



JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

VILLAGE OF WELLSVILLE PERFORMANCE AUDIT

AUGUST 22, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

To the Honorable Mayor, Members of Village Council, and Citizens of the Village of Wellsville:

The State Auditor's Office is pleased to provide the completed Village of Wellsville (the Village) performance audit. As a result of the Village's placement into fiscal emergency status on August 22, 2001, the Auditor of State conducted this performance audit to provide assistance to the Village and the Financial Planning and Supervision Commission (the Commission) to improve the financial condition of the Village.

The performance audit focused on six aspects or areas of Village operations including Income Tax Department, Employee Benefits, Street Department, Fire Department, Police Department, and Cemetery Department. We also developed a section labeled Other Matters which highlights certain issues or items we observed or became aware of during our fieldwork. The collective recommendations within these six areas and Other Matters provide opportunities for the Village to make operational improvements and regain financial stability.

An Executive Summary was also prepared which includes four subsections: Project History, Scope and Methodology, Recommendations, and Conclusion. The performance audit also contains a proposed financial recovery plan. The Mayor, Village Council, and the Commission should consider our proposed financial recovery plan as they develop and modify their approach to resolve those conditions which precipitated the fiscal emergency declaration.

The performance audit was previously provided to Village, and its contents were discussed with the elected officials and the Commission. Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or the toll free number in Columbus, (800) 282-0370. In addition, this performance audit can be accessed on-line through the Auditor of State's website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

JIM PETRO
Auditor of State

August 22, 2002

Executive Summary

Project History

Section 118.04(A) of the Ohio Revised Code (ORC) states that the existence of fiscal emergency conditions shall be determined by the Auditor of State upon written request from a mayor of the municipal corporation or initiated by the Auditor of State. On May 4, 2001, Joseph E. LaScola, the Mayor of the Village of Wellsville (Village), requested the Auditor of State perform a fiscal emergency analysis of the Village. The purpose of the analysis was to determine whether the Village's financial condition justified the declaration of fiscal emergency.

The Auditor of State's Office (AOS) issued a report on August 22, 2001, which detailed the criteria and results of the fiscal emergency analysis. The report concluded that a fiscal emergency condition existed under ORC Section 118.03(A)(5), due to the aggregate sum of all deficit funds exceeding one-sixth of the sum of the General Fund and the total receipts in the identified deficit funds. More specifically, deficits of seven Special Revenue Funds contributed to the total aggregate deficit amounts of approximately \$256,000 as of December 31, 2000, and \$339,000 as of April 30, 2001. Based on this condition, the Auditor of State declared the Village in fiscal emergency.

As a result of fiscal emergency determination and in accordance with ORC Section 118.05(A), a Financial Planning and Supervision Commission (Commission) was created to oversee the Village's financial matters. The Commission, by law, has broad fiscal and management authority to deal with the Village's financial problems. As identified in ORC Section 118.05(B), the Commission consists of seven members including the Village's Mayor, Council President, and three appointees, who have knowledge and experience in financial matters. These individuals are appointed by the Mayor and approved by the Governor. The Commission also includes a designee from the State Office of Budget and Management and a designee from the Treasurer of State. Furthermore, in accordance with ORC Section 118.05(G), the Auditor of State serves as the "financial supervisor" to the Commission.

As required by ORC Section 118.06(A), the Mayor must submit a detailed financial recovery plan to the Commission within 120 days of the Commission's first meeting. That meeting was held on October 25, 2001. In accordance with ORC Section 118.06(A), the financial recovery plan identifies, in part, actions to be taken by the Village to eliminate all fiscal emergency conditions. The financial recovery plan was approved by both Village Council and the Commission on February 25, 2002 and February 28, 2002, respectively. The financial recovery plan will not resolve the fiscal emergency conditions.

Pursuant to ORC Section 118.27, the Commission continues in existence until the Auditor of State determines the Village has done the following (refer to ORC for full text):

- Planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system
- Corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all of the fiscal emergency conditions and no new fiscal emergency conditions have occurred. The Auditor of State is to monitor the progress of the municipality, and if the municipality has failed to secure full implementation after a two-year period, the Auditor of State may redeclare the municipality in fiscal emergency
- Met the objectives of the detailed financial plan described in ORC Section 118.06
- Prepared a five-year financial forecast in accordance with standards issued by the AOS. The Auditor of State must render an opinion on the financial forecast and that opinion must be non adverse

As a benefit to government entities in fiscal watch or emergency status, the Auditor of State has the ability to initiate performance audits. These performance audits are completed at no cost to the government entity. They are designed to assist the government in making decisions with the objective of eliminating the conditions which brought about the fiscal watch or emergency declaration.

The Auditor of State's Office initiated a performance audit of the Village's operations beginning February 23, 2002. The fieldwork was principally completed from February through May 2002. The results of the performance audit were reviewed with Village officials on August 8, 2002. During a response period, we received feedback from the Village and made changes where we deemed appropriate.

The performance audit provides recommendations to assist the Village and the Commission in identifying options for expenditure reductions, revenue enhancements, resource reallocations, and operational improvements. The recommendations contained within this report will serve as a resource to the Village and the Commission as the financial recovery plan is modified and amended.

The performance audit focused primarily on areas of operation which are supported by the General Fund and those Special Revenue Funds, which caused the fiscal emergency declaration. The decision for this focus was based upon the Village's fiscal emergency status and its potential inability to fund operations and provide services at current levels.

The performance audit covers the following areas of Village operations:

- Income Tax Department
- Employee Benefits
- Street Department
- Fire Department
- Police Department
- Cemetery Department
- Other Matters

With the exception of **other matters**, these areas were selected because they represent the more significant areas of the Village's operations, they have a deficit fund balance, or they provided possible opportunities for expenditure reductions, revenue enhancements, resource reallocations, or operational improvements. The **other matters** section focused on certain issues or items we observed or became aware of during our fieldwork that do not directly relate to another section of the performance audit. Although labeled **other matters**, many of the issues and items therein contain financial impact matters or highlight certain Village operational issues.

Scope and Methodology

A performance audit is defined as a systematic, objective assessment of the performance of an organization, program, function or activity to develop findings, conclusions, and recommendations. Performance audits are usually classified as either economy and efficiency audits or program audits.

Economy and efficiency audits consider whether an entity is using its resources efficiently and effectively. They attempt to determine whether management maximizes outputs for a given amount of inputs. If the entity is efficient, it is assumed that it will accomplish its goals with a minimum of resources and with the fewest negative consequences.

Program audits normally are designed to determine whether the entity's activities or programs are effective, if management is reaching its goals, and whether the entity's goals are proper, suitable, or relevant. Program audits often focus on the relationship of the program goals with the actual program outputs or outcomes. Program audits attempt to determine if the actual outputs match, exceed, or fall short of the intended outputs.

Due to the fiscal emergency condition, this performance audit is primarily designed as an economy and efficiency audit. Recommendations are provided to help eliminate the fiscal emergency criteria which entails balancing an annual operating budget and eliminating certain fund deficits. The Auditor of State's Office designed this performance audit with the express intention of providing suggestions which the Village and the Commission may use in modifying or amending its financial recovery plan. This performance audit is not a financial audit. Therefore, it was not within the

scope of our work to perform a comprehensive and detailed examination of the Village's financial and nonfinancial data in order to form an opinion on that data. Since the Village does not record all financial transactions properly, certain information included within this report which was derived from the Village's accounting system may not be completely accurate.

The majority of the comments within this report are made to reduce expenditures, increase receipts, or reallocate Village resources. Several issues were also identified which negatively impact the Village's financial condition. The Village must recognize these negative financial implications and consider them in any type of financial forecasting.

On January 3, 2002, our Office released a "Report on Accounting Methods." That report, which is prescribed by ORC Section 118.10(A), details certain Village fiscal and accounting related practices and provides comments on those practices. That report and our observations during the performance audit reflect certain substandard fiscal and accounting practices. For example, the Village did not historically record all financial transactions properly. We did not repeat the issues reflected within the "Report on Accounting Methods" within this performance audit report. Rather, Village officials and management should review that report and implement the suggested process changes as needed.

This performance audit report is organized into the following sections: **executive summary**, **financial forecast**, and seven major areas of operation including **other matters**. Within the seven areas, *Findings* are used to present statements of condition (i.e., what the Village currently does) and comparisons are made to various criteria (i.e., what the Village should do) in an effort to develop *Recommendations* for operational improvements. Many of recommendations are quantified into *Financial Implications* which are the foundation to the financial forecast and represent the difference between Scenarios A and B within that section. Scenario A assumes the Village's current operational, spending, and receipt patterns continue while Scenario B assumes the Village implements our *Recommendations* and *Financial Implications*.

The **financial forecast** section includes a background section and an analysis of four funds: General Fund, Special Revenue Street Construction Maintenance and Repair Fund, Special Revenue Fire Levy Fund, and Special Revenue Cemetery Levy Fund. With the exception of the General Fund, these funds were selected to forecast because of their current deficit levels. The remaining Special Revenue Funds are not presented in the financial forecast because their deficits were either eliminated through General Fund operating transfers or were expected to maintain positive fund balances. The General Fund was selected since it is the general operating fund and its financial condition directly impacts the Village's ability to provide services to the residents.

Each of those four funds includes: Scenario A assumptions adjusted for the items reflected within the Village's financial recovery plan; Scenario A five-year financial forecast; Scenario B financial impact items; and Scenario B five-year financial forecast.

We also developed several *Financial Implications* throughout the report that impact funds which were not forecasted. Those *Financial Implications* are not traceable to the **financial forecast** section.

We begin our financial forecast on January 1, 2003, and it concludes 5 years later on December 31, 2007. Beginning the financial forecast on January 1, 2003 provides the Village sufficient time to implement the suggestions reflected throughout this report or seek some other equivalent alternative.

The Village and the Commission identified and enacted certain revenue enhancements or expenditure reductions during fiscal year 2002 which will positively impact the Village's financial condition. Rather than reflecting these items within Scenario B, we merely considered them Scenario A assumptions and accounted for them within Scenario A. We selected May 1, 2002 as the cut-off date for any Village enacted decisions.

We used the Village's fiscal year 2001 financial activity and those previously mentioned financial impact items to estimate the starting point of our financial forecast as of January 1, 2003 and corresponding financial activity throughout the financial forecast. For purposes of this performance audit, we still developed a Finding, Recommendation, and Financial Implication (*Scenario A Impact*) for each of those Village-enacted items to, in part, substantiate the financial impact. We used our results in those situations where our calculations differed from the Village.

Interviews, Discussions, Reports, and Other Data Sources

Numerous interviews and discussions were held with many levels and groups of individuals involved with the Village, including certain prior-elected officials and administrative personnel. These interviews were invaluable in developing the overall understanding of the Village's operations. Examples of the organizations and individuals who were interviewed include the following:

- Mayor
- Certain Council Members
- Former Fiscal Officer
- Administrator, Assistant Clerk Treasurer, Income Tax Clerk
- Departmental managers and various other employees
- Columbiana County Auditor's Office
- Columbiana County Board of Elections
- Certain officials and personnel at the peer villages

We also spent a significant amount of time gathering and assessing pertinent documents and data. Examples of those documents and data include: Village ordinances, Village Council minutes record; Ohio Revised Code; Village accounting records; Village financial statements; Fiscal Emergency Report; Report on Accounting Methods; Village debt agreements; Village sewer rate agreements; Police Department and Fire Department reports; and the Village labor contract.

Village Overview

The Village is a northeast Ohio community located in Columbiana County. The Village has approximately 4,100 residents and is contiguous to the Ohio River and the City of East Liverpool. The Village approximates 2 square miles in area. Wellsville is a home rule municipal corporation and operates as a statutory village, in that it must comply with all State laws regulating village government. Historically, Wellsville was a City; however, due to a declining population, Wellsville became a “village” after the 1980 Census. Furthermore, the Village was also in fiscal emergency from 1984 through 1989 when it met four of the six fiscal emergency criteria.

The following statistics were obtained from the U.S. Census Bureau:

2000 Village Summary (rounded)

Measure	Number
Population	4,100
Median Household Income	\$16,600
Total Housing Units	1,900
Occupied Housing Units	1,700
Owner-Occupied Units	1,100
Renter-Occupied Units	600
Median Housing Value	\$23,000

Note: The Median Household Income and Median Housing Value represent 1990 information while all other data represents 2000 information.

