is a defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

9. SIGNIFICANT SUBSEQUENT EVENTS

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 results from spending exceeding revenues and relying on carry over cash balances from prior years.

The Village had deficit fund balances in 2000 and 1999 in the following funds:

In 2000 the following funds had deficit fund balances: Street Maintenance, Repair and Construction (\$79,170), Fire (\$100,948), Police Levy (\$12,184), Columbiana Metropolitan Housing Authority (\$3,751), DARE (\$9,891), Cemetery (\$48,837) and Law Enforcement (\$934) Funds. In 1999 the following funds had deficit fund balances: Street Maintenance, Repair and Construction (\$41,803), Fire (\$102,673), Police Levy (\$6,785), Columbiana Metropolitan Housing Authority (\$4,239), DARE (\$6,666), Cemetery (\$42,328) and Bond Retirement (\$15,134) Funds.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

9. SIGNIFICANT SUBSEQUENT EVENTS - (Continued)

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

The Village passed a new levy for the Fire Department which will generate approximately \$200,000 during the 2002 year.

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**REPORT OF INDEPENDENT ACCOUNTANTS 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 years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated September 13, 2001, wherein we noted conditions raising substantial doubt about the Village's ability to continue as a going concern. 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 2000-31215-001 through 2000-31215-011. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 13, 2001.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-31215-012 through 2000-31215-013.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we believe none of the reportable conditions described above is a material weakness. We also 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 September 13, 2001.

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

Jim Petro
Auditor of State

September 13, 2001

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

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

NONCOMPLIANCE CITATIONS

FINDING NUMBER 2000-31215-001

Finding for Recovery

Between May 4, 1999 and September 28, 2000, the following receipts were posted to the Mayor's Court cashbook but not deposited into the bank:

Receipt #	Date	Amount
079749	5/4/99	\$ 76.00
079750	5/4/99	65.00
079570	5/18/99	90.00
079571	5/18/99	90.00
0219	9/28/00	<u>40.00</u>
	TOTAL	<u>\$361.00</u>

This resulted in a shortage to the Mayor's Court bank account.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code 117.28, a finding for recovery for public money collected but not accounted for is hereby returned against Teresa Morris, Clerk of the Mayor's Court in the amount of three hundred sixty one dollars in favor of the Mayor's Court Fund of the Village of Wellsville.

FINDING NUMBER 2000-31215-002

Ohio Revised Code § 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue. 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.

**NONCOMPLIANCE CITATIONS
 (Continued)**

The Village appropriated amounts in excess of total estimated resources in the following funds for 2000 and 1999:

<u>Fund/Year</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2000:			
General	415,859	908,461	(492,602)
Street Construction	82,665	118,400	(35,735)
Cemetery	8,169	55,060	(46,891)
Fire Levy	179,771	248,700	(68,929)
Police Salary Levy	22,030	24,450	(2,420)
Fire Truck Levy	29,233	41,000	(11,767)
DARE Grant	(6,666)	8,500	(15,166)
Bond Retirement	(15,134)	0	(15,134)
Sewer Fund	285,507	303,459	(17,952)
1999:			
General	838,053	864,843	(26,790)
Street Construction	81,792	99,400	(17,608)
Cemetery	5,556	52,657	(47,101)
Fire Levy	134,393	245,700	(111,307)
Police Salary Levy	22,161	24,912	(2,751)
Floodwall	2,988	7,050	(4,062)
Fire Truck Levy	26,961	41,000	(14,039)
Law Enforcement	0	2,200	(2,200)
COPS Grant	11,156	15,625	(4,469)
CMHA	13,752	31,000	(17,248)

**NONCOMPLIANCE CITATIONS
(Continued)**

This leads to an increased risk that disbursements within the above named funds could exceed the amounts actually available.

We recommend that the Clerk review the amounts certified thoroughly, adjusting the amended certificate and, subsequently the appropriations, to ensure appropriations do not exceed the amounts on the amended certificate of estimated resources and actual revenue received.

FINDING NUMBER 2000-31215-003

Ohio Rev. 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 one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of Council.

Our test of disbursements indicated that 63% of expenditures tested in 2000 and 57% of expenditures tested in 1999 were committed prior to the certification of available funds by the Village Clerk. Neither exception listed above was followed, contrary to Ohio Rev. Code § 5705.41 (D). This condition does not provide adequate accountability over the Village's disbursements. Disbursements may be incurred which either Council or management has not authorized or which the Village cannot afford.

We recommend that all Village departments be advised that a purchase order with the certificate of the Clerk be obtained prior to making an order involving the expenditure of money. Any request for payment from a vendor without such purchase order should be reviewed by management before the payment is made.