Benchmark Comparisons

For purposes of illustrating various operational issues, certain comparisons are made throughout this report with the Villages of Coldwater, West Jefferson, and Wintersville. Although Waverly is a city, there were certain funding and operational similarities between Wellsville and Waverly; therefore, Waverly is used as a supplemental peer within the **fire department** section of this report. Various local cemeteries are also used within the **cemetery department** section.

To provide benchmark comparisons with the Village of Wellsville, performance indicators were established for various areas as a mechanism to compare how effectively and efficiently the Village provides certain necessary functions. The information was gathered through a data request and follow-up phone interviews with various officials and departmental managers of the peers. The peers also provided financial information used in certain areas of the report.

We are grateful to the peers for their willingness to participate in the project and for their quick response to the data request.

Comparative Villages (rounded to the nearest 100)

Excluding Waverly and the peer cemeteries, information about the Village and the peer villages follows:

	Wellsville	Coldwater	West Jefferson	Wintersville
Population	4,100	4,500	4,300	4,100
Median Household Income	\$16,600	\$32,600	\$30,700	\$29,900
Total Housing Units	1,900	1,700	1,700	1,800
Area (in square miles, rounded)	2	2	3	3
Village Levy - Full Rate of Taxation on \$1.00 (mills)	16.2 mills	2.2 mills	1 mill	6.8 mills
Village Levy - Effective Rate of Taxation on \$1.00 (mills)	14.15 ¹ mills	2.2 mills	1 mill	4.51 mills
Tax Valuation				
Real	\$21,442,000	\$56,941,900	\$52,883,200	\$50,837,900
Tangible Personal	2,412,000	8,898,700	13,148,300	4,950,400
Public Utilities	3,134,000	1,611,300	1,969,000	2,341,700
Total	\$26,988,000	\$67,451,900	\$68,000,500	\$58,130,000
Village Income Tax Rate	1%	1%	1%	1%
Local Tax Revenue per Citizen	\$181	\$188	\$270	\$231

Source: Population, Total Housing Units, and Area were obtained from 2000 U.S. Census of Population. The Median Household Income was obtained from 1990 U.S. Census (latest available for this data); Full and Effective rates of taxation and Tax Valuation were obtained from the respective County Auditor; Village Income Tax Rates were obtained from the respective village; and Local Tax Revenue per Citizen was calculated based upon total taxes per the 2000 audited financial statements divided by total population.

¹Average effective rate of taxation

Recommendations

The Village of Wellsville's financial condition is worsening and immediate action is required to avoid a financial crisis. At December 31, 2000, seven of the Village's Special Revenue Funds had deficits totaling nearly \$256,000. Although four of those funds maintained positive fund balances by December 31, 2001, the aggregate deficits of the three remaining funds increased by \$137,000 to approximately \$365,000. Furthermore, the General Fund cash balance declined roughly \$182,000 to \$40,000 from December 31, 1999 to December 31, 2001. The General Fund is unable to absorb the "overdrafts" and the Enterprise Funds are providing resources for general Village operations.

Of the three remaining deficit funds, the Special Revenue Fire Levy Fund maintained the largest deficit at \$168,000 at December 31, 2001. Meanwhile, the Special Revenue Street Construction Maintenance and Repair (SCMR) Fund and the Special Revenue Cemetery Levy Fund maintained fund deficits approximating \$134,000 and \$63,000, respectively, at December 31, 2001.

If the Village's current operational practices and spending and revenue patterns continue, as illustrated by Scenario A within the financial forecast, the General Fund will realize a \$38,500 deficit at December 31, 2004, and will approach \$253,000 at December 31, 2007. Meanwhile, the Special Revenue SCMR Fund and Special Revenue Cemetery Levy Fund deficits will approach \$435,000 and \$82,000, respectively, at December 31, 2007. The Special Revenue Fire Levy Fund deficit is forecasted to approximate \$167,000 at December 31, 2007.

Eliminating these deficits represents a significant challenge for the Village; however, the Village is presented with an even more imposing issue. The Village failed to renew its income tax ordinance which expired 12 years ago. Therefore, since 1990, the Village collected income taxes approximating \$4 million without an ordinance or other legislation authorizing the collection. As a result, the Village may be subject to taxpayer lawsuits. We did not reflect this contingency within the financial forecast. Nevertheless, an adverse resolution to this issue will dramatically impact the Village. We brought this issue to the Village's attention during May 2002. Based upon that discussion, the Village enacted a continuing 1 percent income tax. The Village must resolve the intervening 12 year period when it collected income taxes without an ordinance or other legislation authorizing the collection. This income tax issue is discussed further within this **executive summary** section and the **income tax department** section.

Our financial forecast assumes the General Fund will make certain operating transfers each year including to the Special Revenue Fire Levy Fund. If those operating transfers do not occur, the General Fund's financial condition will improve from our forecast. However, the financial position of the benefitted funds, including the Special Revenue Fire Levy Fund will worsen by the same amount.

Despite the Village's current financial condition, the Mayor expects future economic development will occur, which will help reinvigorate the Village's economy and increase the Village's tax base. In particular, the Ohio Rail Development Commission recently approved a \$717,000 grant to the Columbiana County Port Authority for track relocation. This project will create a rail spur to serve the Wellsville Intermodel Industrial Park and free-up four Village-owned acres for economic development.

The Village believes the Probex Corporation (Probex) will purchase and use the land for an oil recycling and refining center. The total project costs may approach \$90 million and 75 employees are expected to work there. Although the terms and conditions of the agreement are not finalized, preliminary discussions suggest Probex will provide payments to the Village in lieu of taxes totaling \$20,000 annually. Since the Village and Probex discussions remain in the preliminary stages and the terms and conditions of an agreement are not yet available, we did not consider the financial impact this project may have on the Village's financial condition. Naturally, this project could positively impact the Village's financial position. Therefore, the Village and the Commission should revisit the financial recovery plan if an agreement is reached and the project occurs.

What caused the financial problems within the Village? And more importantly, how can the Village alleviate the financial difficulties?

Except for the Fire Department, which we view as a structural and organizational matter, the performance audit did not reflect overstaffing or overcompensation issues. In fact, the Village staffing and compensation is comparable or even lean as compared to the peers. Rather, the performance audit revealed limited revenue growth in recent years. The Village's largest revenue source, income tax collections, realized overall growth from 1992 as compared to 2001. The 1992 receipts approximated \$334,000 while the 2001 receipts were \$427,000. However, income taxes either remained flat or actually declined during four of those years. Income taxes represented approximately 58 percent of the General Fund's 2001 receipts.

Property taxes represent the other primary source of Village revenue. Historically, Village residents have supported property tax levies as the outside millage totals 13 mills with an aggregate effective rate approaching 10 mills. However, the property values, on which that millage is based, have not realized much growth. The Village's property tax values increased to nearly \$27 million after the 1998 reappraisal but the property tax values remained unchanged after the 2001 triennial update. In other words, every one mill (new or replacement) levy generates roughly \$27,000 each year for the Village, while the same mill generates between \$58,000 and \$68,000 for the three peer villages. Therefore, it requires 2 to 2.5 Village property tax mills to generate comparable revenue to one mill for the peer villages.

Meanwhile, the Village's overall costs increased, at least, at an inflationary rate, while healthcare cost increased \$46,000 or nearly 23 percent from 1999 to 2000. In 2001, health care premium costs declined to the 1999 level. During those same three years, the Village borrowed \$120,000 for a street paving project, purchased a \$23,000 backhoe, and leased a police cruiser for \$23,000.

The most recent financial statement audit for the years ended 1999 and 2000, and the internal accounting records, reflect the Village violated numerous provisions of Ohio budgetary law. In short, the Village planned to spend more than it actually had for several funds including the General Fund. Ultimately, the Village even overspent inflated appropriations for several funds. In retrospect, the Village may have made alternative decisions related to the street paving project and backhoe and cruiser purchases, if the Village's officials had truly understood the Village's financial condition during that time period.

Some of the budgetary issues may be attributable to the former "Intragovernmental Fund." Before 2000, rather than charging personnel costs directly to the fund which received the benefit, the Village used the "Intragovernmental Fund" as a clearing fund to record those costs. In effect, all street department personnel costs were charged to this Fund, while a corresponding operating transfer in from the benefitted fund was also recorded there. In effect, the operating transfers in covered the costs recorded within the fund. From a theoretical perspective, the Fund did not directly contribute to the Village's declining financial condition. Meaning, using the "Intragovernmental Fund" was more of an efficiency issue. However, the Village's officials incorrectly believed the funding source was external to the Village when it was actually supported by operating transfers in from other Village Funds. Therefore, at least in some circumstances, the Village spent the same dollar more than once. The Village now charges certain personnel costs directly to the benefitted Fund.

Over the past 6 months, the Village's officials made some very difficult choices as it relates to developing and approving a financial recovery plan. Unfortunately, those collective difficult decisions will not resolve the fiscal emergency conditions or restore financial stability to the Village. Rather, the Village will be presented with many more challenges before it achieves financial stability and emerges from fiscal emergency status. In fact, balancing the annual General Fund operating budget and eliminating the fiscal emergency criteria will be very challenging for the Village. Nevertheless, we believe these goals are achievable. To that end, our approach is simple, the Village, Commission, and interested stakeholders should closely review this entire report and attempt to implement the recommendations herein or some equivalent alternative.

The following comments reflected under Organization and Management and Revenue Enhancements, Expenditure Reductions, and Resource Reallocations summarize our "key" comments to eliminate the fiscal emergency conditions and facilitate certain operational improvements. We strongly encourage interested stakeholders to read the report in its entirety.

Organization and Management

- **The Village should hire legal counsel and consult with the Village Solicitor and Columbiana County Prosecutor to resolve its income tax issue.** The Village's income tax ordinance expired during 1990; yet the Village continued to collect income taxes approximating \$4 million during the past 12 years without an ordinance or other legislation authorizing the collection. Therefore, the Village may be subject to taxpayer lawsuits. We brought this issue to the Village's attention during May 2002. Based upon that discussion, the Village enacted a continuing 1 percent income tax for General Fund operations. However, the Village must still resolve the issue related to the 12 year intervening period when it collected income taxes without an ordinance or other legislation authorizing the collection. An adverse resolution of this issue will dramatically impact the Village.
- **The Village should use the income tax proceeds as prescribed by Village income tax Ordinances.** The Village modified the use of the income tax several times over the years; however, the Village did not use the income tax proceeds as prescribed by the Village's Ordinances. The vast majority of annual income tax receipts were used for general operations versus both capital requirements and general operations. We also brought this issue to the Village's attention during May 2002. The Village must also sufficiently determine income tax collections were used according to Village Ordinances.

The two preceding income tax items will be significant issues during our next regularly scheduled audit which will cover fiscal years 2001 and 2002 (will occur during the Spring of 2003), if they are not sufficiently resolved.

For the purposes of this Performance Audit, we still performed our income tax analysis as though the Village assessed and collected a valid income tax.

- **The Village's elected officials, administrators, and departmental managers should become more familiar with the budgetary process by reviewing ORC Section 5705 and by periodically meeting with the Columbiana County Budget Commission and, in particular, with the Columbiana County Auditor.** Historically, the Village has not managed Village Funds as separate legal and accounting entities. Rather, many transactions have incorrectly traversed Funds. Additionally, the Village did not limit appropriations to estimated resources for all Funds. Meaning, the Village planned to spend more resources than it actually had for certain Funds. Ultimately, the Village did not even limit expenditures to an already inflated appropriation but overspent certain appropriations as well.

- **Village Council, administrators, and departmental managers should be provided with timely and accurate information so the Village's finances can be monitored and managed.** The Village's current financial problems are, in part, due to a lack of overall monitoring and incomplete and incorrect financial information. The issues enumerated within the previous "bullet" should have been detected and remedied before the Village's financial condition elevated to "fiscal emergency" status.
- **The Village should transition from a manual record maintenance environment to computerized fiscal processes. Improved recordkeeping and accounting practices should also be developed.** Although the Police and Fire Departments maintain certain hardware and software, the Fiscal Office is largely a manual process. In fact, the income tax process is completely manual, while very limited accounting and financial management processes are computerized. We are not suggesting the Village engage in an Enterprise Resource Planning (ERP) process. However, the Village should purchase some hardware and off-the-shelf software for the Fiscal Office. Employee efficiencies will likely result, and financial and nonfinancial analysis could be more easily developed.

Additionally, the Village's accounting records have not been completely maintained. Certain transactions were incorrectly recorded, while certain costs could have been allocated among several funds but were charged against a single fund. The Village should also review and implement the suggestions offered within the "Report on Accounting Methods" to help improve the fiscal processes.

The Village's Fiscal Office has already made certain improvements within the recordkeeping area.

- **The most recent AFSCME contract is expired. Resolving that contract should be a Village priority.** The most recent AFSCME contract was initially enacted from March 1992 through February 1995 and further extended with no modifications until February 28, 2001. The contract has not been renewed or extended since it expired on February 28, 2001. The Village has evolved over the past 10 years, and issues or practices from 1992 may no longer be relevant to the Village and Union. Therefore, rather than extending the contract, the Village and Union should review the expired contract and update it to reflect existing Village practices, and clarify any confusing or misunderstood language.

- **The Village lacks sufficient capital resource to address infrastructure needs.** Historically, very limited Village resources have been used to maintain the Village's infrastructure. Nevertheless, Village's capital needs will likely increase in the foreseeable future as the Village's infrastructure deteriorates. The Village will be unable to solely fund any projects but will need to obtain grants which often have local matching requirements. The Village should establish a capital reserve fund as permitted by ORC Section 5705.13 and modestly fund it each year.

Revenue Enhancements, Expenditure Reductions, and Resource Reallocations

- **The Village should consider outsourcing the income tax process.** The Village's ratio of income tax department costs versus Village income tax collections exceeded 10 percent for 2001 or approximately \$53,000. Although expired, the 1971 income tax ordinance prescribed that not more than 5 percent of the gross income tax receipts should be used to administer the income tax process. Meanwhile, the peer average costs were less than 5 percent of collections. The Village should consider contracting with an agency such as the Regional Income Tax Agency (RITA) to administer the Village's income tax process. RITA estimates an annual \$13,000 cost to facilitate the Village's income tax process. Even if this is not a permanent transition, the Village could use it as an opportunity to computerize the income tax process, improve the internal control procedures, and implement some best practices including mandatory filing requirements.
- **The Village's health care costs are rising while the Village still fully provides for those benefits without employee participation in the costs.** Health care premium costs approximated \$203,000, \$249,000 and \$193,000 for the years 1999, 2000 and 2001, respectively. The average cost per employee exceeds the peers by nearly 32 percent for those three years. Meanwhile, the employees did not contribute toward the cost of the benefits. The Village recognizes its insurance costs are increasing at an alarming rate and is searching for a lower cost yet responsible insurance program. The Village also recently offered, and several employees accepted, payments in lieu of insurance. This program will help reduce the Village's insurance costs. Nevertheless, requiring employee participation in insurance costs may be another alternative.
- **All Street Department employee costs should be proportionately charged to the fund receiving the benefit.** Except for certain errors which occurred throughout much of 2001, the Village historically charged all Street Department direct labor costs to the benefitted funds. However, the Village did not and does not proportionately allocate benefits, payroll taxes, and paid leave (vacation, sick leave, personal days and holidays) among the benefitted funds. Rather, the SCMR Fund

completely absorbs those costs. The Village should charge direct labor including benefits, payroll taxes, and leave to the benefitted fund. The Village should maintain sufficient documentation to support the allocations. The Village's records support the allocation of benefits, payroll taxes, and leave costs totaling \$117,900 for 1999 through 2001. However, those costs were solely absorbed by the SCMR Fund.

- **The Wellsville fire department (Department) and Wellsville volunteer fire department (Volunteer Department) are so commingled and conjoined that they are viewed as a single fire department.** Although the personnel are identical, certain equipment is commingled, and certain volunteer department apparatus is used by the Department, the Department and the Volunteer Department are organizationally and legally separate entities and should be viewed, at least in part, that way. The Volunteer Department's apparatus and equipment is maintained within the Village's fire station without cost, the Department provides dispatch and tone-out services for both the Volunteer Department and the Highlandtown volunteer fire department, a related fire department, for a nominal \$600 annual fee while approximately 33 percent of the dispatches and tone-outs benefit those two volunteer fire departments. In many respects, the Village financially supports two independent fire departments, but is not compensated or reimbursed commensurately.
- **The Village should transition its dispatch and tone-out services to the East Liverpool Police Department (ELPD).** The Village views its fire department as a full-time fire department when, in reality, the fire department is a volunteer fire department with a full-time dispatching service. None of the peers provide dispatch services yet their ISO ratings are lower (better) than Wellsville. The Village should transition its dispatch and tone-out services, including the two Volunteer Departments, to the ELPD and migrate to a "call paid" volunteer Fire Department. The Volunteer departments should proportionately share the ELPD dispatching and tone-out costs.

Under our recommended proposal, the Wellsville and Yellowcreek Township residents will continue to call the existing emergency phone numbers; however, that call will merely be routed to the ELPD versus the Wellsville fire department. The duration of elapsed time to the tone-out should not increase from its present length.

The Village should consider the transition to ELPD as a short- to medium-term solution, since Columbiana County will likely migrate to a county-wide dispatch service at some future time. As a result of this transition, the Village could save approximately \$66,000 in 2003, and from 2004 to 2007, the Village could save an average of \$94,000 each year based upon an outsourcing decision.

- **The Village should consistently compile crime statistical data and participate in the Uniform Crime Reporting (UCR) Program.** Historically, the Police Department did not compile crime statistical information nor did the Police Department participate in the FBI's annual UCR crime reporting statistical effort. The Village should compile crime statistical information and participate in the UCR Program. Program participation will help the Village make more informed decisions with respect to the Department's operations including overall Departmental and individual shift staffing levels. The Police Department compiled a list of certain police related activities for 1999 through 2001 during the performance audit.
- **The Village should review the cemetery fee structure and consider increasing certain fees to more closely align Springhill's rates with other area cemeteries.** Springhill's single plots cost \$300 while the average single plot costs approximately \$600 for certain area cemeteries. Although the Village recently increased opening and closing rates by \$100 to \$400, the Village's rates remain substantially lower than other area cemeteries. The average opening and closing rates for other area cemeteries approximate \$500. These two rate adjustments alone could generate approximately \$16,000 each year.

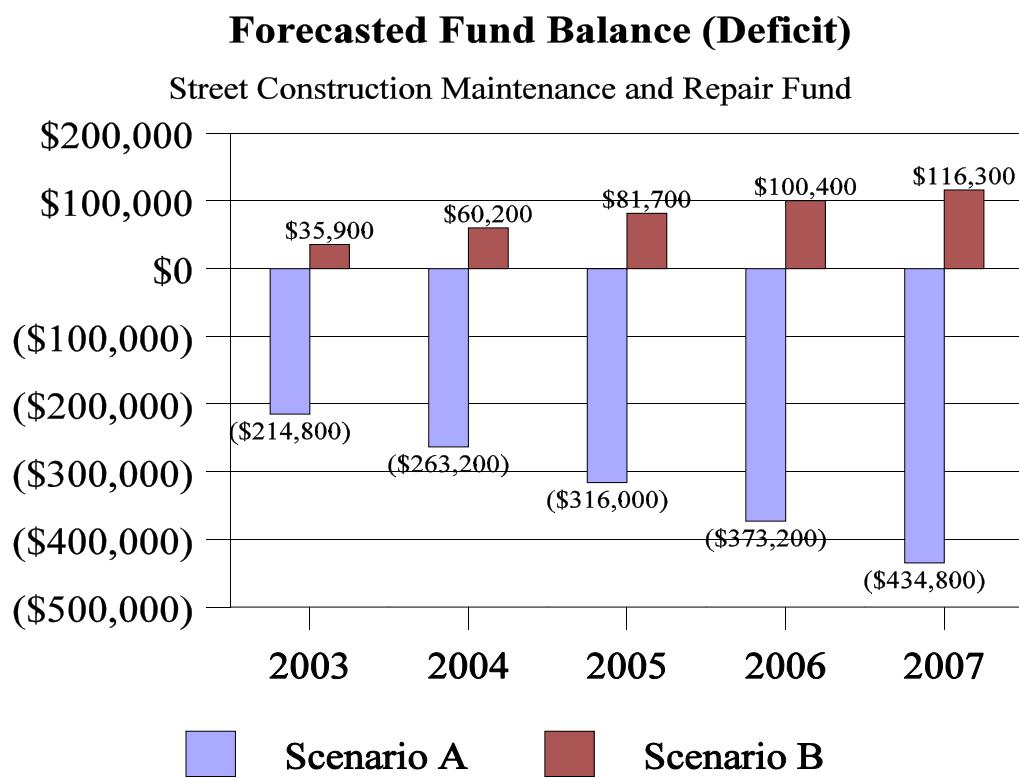
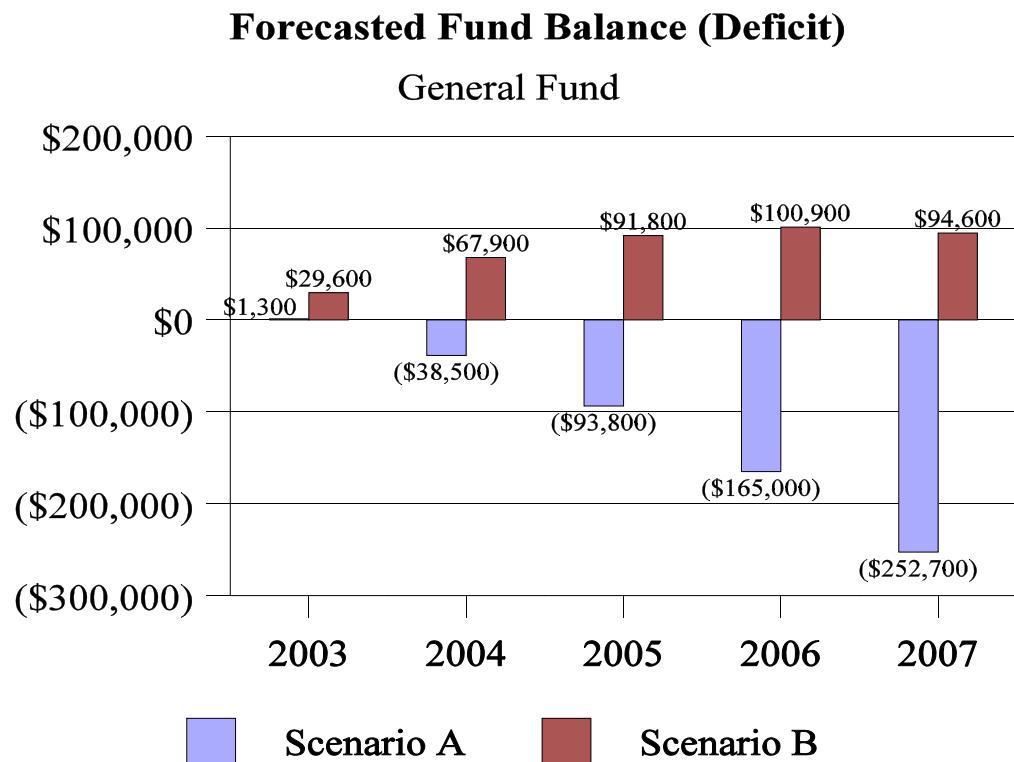
Conclusion

The Village's officials made some difficult decisions during the development and approval of the financial recovery plan; however, the plan will not eliminate the fiscal emergency criteria. In fact, the aggregate Village deficits are forecasted to increase over the next 5 years. Therefore, without further substantial action, the Village's financial situation will become a crisis and the Village will literally run-out of cash. Fortunately, with certain improved financial management practices and several challenging choices, the Village may still remedy its financial problems.