NONCOMPLIANCE CITATIONS
(Continued)

FINDING NUMBER 2000-31215-004

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

Budgetary Expenditures exceeded appropriations in the following:

<u>Fund/Year</u>	<u>Appropriations</u>	<u>Expenditures and Encumbrances</u>	<u>Variance</u>
<u>2000:</u>			
General-Police Regular Wages	\$135,000	\$160,442	\$(25,442)
General-Police Part-time Wages	15,000	22,564	(7,564)
General-Police Radio	450	478	(28)
General-Police Liab. Ins.	12,000	18,637	(6,637)
General-Clerk Hospitalization	4,500	5,785	(1,285)
Fire-Hospitalization	50,000	56,105	(6,105)
Fire-Truck Equip.	40,200	53,290	(13,090)
Cemetery-Hospitalization	4,500	10,451	(5,951)
SM&R-Traffic Lights	6,000	7,298	(1,298)
SM&R-Uniforms	1,200	1,322	(122)
Sewer Update-Equip. Maint.	5,000	6,650	(1,650)
Sewer Update-Debt Service	57,300	82,748	(25,448)
<u>1999:</u>			
General-Police Regular Wages	124,000	125,412	(1,412)
General-Police Medicare	1,500	1,761	(261)
Dare	8,500	17,829	(9,329)
SM&R-Vehicle Ins.	1,400	2,638	(1,238)
SM&R-Equipment	300	545	(245)
SM&R-Vehicle Maint.	3,000	4,094	(1,094)
SM&R-Equip. Purchase	1,000	5,500	(4,500)
Fire-Extra Men	7,500	9,472	(1,972)
Sewer	19,000	21,671	(2,671)
Contracted Services	110,000	124,155	(14,155)

The Village could have either increased appropriations based on the original amended certificate of estimated resources or requested an increase in the amended certificate based on actual receipts to be in compliance with this section.

NONCOMPLIANCE CITATIONS
(Continued)

FINDING NUMBER 2000-31215-005

Ohio Revised Code § 5705.10 states that money paid into any fund shall be used only for the purpose for which the fund is established.

At December 31, 2000, the Street Maintenance and Repair (\$79,170), Fire (\$100,948), Police Levy (\$12,184), Columbiana County Metropolitan Housing Authority (\$3,751), DARE (\$9,891), Cemetery (\$48,837) and Law Enforcement (\$934) Funds had deficit balances. At December 31, 1999, the Street Maintenance and Repair (\$41,803), Fire (\$102,673), Police Levy (\$6,785), Columbiana County Metropolitan Housing Authority (\$4,239), DARE (\$6,666), Cemetery (\$42,328) and Bond Retirement (\$15,134) Funds had deficit balances. This indicates money from other funds has been used to pay the obligations of these funds.

The Village Clerk/Treasurer should monitor disbursements to ensure overspending does not occur and to assure that monies are being used for the purpose for which the funds were established.

FINDING NUMBER 2000-31215-006

Ohio Rev. Code § 5705.36 provides in part, that upon determination by the fiscal officer of a taxing district that the revenue to be collected by the district will be greater and/or less than the amount included in the current official certificate, the fiscal officer shall certify the amount of the increase and/or deficiency to the county budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the increase and/or deficiency. The intent of this statutory requirement is to require a taxing district to certify receipt amounts based on realistic projection of receipts and to require the fiscal officer to obtain a "increased and/or reduction" certificate when it appears that budgetary resources will exceed and/or fall short of earlier estimates, reducing the possibility that deficit spending will occur.

The Village had certified receipts in excess of actual receipts and should have requested a reduced amended certificate in the following funds:

<u>Fund/Year</u>	<u>Certified Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
2000:			
Street Maintenance	\$124,875	\$ 90,380	\$ (34,495)
Fire Levy	282,444	252,629	(29,815)
Street Light Levy	35,000	29,230	(5,770)
Sewer Update	325,900	236,886	(89,014)
1999:			
Street Light Levy	55,495	16,900	(38,595)
DARE Grant	17,600	9,781	(7,819)
Bond Retirement	137,530	24,800	(112,730)
Utility Deposits	193	0	(193)
Cemetery Trust	1,200	0	(1,200)

**NONCOMPLIANCE CITATIONS
 (Continued)**

We recommend the Village obtain a reduced amended certificate of estimated resources, and subsequently reduce appropriations, if needed, when it becomes apparent that actual receipts will be less than the amounts estimated.

FINDING NUMBER 2000-31215-007

Ohio Administrative Code § 117-5-05, 06 and 08 established the guidelines for proper coding and classification of village expenditures through December 31,2000.

The Village did not follow the guidelines established for properly coding and classify expenditures. The cash journals and appropriation ledgers did not list the account codes in each of the journals according to the established guidelines for proper coding and classification of the Village expenditures through December 31, 2000.

Effective January 1, 2001, Ohio Administrative Code section 117-9-01 establishes requirements regarding fund classifications and provides an example chart of accounts. The Village should review this Section and Ohio Administrative Code Section 117-2-01, which establishes requirements regarding internal control. The Village should establish a chart of accounts which groups disbursements into meaningful classifications such as those suggested in Section 117-9-01. The Village should design procedures which provide for consistent application of the chart of accounts.

FINDING NUMBER 2000-31215-008

Ohio Revised Code § 5705.16 establishes guidelines pertaining to interfund transfers that are not specified as allowable transfers in accordance with Section 5705.14. Before an interfund transfer can be made, a resolution of the taxing authority of the political subdivision shall be passed and a petition shall be presented to the tax commissioner and to the Court of Common Pleas of the county, requesting approval for said transfer(s). The Village made the following interfund transfers which were outside the aforementioned guidelines in which no resolutions were passed, nor were any petitions prepared or presented to obtain approval for such transfers.

<u>Fund/Year: 2000</u>	<u>Transfer Out</u>
Street Construction, Maintenance and Repair	\$99,448
Permissive Tax	20,000
Fire Levy	400
Floodwall	5,893
State Highway	1,164
Sewer Disposal	19,955
1999:	
Street Construction, Maintenance and Repair	90,629
Floodwall	3,830
State Highway	336
Sewer Disposal	22,348

NONCOMPLIANCE CITATIONS
(Continued)

The above transfers were posted to the cashbook and financial statements without a resolution of the taxing authority and without a petition being presented to the tax commissioner and the Court of Common Pleas for approval. In addition, these transfers were incorrectly posted to expenditure line items. The appropriate adjustments have been posted to the Village ledgers and are reflected in the audited financial statements.

The Village Clerk should present Council with the proposed transfers and Council should review and approve the transfers by resolution or petition the court if necessary.

FINDING NUMBER 2000-31215-09

Ohio Administrative Code § 117-5-09 effective through June 30, 2000 provided that:

- (A) Each village shall record each receipt and expenditure of village in a cash journal.
- (B) At the beginning of each fiscal year, the balance in each fund shall be entered in the "Balance" column under the proper fund heading and the total of such balances entered in the "Balance" column under the heading "Cash." The receipt of all moneys shall be entered in chronological order in the "Credit" column of the proper fund and in the "Debit" column of "Cash." A pay-in order as prescribed in rule 117-3-12 of the Administrative Code shall be issued to each person from whom money is received, and the pay-in order number entered in the cash journal in numerical order. The warrant amount of each warrant issued in payment of an obligation shall be entered in the cash journal in the "Debit" column of the proper fund and in the "Credit" column under the heading "Cash."
- (C) At the close of each month, all "Debit" and "Credit" columns shall be ruled off on the same line, totaled, and the totals for the month entered. The year-to-date totals shall be entered on the next line and the columns again ruled off. The difference between the month's debits and credits shall be added to or subtracted from the previous month's balance and the new balances entered in the proper column.
- (D) The total of all fund balances in the cash journal must reconcile with the cash balance; the total of all fund credits must reconcile with the total cash debit; and the total of all fund debits must reconcile with the cash credit. The cash balance plus outstanding warrants must agree with the depository balance plus undeposited funds in the hands of the clerk or in transit to the depository.
- (E) The purchase order number, and other required information shall be entered in the appropriate column or space provided on the form prescribed in paragraph (F) of this rule.

The Village Clerk did not record each expenditure and receipt in the cash journals. The Clerk did not issue pay-in orders for the wire transfers and/or direct deposit of monies and record them in the cash journal. The total of all fund balances in the cash journal did not reconcile with the cash balance. The total credits of all funds did not reconcile to the total cash debit; and total debits of all funds did not reconcile to the total cash credit. The cash balance plus outstanding warrants did not agree with the depository balance plus undeposited funds in the hands of the Village Clerk or in transit to the depository.

Effective July 1, 2000, Ohio Administrative Code section 117-2-02 replaces portions of 117-5-09. Section 117-2-02 provides, in part, that all public offices shall maintain accounting records sufficient to enable the office to identify, assemble, analyze, classify, record, and report its transactions. This section also provides suggestions as to the form and content of certain accounting records. The Village should review section 117-2-02, and former section 117-5-09 and develop accounting records and policies consistent with the requirements of section 117-2-02.