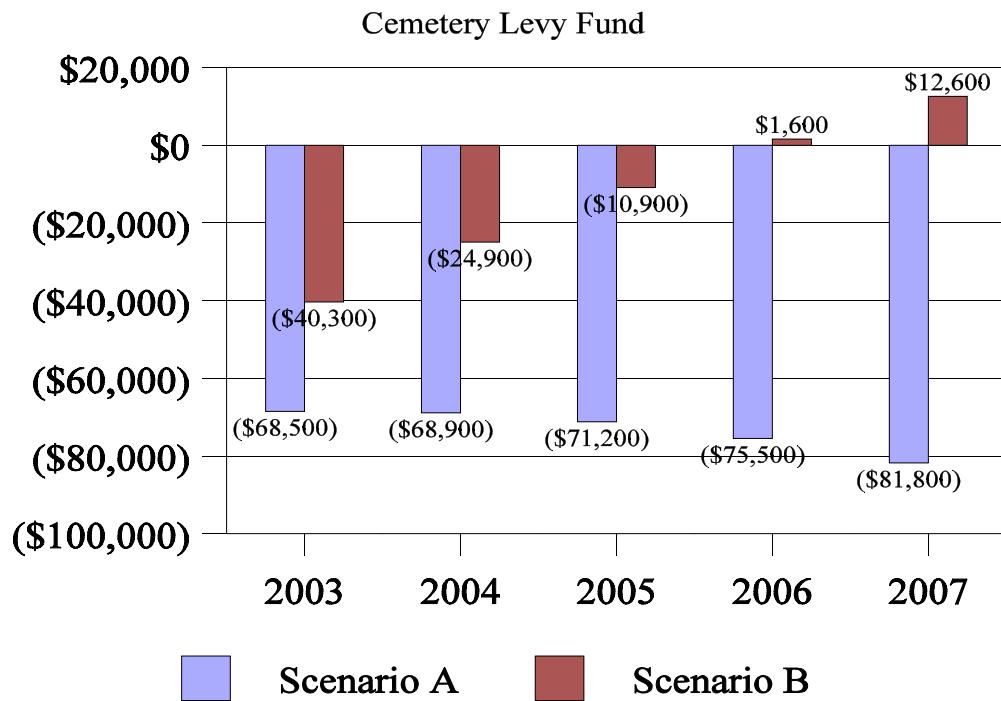
If current trends continue, the General Fund will realize a \$38,500 deficit at December 31, 2004 and that balance is forecasted to approach \$253,000 at December 31, 2007. The Special Revenue SCMR Fund and Special Revenue Cemetery Levy Fund deficits will approach \$435,000 and \$82,000, respectively, at December 31, 2007. Meanwhile, the Special Revenue Fire Levy Fund deficit is forecasted to approximate \$167,000 at December 31, 2007.

Historically, the Village transfers resources (i.e., operating transfers from the General Fund to other funds). Our financial forecast assumes the General Fund will make certain operating transfers each year including to the Special Revenue Fire Levy Fund. If those operating transfers do not occur, the General Fund's financial condition will improve from our forecast. However, the Special Revenue Fire Levy Fund and two other Village fund balances will decline by the same amount. Nevertheless, a very large "net" deficit will remain between the General Fund and Special Revenue Fire Levy Fund.

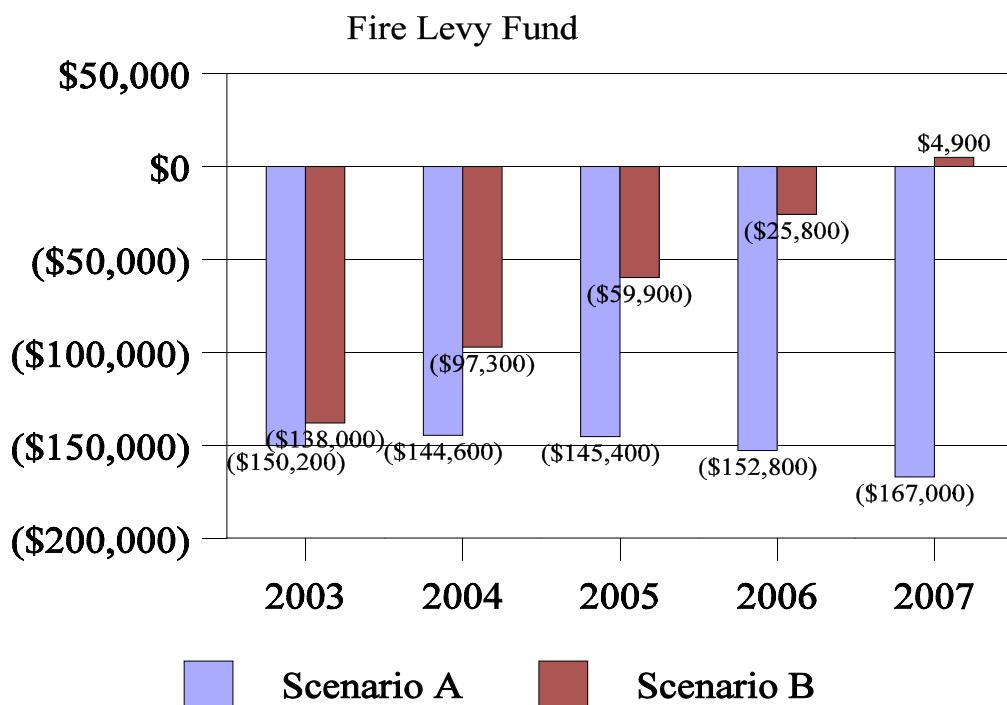
The following charts depict the forecasted General Fund; Special Revenue SCMR Fund; Special Revenue Cemetery Levy Fund, and Special Revenue Fire Levy Fund balances (deficits) at December 31, 2003 through 2007, under two scenarios: Scenario A - if the Village continues current operations including adjustments from its financial recovery plan; and Scenario B - if the Village implements the recommendations set forth within this report. The charts do not consider the effects, if any, of the Village illegally collecting income tax for 12 years or not using the income tax receipts as prescribed by Village Ordinances. An adverse resolution of those issues will significantly alter the forecasted fund balances (deficits).



Forecasted Fund Balance (Deficit)



Forecasted Fund Balance (Deficit)



Financial Forecast

Background

This section of the report summarizes the complex task of restoring financial stability to the Village by the year 2007.

We begin our financial forecast on January 1, 2003 and it concludes 5 years later on December 31, 2007. Beginning the Financial Forecast on January 1, 2003 provides the Village sufficient time to implement the suggestions reflected throughout this report or seek some other equivalent alternative. The Village and the Commission adopted a financial recovery plan during February 2002. The financial recovery plan included several items which will positively impact the Village's financial condition. Unfortunately, that plan does not eliminate the financial condition criteria. We used the Village's fiscal year 2001 financial activity and its financial recovery plan to estimate the starting point of our financial forecast at January 1, 2003 and corresponding financial activity throughout the 5 years.

We reflected those Village adopted items within the Scenario A forecast (i.e. where the Village is heading with the financial recovery plan). Those financial recovery plan items are specifically addressed within the Scenario A assumptions within this section and throughout the report. Meanwhile, we also developed a Scenario B forecast which adjusts Scenario A by the financial implications we identified during our performance audit.

Four Village Funds were selected to analyze. Those Funds were selected because one was the Village's general operating fund and the three remaining funds maintained large deficit balances. Those four Funds include:

- **General Fund** - This is the general operating fund of the Village. At the time of the fiscal emergency analysis, April 30, 2001, the General Fund did not maintain a deficit balance. However, since this is the general operating fund, it was selected to analyze. The fund balance as of December 31, 2001 approximated \$40,000. The General Fund is ultimately responsible for any and all liabilities of the Village and receives all of the Village's 1 percent income tax proceeds.
- **Special Revenue Street Construction Maintenance and Repair Fund** - This fund receives tax monies to repair and maintain the Village's streets. At the time of the fiscal emergency analysis, April 30, 2001, the Fund maintained a deficit approximating \$112,000. That deficit increased to approximately \$134,000 at December 31, 2001.

- **Special Revenue Cemetery Levy Fund** - This fund receives property taxes and certain charges for services to maintain and operate the Village's cemetery. At the time of the fiscal emergency analysis, April 30, 2001, the Fund maintained a deficit approximating \$53,000. That deficit increased to approximately \$63,000 at December 31, 2001.
- **Special Revenue Fire Levy Fund** - This fund receives property taxes which pays a portion of the Fire Department's salaries. At the time of the fiscal emergency analysis, April 30, 2001, the Fund maintained a deficit approximating \$136,000. That deficit increased to approximately \$169,000 at December 31, 2001.

There are also several *Financial Implications* within the report which effect Village Funds for which a 5-year forecast is not completed. Therefore, those *Financial Implications* are not traceable to this Financial Forecast section.

The following Technical Notes detail the assumptions used to develop both Scenarios A and B. Some financial impacts are also presented cumulatively to facilitate a comparison between Scenarios A and B.

Technical Notes

Every effort has been made to develop scenarios that are both reasonable and conservative and utilize assumptions that are both logical and prudent. Except for the financial impact items identified throughout the performance audit, the assumptions for Scenario A match Scenario B.

Scenario A Assumptions - Village continues current operations:

Only modest inflationary increases to receipts and expenditures occur while the General Fund continues to provide operating transfers to the Special Revenue Fire Levy Fund and the Special Revenue Street Light Fund (See **Table 2-1** for an illustration of the General Fund transfers during the past 3 years). That history was used to forecast future operating transfers into and out of the forecasted funds. We also adjusted the assumptions for those items the Village included with the financial recovery plan.

Our forecast is rounded to the nearest \$100. Although the assumptions reflect certain inflationary and other increases, the dollar change may not be sufficient to round up the next \$100. Therefore, certain amounts remain unchanged throughout the forecasted period.

**Table 2-1: Recent Transfers from General Fund
(rounded to the nearest \$100)**

<u>Transfer to:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Average</u>
Special Revenue Fire Levy Fund	\$130,000	\$140,000	\$70,000	\$113,300
Special Revenue Street Light Fund	16,900	29,200	21,000	22,400
Special Revenue Police Salary Levy	0	0	15,300	5,100
Debt Service Bond Retirement Fund	24,800	15,100	0	13,300
Special Revenue DARE Fund	<u>0</u>	<u>0</u>	<u>9,900</u>	<u>3,300</u>
Total	<u><u>\$171,700</u></u>	<u><u>\$184,300</u></u>	<u><u>\$116,200</u></u>	<u><u>\$157,400</u></u>

Source: 1999 through 2001 General Ledgers and 2001 Unaudited Cash Basis Annual Financial Report.

Note: The Village no longer maintains the Debt Service Bond Retirement Fund or the Special Revenue DARE Fund. Meanwhile, operating transfers for the Special Revenue Fire Levy Fund, Special Revenue Street Light Fund, and the Special Revenue Police Salary Levy Fund averaged \$113,300; \$22,400; and \$5,100 respectively for fiscal years 1999 through 2001.

Scenario A Assumptions:

General Fund

Cash Receipts

Local Taxes:

Local tax receipts consist of income tax receipts and other taxes such as general property and tangible personal taxes. Income Tax receipts approximated \$434,000 from 1997 through 2001. For 2002, we assumed income tax receipts totaled \$434,000 of the \$557,000 while the other taxes comprised the remaining \$123,000. We assumed both income tax receipts and other taxes will remain consistent. The income tax assumption does not consider the effects, if any, of the Village collecting income taxes for 12 years or not using the income tax collection as prescribed by ordinances.

The Village's Spring 2002 financial recovery plan reflected the Village would aggressively pursue delinquent income taxes. That action is expected to provide a one-time \$10,000 positive financial impact. The receipts are expected to occur during fiscal year 2002; therefore, we adjusted the January 1, 2003 forecasted fund balance accordingly. (F3.6)

Intergovernmental:

Intergovernmental receipts consist of local government revenue, inheritance tax, cigarette tax, liquor and beer permits, and other state shared taxes and permits. For 2002, we assumed inheritance tax totaled \$7,000 of the \$77,000 while local government revenue, cigarette tax, liquor and beer permits, and other state shared taxes and permits comprised the remaining \$70,000.

The Village has received, on average, approximately \$14,000 each year in inheritance tax for the last 15 years. Substitute Senate Bill No. 108 from the 123rd General Assembly adjusts the “floor” on which inheritance tax revenue is based. We assumed the Village will collect \$7,000 each year from inheritance tax while the remaining intergovernmental revenues will remain consistent.

Charges for Services; and Interest:

No forecasted increases.

Fines, Licenses, and Permits:

Fines, Licenses, and Permits consist of permit fees, license fees, and fines and court costs received from the Mayor’s Court. We assumed that license and permit receipts will remain consistent. Fines and court cost receipts are expected to increase based upon the financial recovery plan.

The financial recovery plan reflected the Village would aggressively pursue delinquent fines. That action is expected to provide a one-time \$6,400 positive financial impact. The receipts are expected to occur during fiscal year 2002; therefore, we adjusted the January 1, 2003 forecasted fund balance accordingly. (**F9.5**)

The Village’s financial recovery plan also expects the “new” Magistrate position will increase fine collections by \$15,000 during 2002 and beyond. (**F9.5**)

Miscellaneous:

In 2001, the Village received a \$29,000 refund from the Ohio Bureau of Worker’s Compensation. We assumed the refund was nonrecurring. We assumed miscellaneous receipts would approximate \$22,000 each year, which includes the rent received from the Mississippi Lime Company.