**NONCOMPLIANCE CITATIONS
(Continued)**

FINDING NUMBER 2000-31215-010

Ohio Administrative Code § 117-5-10 effective through June 30, 2000 provided that:

- (A) Each village shall maintain a receipts ledger which shall contain a separate sheet for each account established by the village. The account is created by the coding procedures prescribed pursuant to paragraph (C) of rule 117-5-01(C) of the Administrative Code.
- (B) Each village shall post to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources. This estimated amount shall be entered in the "balance" column under the heading "memoranda."
- (C) When moneys are received, the amount is first posted in the cash journal as prescribed in rule 117-5-09 of the Administrative Code and then posted to the proper account in the receipts ledger. In posting, the amount shall be entered in the "amount received" column and in the "credit" column and subtracted from the budget estimate amount ("balance"). When properly posted, this "balance" column will accurately show the amount of moneys still anticipated to be received for the fiscal year.

The Village Clerk did not code each separate sheet for each account established by the village. They did not post to each receipt account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources. The estimated amount was not entered in the "balance" column under the heading "memoranda." The Village Clerk did not enter the amount in the "credit" column and subtract it from the budget estimate amount ("balance"). Also, the "balance" column did not show the amount of moneys still anticipated to be received for the fiscal year.

Effective July 1, 2000, Ohio Administrative Code section 117-2-02 replaces portions of 117-5-10. Section 117-2-02 provides, in part, that all public offices shall maintain accounting records sufficient to enable the office to identify, assemble, analyze, classify, record, and report its transactions. This section also provides suggestions as to the form and content of certain accounting records. The Village should review section 117-2-02, and former section 117-5-10 and develop accounting records and policies consistent with the requirements of section 117-2-02.

FINDING NUMBER 2000-31215-011

Ohio Administrative Code § 117-5-11 effective through June 30, 2000 provided that:

- (A) Each village shall maintain an appropriation ledger which shall contain a separate sheet for each account established. The account is created by the coding prescribed pursuant to paragraph (D) of rule 117-5-01 of the Administrative Code.
- (B) Each village shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution(s).
- (C) Each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance.

NONCOMPLIANCE CITATIONS
(Continued)

This procedure should use as the source posting document, an executed purchase order. The name of the vendor as it appears on the purchase order should be entered in the "vendor or payee" column. The amount of the purchase order is entered in the "debit" column and is also subtracted from the unencumbered balance. When the invoice is received from the vendor or payee and a warrant written to meet the obligation, the name of the vendor or payee is again entered and the amount of the warrant is entered in the "amount of warrant" column. If the amount encumbered and the amount of the warrant are exactly the same, no other entry is made. However, if the amount entered to the "debit" column (this is also the same amount subtracted from the encumbered balance) is different from the amount of the warrant, an adjustment must be made. The amount of the warrant is entered in the "amount of warrant" column; if the warrant amount is less than the amount entered in the "debit" column, the difference shall be entered in the "credit" column and added to the unencumbered balance column. If there is a standing order or if the invoice is to be paid at the time the purchase order is written, then the name of the vendor or payee is entered and the amount to be paid is entered in the "amount of warrant" column, in the "debit" column, and subtracted from the unencumbered balance.

(D) Appropriate columns shall be totaled and reconciled monthly and yearly.

The Village Clerk did not code each separate sheet for each account established by the village. The Village Clerk did not post to each appropriation account the amount equal to the amount appropriated for that account in the annual appropriation resolutions. The Village Clerk did not subtract the amounts of the encumbrance and expenditure from the appropriated balance producing a declining unencumbered balance.

Effective July 1, 2000, Ohio Administrative Code section 117-2-02 replaces portions of 117-5-11. Section 117-2-02 provides, in part, that all public offices shall maintain accounting records sufficient to enable the office to identify, assemble, analyze, classify, record, and report its transactions. This section also provides suggestions as to the form and content of certain accounting records. The Village should review section 117-2-02, and former section 117-5-11 and develop accounting records and policies consistent with the requirements of section 117-2-02.

REPORTABLE CONDITIONS

FINDING NUMBER 2000-31215-012

Mayor's Court Activity

The Mayor's Court bank statements were not reconciled to the cashbook balance during the audit period, nor was an open item list prepared during the audit period. Also, the Mayor's Court cashbook did not include postings for the months of September and October of 2000.

As a result the cashbook did not reflect all the transactions of the Mayor's Court. By not reconciling the cashbook balance to the bank balance this will hamper the Mayor's Court in determining whether the Mayor's Court cash book properly reflects all financial activity of the Court.

We recommend the Mayor's Court maintain an open items list which should be reconciled to the bank balance.

FINDING NUMBER 2000-31215-013

Budgetary

The Village of Wellsville did not post estimated receipts and appropriation amounts to its financial records as noted in findings 2000-31215-010 and 2000-31215-011. As a result, the Village did not have the ability to review its financial records and compare actual amounts with estimated amounts throughout the year. This condition can lead to the overspending of fund balances by the Village.

We recommend the Village post the estimated receipts and appropriation amounts to its financial records.



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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
NOVEMBER 27, 2001**