Transfers In:

In 2001, the Village closed the Enterprise Water fund and a \$34,000 residual equity transfer from the Enterprise Water Fund to the General Fund resulted. We assumed the residual equity transfer was nonrecurring.

Other Sources:

In 2001, the Village received approximately \$14,000 in Other Source receipts. As Other Sources receipts are not a reliable source of income, we assumed that it will not be received in the future.

Cash Disbursements

Personal Services:

Personal services consist of payroll and payroll related expenditures such as hospitalization insurance, pension, longevity and uniform allowances. Personal Services expenditures are expected to increase by 3 percent each year, except as noted below.

A police officer resigned while another police officer retired in 2001. That action is expected to provide a net impact of \$85,000 in 2002. The Village does not expect to replace these two employees.

The financial recovery plan reflected employees will pay a larger portion of the insurance deductible. That action is expected to provide a \$5,000 annual positive impact in 2002 and beyond. **(F4.18)**

The financial recovery plan reflected the police uniform allowance will decrease. That action is expected to provide a \$900 annual positive impact in 2002 and beyond. **(F4.9)**

The financial recovery plan reflected the Village will no longer pick-up certain employee pension contributions. That action is expected to provide a \$2,600 annual positive impact in 2002 and beyond. **(F4.15)**

The financial recovery plan reflected the Village will offer \$200 monthly payments in lieu of health insurance coverage. That action is expected to provide a \$7,800 annual positive impact in 2002 and beyond. **(F4.17)**

In April 2002, an Ordinance was passed accepting the written proposal from the Village Dog Warden. The Dog Warden will remain in the same capacity but will work at a reduced rate. The rate was reduced from \$250 to \$50 each month. The cost savings in 2002 will be \$1,600 while the cost savings in the 2003 and thereafter will be \$2,400. **(F9.2)**

In April 2002, an Ordinance was passed accepting the written proposal from the Village Zoning Administrator. The Zoning Administrator will remain in the same capacity on a voluntary basis. The financial impact for 2002 will approximate \$2,900 and is reflected in the beginning balance of fiscal year 2003. The annual cost savings starting in 2003 will approximate \$4,400. **(F9.3)**

The financial recovery plan reflected the Village will aggressively pursue fines. The Village hired a Magistrate at \$6,000 each year to facilitate this process. **(F9.5)**

As reflected within in **R5.1**, from January 2001 through September 2001, the Village incorrectly charged \$4,200 to the SCMR Fund when those costs should have been absorbed by the General

Fund. We adjusted the 2001 financial activity accordingly; therefore, the 2003 through 2007 Personal Services forecast assumes this error did not occur.

Travel Transportation; and Supplies and Materials:

A 3 percent annual inflationary increase.

Contractual Services; and Capital Outlay:

No change, Village maintains current spending levels.

Other Uses:

During 2001, the Village had approximately \$8,800 in income tax refunds. The average amount of income tax refunds from 1999 through 2001 approximated \$6,200. We assumed that income tax refunds would approximate \$6,000 each year throughout the forecasted period.

Transfers Out:

As illustrated in **Table 2-1**, the General Fund historically supplemented certain other Village funds through operating transfers to those funds. During the past 3 years, 5 funds have benefitted from those operating transfers. Of those five funds, two are “closed” and no longer operate, while the Special Revenue Fire Levy Fund, Special Revenue Street Light Fund, and the Special Revenue Police Salary Levy Fund received on average \$113,300; \$22,400; and \$5,100 respectively. We assumed the General Fund will continue to transfer resources to the Special Revenue Fire Levy Fund and the Special Revenue Street Light Fund totaling \$136,000. The Village no longer intends to transfer resources into the Special Revenue Police Salary Levy Fund.

The transfers to the Special Revenue Fire Levy Fund will be affected by the personal services assumptions on page 2-18 and the operating transfers will be reduced accordingly.

Scenario A - Village Continues Current Operations
 General Fund (A01)

	2003	2004	2005	2006	2007
Beginning Fund Cash Balance (Deficit)	\$26,000	\$1,300	(\$38,500)	(\$93,800)	(\$165,000)

Cash Receipts:

Local Taxes	557,000	557,000	557,000	557,000	557,000
Intergovernmental	77,000	77,000	77,000	77,000	77,000
Charges for Services	2,000	2,000	2,000	2,000	2,000
Fines, Licenses, and Permits	30,000	30,000	30,000	30,000	30,000
Interest	3,000	3,000	3,000	3,000	3,000
Miscellaneous	22,000	22,000	22,000	22,000	22,000
Total Cash Receipts	691,000	691,000	691,000	691,000	691,000

Cash Disbursements:

Personal Services	469,600	483,700	498,200	513,100	528,500
Travel Transportation	2,100	2,200	2,300	2,400	2,500
Contractual Services	126,000	126,000	126,000	126,000	126,000
Supplies and Materials	29,000	29,900	30,800	31,700	32,700
Capital Outlay	3,400	3,400	3,400	3,400	3,400
Total Cash Disbursements	630,100	645,200	660,700	676,600	693,100

Other Financing Receipts/(Disbursement):

Transfers Out	(79,600)	(79,600)	(79,600)	(79,600)	(79,600)
Other Uses	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Total Other Financing Receipts/ (Disbursements)	(85,600)	(85,600)	(85,600)	(85,600)	(85,600)
Ending Fund Cash Balance (Deficit)	\$1,300	(\$38,500)	(\$93,800)	(\$165,000)	(\$252,700)

Financial Impacts
General Fund

Reference	Recommendations	2003	2004	2005	2006	2007
Cash Disbursements:						
R3.6	Contract with RITA for income tax collection	(\$13,000)	(\$13,000)	(\$13,000)	(\$13,000)	(\$13,000)
R3.6	Reduce one full-time employee in the Fiscal Office	30,000	41,200	42,400	43,700	45,000
R5.2	Future allocation of leave-time from the SCMR Fund	(3,300)	(3,400)	(3,500)	(3,600)	(3,700)
R5.3	Future allocation of hospitalization and union insurance from the SCMR Fund	(9,700)	(10,000)	(10,300)	(10,600)	(10,900)
R5.4	Future allocation of PERS, Medicare, and Workers Compensation from the SCMR Fund	(3,500)	(3,600)	(3,700)	(3,800)	(3,900)
R7.2	Designate part-time staff to cover Police Department open shifts	800	800	800	800	800
R9.2	Eliminate Dog Warden duties	600	600	700	700	700
R9.1.1	Negotiate certain changes to CMHA contract	8,700	8,900	9,200	9,500	9,800
Total Cash Disbursements		10,600	21,500	22,600	23,700	24,800
Other Financing (Disbursements):						
R6.3	Eliminate operating transfer to the Special Revenue Fire Levy Fund	56,600	56,600	56,600	56,600	56,600
Fund Cash Balance Adjustments:						
R5.2	Allocate a portion of 1999 through 2001 leave-time from the SCMR Fund	(7,500)	0	0	0	0
R5.3	Allocate a portion of 1999 through 2001 hospitalization and union insurance from the SCMR Fund	(23,400)	0	0	0	0
R5.4	Allocate a portion of 1999 through 2001 PERS, Medicare, and Workers Compensation from the SCMR Fund	(8,000)	0	0	0	0
Total Fund Cash Balance Adjustments		(38,900)	0	0	0	0
Net Financial Impact to the General Fund		\$28,300	\$78,100	\$79,200	\$80,300	\$81,400

Scenario B - Village Implements Recommended Changes
 General Fund (A01)

	2003	2004	2005	2006	2007
Beginning Fund Cash Balance	<u>\$26,000</u>	<u>\$29,600</u>	<u>\$67,900</u>	<u>\$91,800</u>	<u>\$100,900</u>
Cash Receipts:					
Local Taxes	557,000	557,000	557,000	557,000	557,000
Intergovernmental	77,000	77,000	77,000	77,000	77,000
Charges for Services	2,000	2,000	2,000	2,000	2,000
Fines, Licenses, and Permits	30,000	30,000	30,000	30,000	30,000
Interest	3,000	3,000	3,000	3,000	3,000
Miscellaneous	22,000	22,000	22,000	22,000	22,000
Total Cash Receipts	<u>691,000</u>	<u>691,000</u>	<u>691,000</u>	<u>691,000</u>	<u>691,000</u>
Cash Disbursements:					
Personal Services	446,000	449,200	462,600	476,400	490,700
Travel Transportation	2,100	2,200	2,300	2,400	2,500
Contractual Services	139,000	139,000	139,000	139,000	139,000
Supplies and Materials	29,000	29,900	30,800	31,700	32,700
Capital Outlay	3,400	3,400	3,400	3,400	3,400
Total Cash Disbursements	<u>619,500</u>	<u>623,700</u>	<u>638,100</u>	<u>652,900</u>	<u>668,300</u>
Other Financing Receipts/(Disbursements):					
Transfers Out	(23,000)	(23,000)	(23,000)	(23,000)	(23,000)
Other Uses	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Total Other Financing Receipts/ (Disbursements)	<u>(29,000)</u>	<u>(29,000)</u>	<u>(29,000)</u>	<u>(29,000)</u>	<u>(29,000)</u>
Total Fund Cash Balance Adjustments	<u>(38,900)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Cash Balance	<u>\$29,600</u>	<u>\$67,900</u>	<u>\$91,800</u>	<u>\$100,900</u>	<u>\$94,600</u>

Scenario A Assumptions:

Special Revenue Street Construction Maintenance and Repair Fund

Cash Receipts

Intergovernmental:

No forecasted increases expected.

Miscellaneous:

2001 had approximately a \$400 donation for a street sign. We assumed the donation was nonrecurring.

Other Sources:

No forecasted increases expected.

Cash Disbursements

Personal Services; Contractual Services; and Supplies and Materials:

Expected to increase 3 percent each year.

The financial recovery plan reflected employees will participate in the cost of the insurance deductible. That action is expected to provide a \$1,800 annual positive impact in 2002 and beyond. **(F4.18)**

As reflected within **R5.1**, from January 2001 through September 2001, the Village incorrectly charged \$7,300 to the SCMR Fund when those costs should have been absorbed by other Village funds. We adjusted the 2001 financial activity accordingly; therefore, the 2003 through 2007 Personal Services forecast assumes this error did not occur.

As reflected in finding **F5.7**, a part time employee resigned during February 2002. The Village does not expect to replace that former employee. The Village's financial conditional will be positively impacted by \$6,200 for the remainder of 2002 while the 2003 savings will approximate \$7,500.

Other Uses:

No change, Village maintains current spending levels.

Scenario A - Village Continues Current Operations
 Special Revenue Street Construction Maintenance and Repair Fund (SCMR) (B01)

	2003	2004	2005	2006	2007
Beginning Fund Cash (Deficit)	<u>(\$170,000)</u>	<u>(\$214,800)</u>	<u>(\$263,200)</u>	<u>(\$316,000)</u>	<u>(\$373,200)</u>
Cash Receipts:					
Intergovernmental	88,000	88,000	88,000	88,000	88,000
Cash Disbursements:					
Personal Services	119,800	123,000	127,000	131,000	135,000
Contractual Services	4,100	4,200	4,300	4,400	4,500
Supplies and Materials	<u>9,300</u>	<u>9,600</u>	<u>9,900</u>	<u>10,200</u>	<u>10,500</u>
Total Cash Disbursements	<u>133,200</u>	<u>136,800</u>	<u>141,200</u>	<u>145,600</u>	<u>150,000</u>
Other Financing Receipts/ (Disbursement):					
Other Sources	900	900	900	900	900
Other Uses	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>
Total Other Financing Receipts/ (Disbursements)	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>
Ending Fund Cash (Deficit)	<u><u>(\$214,800)</u></u>	<u><u>(\$263,200)</u></u>	<u><u>(\$316,000)</u></u>	<u><u>(\$373,200)</u></u>	<u><u>(\$434,800)</u></u>

Financial Impacts

Special Revenue Street Construction Maintenance and Repair Fund

Reference	Recommendations	2003	2004	2005	2006	2007
Cash Receipts:						
R5.8	Auction unused or unneeded equipment	\$10,200	\$0	\$0	\$0	\$0
Cash Disbursements:						
R5.5	Cost sharing with the Special Revenue Permissive Tax Fund	20,000	20,000	20,000	20,000	20,000
R5.2	Future allocation of leave-time to benefitted funds	10,300	10,600	11,000	11,300	11,600
R5.3	Future allocation of hospitalization and union insurance to benefitted funds	30,000	30,900	31,800	32,700	33,700
R5.4	Future allocation of PERS, Medicare, and Workers Compensation to benefitted funds	10,900	11,200	11,500	11,900	12,200
Total Cash Disbursements		71,200	72,700	74,300	75,900	77,500
Fund Cash Balance Adjustments:						
R5.2	Allocate 1999 through 2001 leave-time to benefitted funds	22,800	0	0	0	0
R5.3	Allocate 1999 through 2001 hospitalization and union insurance to benefitted funds	70,800	0	0	0	0
R5.4	Allocate 1999 through 2001 PERS, Medicare, and Workers Compensation to benefitted funds	24,300	0	0	0	0
R5.5	Street maintenance and repair costs to be paid by the Special Revenue Permissive Tax Fund	51,400	0	0	0	0
Total Fund Cash Balance Adjustments		169,300	0	0	0	0
Net Financial Impact to the SCMR Fund		\$250,700	\$72,700	\$74,300	\$75,900	\$77,500

Scenario B - Village Implements Recommended Changes
 Special Revenue Street Construction Maintenance and Repair Fund (B01)

	2003	2004	2005	2006	2007
Beginning Fund Cash Balance (Deficit)	<u>(\$170,000)</u>	<u>\$35,900</u>	<u>\$60,200</u>	<u>\$81,700</u>	<u>\$100,400</u>
Cash Receipts:					
Intergovernmental	88,000	88,000	88,000	88,000	88,000
Miscellaneous	<u>10,200</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Receipts	<u>98,200</u>	<u>88,000</u>	<u>88,000</u>	<u>88,000</u>	<u>88,000</u>
Cash Disbursements:					
Salaries and Benefits	48,600	50,300	52,700	55,100	57,500
Contractual Services	4,100	4,200	4,300	4,400	4,500
Supplies and Materials	<u>9,300</u>	<u>9,600</u>	<u>9,900</u>	<u>10,200</u>	<u>10,500</u>
Total Cash Disbursements	<u>62,000</u>	<u>64,100</u>	<u>66,900</u>	<u>69,700</u>	<u>72,500</u>
Other Financing Receipts/(Disbursements):					
Other Sources	900	900	900	900	900
Other Uses	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>
Total Other Financing Receipts/ (Disbursements)	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>
Total Fund Cash Balance Adjustments	<u>169,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Cash Balance	<u>\$35,900</u>	<u>\$60,200</u>	<u>\$81,700</u>	<u>\$100,400</u>	<u>\$116,300</u>

Scenario A Assumptions:

Special Revenue Cemetery Levy Fund

Cash Receipts

Local Taxes:

Local Taxes consists of receipts derived from a levy which expires in 2003. The Village expects to renew the levy and local taxes are expected to increase \$1,000.

Intergovernmental; Interest; and Miscellaneous:

No forecasted increases.

Charges for Services:

In April 2002, an Ordinance increased the opening and closing fees for all graves from \$300 to \$400. The average number of opening and closings each year were estimated to be 54. We assumed the rate increase began in June 2002. That action is expected to increase 2002 receipts by \$2,700 and \$5,400 in 2003 and beyond. (**F8.1**)

Cash Disbursements

Personal Services:

As reflected within finding **F8.3**, a part-time employee was laid-off in April 2002. The Villages financial condition will be positively impacted by \$4,700 for the remainder of 2002, while the 2003 savings will approximate \$10,400.

The financial recovery plan reflected employees will pay a larger portion of insurance deductible. That action is expected to provide a \$600 annual positive impact in 2002 and beyond. (**F4.18**)

Contractual Services; and Supplies and Materials:

Expected to increase by 3 percent each year.

Scenario A - Village Continues Current Operations
 Special Revenue Cemetery Levy Fund (B03)

	2003	2004	2005	2006	2007
Beginning Fund Cash (Deficit)	<u>(\$69,000)</u>	<u>(\$68,500)</u>	<u>(\$68,900)</u>	<u>(\$71,200)</u>	<u>(\$75,500)</u>
Cash Receipts:					
Local Taxes	25,000	26,000	26,000	26,000	26,000
Intergovernmental	2,000	2,000	2,000	2,000	2,000
Charges for Services	32,400	32,400	32,400	32,400	32,400
Interest	1,000	1,000	1,000	1,000	1,000
Miscellaneous	100	100	100	100	100
Total Cash Receipts	<u>60,500</u>	<u>61,500</u>	<u>61,500</u>	<u>61,500</u>	<u>61,500</u>
Cash Disbursements:					
Personal Services	52,700	54,300	55,900	57,600	59,300
Contractual Services	5,200	5,400	5,600	5,800	6,000
Supplies and Materials	2,100	2,200	2,300	2,400	2,500
Total Cash Disbursements	<u>60,000</u>	<u>61,900</u>	<u>63,800</u>	<u>65,800</u>	<u>67,800</u>
Ending Fund Cash (Deficit)	<u><u>(\$68,500)</u></u>	<u><u>(\$68,900)</u></u>	<u><u>(\$71,200)</u></u>	<u><u>(\$75,500)</u></u>	<u><u>(\$81,800)</u></u>

Financial Impacts
Special Revenue Cemetery Levy Fund

Reference	Recommendations	2003	2004	2005	2006	2007
Cash Receipts:						
R8.1	Increase single plot rates; opening and closing fees, and foundation charges	\$18,500	\$19,000	\$19,600	\$20,200	\$20,800
R8.6	Sell 1982 Kubota Backhoe	5,000	0	0	0	0
	Total Cash Receipts	23,500	19,000	19,600	20,200	20,800
Cash Disbursements:						
R5.2	Future allocation of leave-time from the SCMR Fund	(800)	(800)	(800)	(800)	(800)
R5.3	Future allocation of hospitalization and union insurance from the SCMR Fund	(2,400)	(2,500)	(2,600)	(2,700)	(2,800)
R5.4	Future allocation of PERS, Medicare, and Workers Compensation from the SCMR Fund	(900)	(900)	(900)	(900)	(900)
R8.7	Allocate department labor costs to the Nonexpendable Trust Cemetery Fund	14,600	1,000	1,000	1,000	1,000
R8.8	Use the fund balance of the Expendable Trust Cemetery Fund to support departmental operations	700	0	0	0	0
	Total Cash Disbursements	11,200	(3,200)	(3,300)	(3,400)	(3,500)
Fund Cash Balance Adjustments:						
R5.2	Allocate a portion of 1999 through 2001 leave-time from the SCMR Fund	(1,500)	0	0	0	0
R5.3	Allocate a portion of 1999 through 2001 hospitalization and union insurance from the SCMR Fund	(4,900)	0	0	0	0
R5.4	Allocate a portion of 1999 through 2001 PERS, Medicare, and Workers Compensation from the SCMR Fund	(1,600)	0	0	0	0
	Total Fund Cash Balance Adjustments	(6,500)	0	0	0	0
	Net Financial Impact to the Special Revenue Cemetery Levy Fund	\$28,200	\$15,800	\$16,300	\$16,800	\$17,300

Scenario B - Village Implements Recommended Changes
 Special Revenue Cemetery Levy Fund (B03)

	2003	2004	2005	2006	2007
Beginning Fund Cash Balance (Deficit)	<u>(\$69,000)</u>	<u>(\$40,300)</u>	<u>(\$24,900)</u>	<u>(\$10,900)</u>	<u>\$1,600</u>
Cash Receipts:					
Local Taxes	25,000	26,000	26,000	26,000	26,000
Intergovernmental	2,000	2,000	2,000	2,000	2,000
Charges for Services	50,900	51,400	52,000	52,600	53,200
Interest	1,000	1,000	1,000	1,000	1,000
Miscellaneous	<u>5,100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total Cash Receipts	<u>84,000</u>	<u>80,500</u>	<u>81,100</u>	<u>81,700</u>	<u>82,300</u>
Cash Disbursements:					
Personal Services	41,500	57,500	59,200	61,000	62,800
Contractual Services	5,200	5,400	5,600	5,800	6,000
Supplies and Materials	<u>2,100</u>	<u>2,200</u>	<u>2,300</u>	<u>2,400</u>	<u>2,500</u>
Total Cash Disbursements	<u>48,800</u>	<u>65,100</u>	<u>67,100</u>	<u>69,200</u>	<u>71,300</u>
Total Fund Cash Balance Adjustments	<u>(6,500)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Cash Balance (Deficit)	<u>(\$40,300)</u>	<u>(\$24,900)</u>	<u>(\$10,900)</u>	<u>\$1,600</u>	<u>\$12,600</u>

Scenario A Assumptions:**Special Revenue Fire Levy Fund**

Cash Receipts

Local Taxes:

Local Taxes consists of receipts derived from a levy which was replaced in November 2001. The replacement of the levy is expected to provide a \$38,000 positive financial impact in 2002. The levy is expected to provide a \$50,000 positive financial impact in 2003 and beyond.

Intergovernmental; and Charges for Services:

No forecasted increases expected.

Transfers in:

Transfers in consist of transfer from the General Fund. We assumed the General Fund would continue to supplement the Special Revenue Fire Levy Fund at an amount approximating \$113,000 (See **Table 2-1**) and reduced only by the assumptions listed below for personal services.

Cash Disbursements

Personal Services; Contractual Services; and Supplies and Materials:

Expected to increase 3 percent each year after the Village has taken the following actions as reflected within the financial recovery plan:

- Decrease the Fire Department uniform allowance: \$800 (**F4.8**)
- Eliminate Village's pick-up of pension contributions: \$900 (**F4.15**)
- Eliminate Sunday premium pay: \$9,000 (\$6,000 in 2002 reflected in the 2003 beginning balance) (**F4.2**)
- Retirement of Fire Chief: \$8,000
- Eliminate hazard pay: \$2,500 (\$1,700 in 2002 reflected in the 2003 beginning balance) (**F4.7**)
- Reduce full-time staffing from 4 to 3: \$12,000 (\$9,000 in 2002 reflected in the 2003 beginning balance) (**F6.2**)
- Two employees have accepted \$200 per month in lieu of medical benefits: \$22,600 (\$11,300 in 2002 reflected in the 2003 beginning balance) (**F4.17**)
- Employees pay a larger portion of the insurance deductible: \$600 (**F4.18**)

Scenario A - Village Continues Current Operations
 Special Revenue Fire Levy Fund (B18)

Beginning Fund Cash (Deficit)	2003 <u>(\$162,000)</u>	2004 <u>(\$150,200)</u>	2005 <u>(\$144,600)</u>	2006 <u>(\$145,400)</u>	2007 <u>(\$152,800)</u>
Cash Receipts:					
Local Taxes					
Intergovernmental	152,000	152,000	152,000	152,000	152,000
Charges for Services	9,000	9,000	9,000	9,000	9,000
	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
Total Cash Receipts	161,500	161,500	161,500	161,500	161,500
Cash Disbursements:					
Personal Services					
Contractual Services	200,000	206,000	212,200	218,600	225,200
Supplies and Materials	5,200	5,400	5,600	5,800	6,000
	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>
Total Cash Disbursements	206,300	212,500	218,900	225,500	232,300
Other Financing Receipts:					
Transfers In	<u>56,600</u>	<u>56,600</u>	<u>56,600</u>	<u>56,600</u>	<u>56,600</u>
Ending Fund Cash (Deficit)	<u>(\$150,200)</u>	<u>(\$144,600)</u>	<u>(\$145,400)</u>	<u>(\$152,800)</u>	<u>(\$167,000)</u>

Financial Impacts
Special Revenue Fire Levy Fund

Reference	Recommendations	2003	2004	2005	2006	2007
Cash Receipts:						
R6.2	Assess rent to the Wellsville Volunteer Fire Department	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Cash Disbursements:						
R4.4	Outsource dispatch services to ELPD - uniform allowance savings	400	400	400	400	400
R5.3	Future allocation of hospitalization and union insurance from the SCMR Fund	(100)	(100)	(100)	(100)	(100)
R6.3	Outsource dispatch services to ELPD	(16,700)	(16,700)	(16,700)	(16,700)	(16,700)
R6.3	Reduce full-time fire department staff from 3 to 1	<u>83,100</u>	<u>105,600</u>	<u>108,700</u>	<u>112,000</u>	<u>115,400</u>
Total Cash Disbursements:		66,700	89,200	92,300	95,600	99,000
Other Financing Receipts/(Disbursements)						
R6.3	Eliminate operating transfer from the General Fund	(56,600)	(56,600)	(56,600)	(56,600)	(56,600)
Fund Cash Balance Adjustments:						
R5.2	Allocate a portion of 1999 through 2001 leave-time from the SCMR Fund	(100)	0	0	0	0
R5.3	Allocate a portion of 1999 through 2001 hospitalization and union insurance from the SCMR Fund	(300)	0	0	0	0
R5.4	Allocate a portion of 1999 through 2001 PERS, Medicare, and Workers Compensation from the SCMR Fund	<u>(100)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Cash Balance Adjustments		<u>(400)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Financial Impact to the Special Revenue Fire Levy Fund		<u><u>\$12,200</u></u>	<u><u>\$35,100</u></u>	<u><u>\$38,200</u></u>	<u><u>\$41,500</u></u>	<u><u>\$44,900</u></u>

Scenario B - Village Implements Recommended Changes
 Special Revenue Fire Levy Fund (B18)

	2003	2004	2005	2006	2007
Beginning Fund Cash (Deficit)	<u><u>(\$162,000)</u></u>	<u><u>(\$138,000)</u></u>	<u><u>(\$97,300)</u></u>	<u><u>(\$59,900)</u></u>	<u><u>(\$25,800)</u></u>
Cash Receipts:					
Local Taxes	152,000	152,000	152,000	152,000	152,000
Intergovernmental	9,000	9,000	9,000	9,000	9,000
Charges for Services	500	500	500	500	500
Miscellaneous	2,500	2,500	2,500	2,500	2,500
Total Cash Receipts	<u><u>164,000</u></u>	<u><u>164,000</u></u>	<u><u>164,000</u></u>	<u><u>164,000</u></u>	<u><u>164,000</u></u>
Cash Disbursements:					
Personal Services	116,600	100,100	103,200	106,300	109,500
Contractual Services	21,900	22,100	22,300	22,500	22,700
Supplies and Materials	1,100	1,100	1,100	1,100	1,100
Total Cash Disbursements	<u><u>139,600</u></u>	<u><u>123,300</u></u>	<u><u>126,600</u></u>	<u><u>129,900</u></u>	<u><u>133,300</u></u>
Total Fund Cash Balance Adjustments	<u><u>(400)</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Ending Fund Cash Balance (Deficit)	<u><u>(\$138,000)</u></u>	<u><u>(\$97,300)</u></u>	<u><u>(\$59,900)</u></u>	<u><u>(\$25,800)</u></u>	<u><u>\$4,900</u></u>

This page intentionally left blank.

Income Tax Department

Background

This section of the performance audit focuses on the Village's income tax operations. For purposes of illustrating various operational issues, certain comparisons are made throughout the report with the peer Villages of Coldwater, West Jefferson, and Wintersville. Waverly is used as a supplemental peer within the Fire Department section while various local cemeteries are used within the Cemetery Department section of this report. In many instances, we also calculated Peer Averages to further facilitate certain comparisons and analysis. The Village of Wellsville is not included within those Peer Average calculations.

The Village's tax rate was initially enacted, via Village Council legislation, in 1971 at 1 percent. The Village income tax resolution/ordinance mandates how collections should be used, as discussed later in this section. The Village's income tax ordinance expired during 1990; yet the Village continued to collect income taxes approximating \$4 million during the last 12 years without an ordinance or other legislation authorizing the collection. Therefore, the Village may be subject to taxpayer lawsuits. The Village also modified the use of the income tax several times over the years; however, the Village did not use the income tax proceeds as prescribed by the Village's Ordinances. We brought these issues to the Village's attention during May 2002. Based upon that discussion, the Village enacted a continuing 1 percent income tax for General Fund operations. However, the Village must still resolve the 12 year intervening period when it collected income taxes without an ordinance or other legislation authorizing the collection. The Village must also sufficiently determine income tax collections were used accordingly to Village Ordinances. The Village should hire legal counsel and consult with the Village Solicitor and Columbiana County Prosecutor to resolve its income tax issues.

The two preceding income tax items will be significant issues during our next regularly scheduled audit which will cover fiscal years 2001 and 2002 (will occur during the Spring of 2003), if they are not sufficiently resolved.

For the purposes of this Performance Audit, we still performed our income tax analysis as though the Village assessed and collected a valid income tax.

The Department collects and enforces the Village's 1 percent income tax rate pursuant to Resolution No. 71-17 and Ordinance No. 71-23. According to the Resolution, the Village's administration is responsible for the following:

- Enforcing the provisions of the income tax ordinance
- Receiving, recording, and reporting all income tax monies
- Reviewing tax returns for accuracy
- Assessing penalties and interest
- Processing and issuing refunds
- Retaining records for at least five years

According to the Ohio Department of Taxation, the Village of Wellsville is one of approximately 548 Ohio municipalities which levies an income tax. Information obtained from the Ohio Department of Taxation reflects that income tax rates statewide range from 0.40 percent to 2.85 percent. Since income tax receipts represent the most significant source of receipts to fund Wellsville's operations, the Income Tax Department's ability to collect all due income taxes is important to the Village's overall financial condition.

Chart 3-1: Organizational Chart

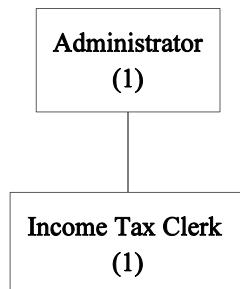


Table 3-1 summarizes the Department's receipts and expenditures for fiscal years 1999 through 2001. The Village's Income Tax operations (income tax receipts and operating costs) are accounted for within the General Fund, Income Tax special cost center. This special cost center is appropriated as part of the General Fund and is included within the General Fund for financial statement reporting purposes.

**Table 3-1: Income Tax Special Cost Center Receipts and Expenditures
(rounded to the nearest \$100)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Receipts:			
Income Tax	\$ 434,400	\$ 460,000	\$ 427,100
Expenditures:			
Salaries and Benefits	42,000	43,300	42,500
Telephone	600	800	700
Postage	1,000	1,000	900
Supplies and Materials	400	700	300
Income Tax Refunds	2,800	7,000	8,800
Total Expenditures	46,800	52,800	53,200
Receipts Over Expenditures	\$ 387,600	\$ 407,200	\$ 373,900

Source: Village receipt and appropriation ledgers obtained from the Village's Assistant Clerk Treasurer

Village income tax collections reached an all-time high in 2000 at \$460,000; otherwise, collections were comparable between 2001 and 1999 with 2001 collections \$7,300 lower than 1999 collections (See **Chart 3-2** for a graphical depiction of the Village's income tax receipts for fiscal years 1992 through 2001).

The Income Tax Clerk asserted the decrease in 2001 collections is primarily attributable to a decrease in employee withholding receipts. The Income Tax Clerk asserted several area businesses reduced staffing in recent years. Excluding Income Tax Refunds, the Departmental expenditures averaged \$44,700 (rounded) each year from 1999 through 2001 with very little variation between those years.

In fiscal year 2001, total income tax collections approximated \$427,100 or roughly 58 percent of the General Fund's receipts.

The following Table provides select comparisons of operational statistics between Wellsville and the peer villages:

Table 3-2: Select Comparisons

	Wellsville	Coldwater	West Jefferson	Wintersville	Peer Average
2000 Population (rounded to the nearest 100) ¹	4,100	4,500	4,300	4,100	4,300
Income Tax Staff ²	1	1 ⁴	2 ⁵	0 ⁶	1
2001 Total Collections, net of refunds (rounded to the nearest \$1000 ²)	\$427,000	\$783,000	\$1,218,000	\$602,000	\$868,000
2001 Total Expenditures, net of refunds (rounded to the nearest \$1000 ²)	\$44,000	\$53,000	\$63,000	\$12,000	\$43,000
Percentage of 2001 Expenditures, net of refunds versus 2001 Collections, net of refunds	10.3%	6.8%	5.1%	2%	4.6%
Income Tax Rate ²	1%	1%	1%	1%	1%
Credit Policy ²	0%	Up to 1%	0%	Up to 1%	--
Collections per Capita ³	\$104	\$174	\$283	\$147	\$201

¹ Obtained from United States Census 2000 website.

² Obtained from the respective Village.

³ Total 2001 Collections divided by 2000 Population equals Collections Per Capita.

⁴ The Village Payroll/Utility Clerk assists the Income Tax Administrator with collections, posting, and depositing receipts during peak collection times and other busy periods.

⁵ The Village has one full-time Tax Administrator and one part-time Assistant Tax Administrator.

⁶ The Village of Wintersville contracts with the Regional Income Tax Agency (RITA) to manage the Village's income tax process.

The 2000 Population ranges 4,100 to 4,500 with both Wellsville and Wintersville on the low-end and Coldwater on the high-end while the peer average equals 4,300.

Income tax department staffing ranges 0 to 2 with Wintersville and West Jefferson on the low- and high-ends, respectively while the peer average equals 1. Wellsville's staffing is one employee. The Village of Wintersville contracts with the Regional Income Tax Authority (RITA) to facilitate the Village's income tax process and does not maintain an Income Tax Department.

2001 income tax collections, net of refunds, ranges \$427,000 to \$1.2m with Wellsville and West Jefferson on the low- and high-ends, respectively while the peer average equals \$868,000. Wellsville's \$427,000 collections are \$441,000 and \$773,000 less than the peer average and West

Jefferson, respectively. West Jefferson maintains more industrial business presence than Wellsville. One particular business within West Jefferson generates more than \$200,000 annually.

2001 income tax expenditures, net of refunds, ranges \$12,000 to \$63,000 with Wintersville and West Jefferson on the low- and high-ends, respectively while the peer average equals \$43,000. Wellsville's \$44,000 expenditures are \$32,000 and \$1,000 more than Wintersville and the peer average, respectively and \$19,000 less than West Jefferson. Wintersville's \$12,000 expenditures represents the cost of contracting with RITA to facilitate that village's income tax process while West Jefferson maintains both a full- and part-time employee within the income tax department.

The percentage of 2001 expenditures, net of refunds versus 2001 collections, net of refunds, ranges 2 percent to 10.3 percent with Wintersville and Wellsville on the low- and high-ends, respectively while the peer average equals 4.6 percent. Wellsville's 10.3 percent cost of collections exceeds both the low-end and peer average by 8.3 percent and 5.7 percent, respectively.

Each Village maintains 1 percent councilmatic income tax. Coldwater and Wintersville grant credit for the full amount of taxes paid to another municipality while neither Wellsville nor West Jefferson grant any credits. Collections per capita ranges \$104 to \$283 with Wellsville and West Jefferson on the low- and high-ends, respectively while the peer average equals \$201. Wellsville's \$104 per capita is \$179 and \$97 less than West Jefferson and the peer average, respectively.

Filing / Taxpayer Identification

The Village does not have a mandatory filing requirement policy. The Village also does not grant reciprocity to Village residents who work within and pay income tax to other municipalities or non-Village residents who work within and pay income tax to Wellsville.

The Village does not impose a late filing fee on delinquent or non-filers; however, Village Ordinance No. 71-23 permits the larger of either a $\frac{1}{2}$ percent or \$5 penalty to be assessed on the outstanding balance each month for the first six months. The Ordinance also permits interest assessment at 6 percent annually on unpaid tax liabilities. The Ordinance further stipulates that persons required to file a return but failing to do so, filing a false return, or refusing to pay taxes, interest, or penalties shall incur certain punishments including fines up to \$500.

The Village utilizes several different tools to identify potential taxpayers. With the exception of 2002; once a year, in January, the Village obtains a report from the Ohio Department of Taxation that summarizes state tax returns filed by anyone within the 43968 zip code (Wellsville). The Income Tax Clerk also utilizes property transfers, listens for word of mouth and the local newspapers to alert her whenever a new business or tax payer arrives in the Village.

Delinquencies / Collections

Whenever payments are delinquent, or a filing is not made by the deadline, a “Delinquent” letter is sent to the taxpayer communicating the issuance of a summons to the Mayor’s Court. The Village believes the letters did not result in collections because the Mayor does not have the authority to strictly enforce the Village’s income tax ordinance. On March 1, 2002 the Village hired a Magistrate to oversee the civil prosecution of delinquent accounts. The Village believes the Magistrate will reduce the quantity of income tax delinquencies since that position has the authority to enforce the penalties and even confine violators.

In conjunction with hiring the Magistrate Village Council passed Resolution 02-01, which created a temporary amnesty period from January 15, 2002 until March 1, 2002 waiving any interest or penalties due if delinquent taxes were paid-in-full. This action resulted in the collection of approximately \$21,000 of delinquent income tax receipts.

Table 3-3 reflects the income tax delinquencies, by type, at December 31, 2001 while **Table 3-4** shows the total amount of refunds issued for fiscal years 1999 through 2001.

**Table 3-3: Income Tax Delinquencies
(rounded to the nearest \$100)**

Delinquency Account Type	12/31/01
Businesses / Individuals	\$44,000

Source: Compiled by the Village Income Tax Clerk from the income tax ledgers

The Income Tax Department does not maintain a summarized and “aged” list of income tax delinquencies. For purposes of this analysis, the Income Tax Clerk reviewed the Department’s records and compiled an income tax delinquency list which totaled approximately \$44,000. The list could not be readily “aged.” During January 2002, Village Council, via Resolution No. 02-01, authorized a temporary amnesty program from January 15, 2002 through March 1, 2002. The program waived all penalties and interest. Village management estimates this program yielded \$21,000 of past due collections.

**Table 3-4: Refunds
(rounded to the nearest \$100)**

Year	Wellsville	Coldwater	West Jefferson	Wintersville	Peer Average
1999	\$2,800	\$24,700	\$12,300	\$12,000	\$16,300
2000	7,000	13,600	41,800	16,100	23,800
2001	8,800	14,200	14,800	11,800	13,600
Average	\$6,200	\$17,500	\$23,000	\$13,300	\$17,900
Population	4,100	4,500	4,300	4,100	4,300
Refunds per capita (based upon the average refunds)	\$1.51	\$3.88	\$5.34	\$3.24	\$4.15

Source: Village appropriation ledger

The average refunds ranges \$6,200 to \$23,000 with Wellsville and West Jefferson on the low- and high-ends, respectively while the peer average equals \$17,900. Wellsville's \$6,200 average refunds are \$16,800 and \$11,700 less than West Jefferson and the peer average, respectively. Wellsville's 2001 and 2000 refund increases over 1999 are attributable to certain businesses which incorrectly overpaid quarterly estimates. The Income Tax Clerk believes the 2002 and beyond income tax refunds will return to the 1999 levels or lower.

The refunds per capita ranges \$1.51 to \$5.34 with Wellsville and West Jefferson on the low- and high-ends, respectively while the peer average equals \$4.15. Wellsville's \$1.51 refunds per capita are \$3.83 and \$2.64 less than West Jefferson and the peer average, respectively.

The Village accepts tax payments in the forms of cash, personal check, cashier's check, or money order / cashier's check. Payments and tax returns may be submitted via mail or delivered to the Income Tax Clerk's Office within the Village Hall. **Table 3-5** compares the acceptable methods of income tax payments for the Village and the peer villages.

Table 3-5: Methods of Payment

Method	Wellsville	Coldwater	West Jefferson	Wintersville
Cash	Yes	Yes	Yes	Yes
Personal Check	Yes	Yes	Yes	Yes
Money Order / Cashier's Check	Yes	Yes	Yes	Yes
Electronic Transfer	No	No	No	Yes
Credit Card	No	No	No	Yes

Source: Respective Village

Whenever cash, checks, or money orders / cashier's checks are received, a three-part deposit slip is completed. If payment is made at the Income Tax Department, the customer is issued a receipt. If payment is made by mail, the customer's canceled check serves as the receipt. At the end of each day (time permitting), the receipts are compiled and posted to the manual ledgers by the Income Tax Clerk. Business withholdings are paid quarterly or monthly.

Recording / Reporting

Income tax returns are reviewed upon receipt to determine whether all Village tax forms, W-2's, and any additional documents reconcile. The amount of tax due and income tax receipts from each tax return are recorded within the manual ledgers by the Income Tax Clerk. The Income Tax Clerk forwards a deposit slip copy for each deposit to the Assistant Clerk Treasurer. The Assistant Clerk Treasurer prepares a pay-in-order and records the receipts in the Village's cash book and receipt ledger.

Table 3-6 reflects the respective account coding used within the Income Tax Department.

Table 3-6: Income Tax Account Codes

Account Coding	General Description
1	Business accounts
4	Individual accounts

Source: Village of Wellsville Income Tax Department

The Village utilizes a manual ledger system to record and report income tax receipts and refunds. The Income Tax Clerk generates a monthly report which summarizes the number of filers and the month-to-date and year-to-date receipts for withholding, business, and individual accounts.

Reconciliation

The Income Tax Clerk prepares a three part deposit slip for all receipt sources (cash, check, etc.) received during the day. The deposit slip is reconciled to the "Daily Report-Cash Received" as well as the "Detailed Recording of Cash Received Report" forms. Deposits are prepared daily as needed with the exception of tax season, whenever the volume of returns filed does not permit time to review the returns in a single day. The deposits are made after the returns are reviewed. Receipts which are not immediately deposited in the bank are stored in a lockbox which is maintained within a locked, fireproof cabinet. Upon returning from the bank, the Income Tax Clerk files the deposit slip with the Assistant Clerk Treasurer.

Ordinances / Allocation

The purpose of a municipal income tax is to provide funds for general or specific municipal operations or other municipal purposes, such as servicing debt. The Village's income tax ordinance levies a tax on sources of income including, but not limited to:

- Salaries, wages, commissions, and other compensation earned by Village residents
- Salaries, wages, commissions, and other compensation earned by the nonresidents for work done or services performed within the Village
- Net profits earned of all resident unincorporated businesses, trades, professions, or other activities and enterprises
- Distributive share of net profits earned of a resident partner or owner of a nonresident, unincorporated business entity not attributable to the Village
- Net profits of all corporations derived from work performed or rendered and business or other activities conducted in the Village, whether or not such corporations have an office or place of business in the Village

Funds collected under the provisions of Village Ordinances are deposited into the General Fund and are required to be used as follows:

- 5% of the gross receipts shall be allocated to defray all costs of collecting the tax and enforcing the provisions of the ordinance
- Not more than 35% of the net available income tax receipts may be used to defray the operating expenses of the Village
- At least 60% of the net available income tax receipts shall be set aside and used for capital improvements for the Village including, but not limited to, development of storm sewers and street improvements, public buildings, parks and play grounds and for equipment necessary for the police, fire, street, and traffic safety departments.

Chart 3-2 details the gross income tax collections by income tax account type for fiscal years 1992 through 2001. Additionally, **Table 3-7** reflects total income tax collections versus inflation for the same periods.

**Table 3-7: Income Tax Collections Versus Inflation
(rounded to the nearest \$100)**

Fiscal Year	Total Collections	Percent Change	Inflation Percentage ¹	Annual Percent Change Over/(Under) Inflation
1992	\$333,500	--	--	--
1993	334,400	.26	2.99	(2.73)
1994	354,400	5.65	2.56	3.09
1995	377,100	6.02	2.83	3.19
1996	410,600	8.17	2.95	5.22
1997	412,600	.48	2.29	(1.81)
1998	432,800	4.67	1.56	3.11
1999	434,400	.37	2.21	(1.84)
2000	460,000	5.56	3.36	2.20
2001	427,100	(7.70)	2.80	(10.50)

Source: Wellsville Income Tax Department "Daily Record Cash Received" report, year-to-date column

¹ Obtained from the Federal Bureau of Labor Statistics website

Table 3-7 reflects that the Village's income tax collections exceeded the annual inflation percentage for fiscal years 1994 through 1996, and again in 1998 and 2000. However, collections did not meet annual inflation for 2 of the 3 previous fiscal years including 1999 and 2001.

Except for 2001, income tax collections increased each year since 1992. The Income Tax Clerk asserted the decrease in 2001 collections is primarily attributable to a decrease in employee withholding receipts. The Income Tax Clerk asserted several area businesses reduced staffing over the past years. Excluding Income Tax Refunds, the Departmental expenditures averaged \$44,700 (rounded) each year from 1999 through 2001 with very little variation between those years.

Annual income tax collections approximated \$434,000 from 1997 through 2001 and we forecasted income tax receipts to approximate this amount for the foreseeable future.

Findings/Recommendations

- F3.1 The Village initially enacted, via Village Council legislation, an income tax during 1971. The original legislation prescribed a 1 percent income tax rate for the 4 year period commencing January 1, 1972 and concluding December 31, 1975. The legislation further prescribed that not more than 40 percent of the net income tax receipts could be used to defray annual Village operating costs while at least 60 percent of the net income tax receipts must be used for certain capital expenditures. The Village subsequently renewed the income tax several times with multiple methods of use.

The most recent income tax Ordinance expired on December 31, 1990 and the Village allowed that income tax legislation to expire without further renewal. Therefore, the Village has assessed and collected income taxes from corporations, businesses, partnerships, and Village residents and nonresidents approximating \$4 million for fiscal years 1990 through 2001 and for the 5 months ended May 31, 2002 without an ordinance or other legislation authorizing the collection. Less importantly, those collections were not utilized as prescribed by the 1971 Council legislation as nearly all of the proceeds were used for annual operating costs.

- R3.1** The Village should immediately enact, via Village Council legislation, a continuing 1 percent income tax rate. For the foreseeable future, the income tax proceeds should be recorded within the General Fund and used solely for general operating costs of the Village. Additionally, the Village should seek legal advice from both the Village Solicitor and the Columbiana County Prosecutor and obtain a sufficient resolution from those parties.

For the purposes of this Performance Audit, we still performed our income tax analysis as though the Village assessed and collected a valid income tax.

The Village should also update the income tax ordinance to reflect existing village practices or even best practices. For example, the Village should institute mandatory filing requirements; clarify outdated language; define taxable income using exclusive language, instead of inclusive language; develop a delinquent accounts policy including sending correspondence, as necessary; and develop monitoring practices outside the income tax office (i.e., someone should periodically perform certain review procedures).

During June 2002, the Village passed a continuing 1 percent income tax; however, the Village still needs to resolve the income tax assessment and collection issue for the previous 12 year period.

- F3.2 The Village obtains the annual state report that lists all state returns filed by individuals and businesses within Wellsville's zip code. The report is matched line by line to the Village's

manual ledger by the Income Tax Clerk. Names appearing on the report, but not on the system, are sent a Village of Wellsville income tax packet. The manner in which the Village reviews the report helps the Village to better identify its potential taxpayers, and consequently to maximize its income tax receipts.

R3.2 Although the Village uses the state report for comparison, the Income Tax Clerk does not know the exact Village boundaries. The State report includes all state filers with the 43968 zip code (Wellsville) as their mailing addresses, which extends beyond the Village limits. The Village should determine the exact Village boundaries by street name and house number, so a determination can be made when comparing the Village maintained tax payer population to the state report. The Village should also use other means to identify potential tax payers including the post office, utility records, and information from the local school district.

F3.3 The Village assesses a penalty and interest on delinquent accounts; however, the amount of the penalties and interest are not established at sufficient levels to actually encourage compliance with village ordinances. The income tax ordinance reflects the delinquent accounts are charged six percent interest and an additional one half percent for the first six months or five dollars, which ever is greater as an additional penalty.

R3.3 The Village should increase its penalty and interest levels and consider increasing them to some higher amounts.

The data to calculate a *Financial Implication* was not readily available. Although a *Financial Implication* certainly exists, the exact amount was unable to be quantified.

F3.4 Certain income tax daily receipts were not deposited for several days with the Assistant Clerk Treasurer or designated depository after initial receipt of the money. Delays of this nature could cause Village daily receipts to be lost or misplaced without being detected in a timely manner.

R3.4 The Village should implement House Bill 220 (Auditor of State Bulletin 99-020) relative to depositing requirements and procedures. This House Bill requires that monies be deposited on the next business day if the amount of daily receipts exceed \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

F3.5 The entire income tax process is completely a manual system. Therefore, certain efficiencies are not realized and data analysis including past and forecasting cannot be readily performed.

- R3.5** The Village should purchase some hardware and off-the-shelf software for the Income Tax Office and transition the income tax record maintenance from a manual process to a computerized process. Employee efficiencies will likely result and financial and nonfinancial analysis could be more easily developed. For example, rather than reviewing all of the manual records to compile a list of delinquent tax payers or non filers, that information could be easily accessed and subsequently reviewed in real-time.
- F3.6 The Village does not maintain a write-off or uncollectible accounts policy and historically, the Village has not written-off long-over due accounts. Overall, delinquencies have increased from \$9,600 in 1999 to \$23,000 in 2001. Due to the recent age, the \$13,400 is likely more collectible than the older balances. The delinquencies do not reflect non filers. The information to calculate or estimate the delinquency related to non filers was not readily available.

The Village should develop and implement a policy regarding the management of long-outstanding delinquencies. The policy should prescribe write-off criteria, as well as outline plans to forward long-outstanding balances to collection agencies. During the spring of 2002, the Village hired a Magistrate to facilitate delinquency process (See the **other matters** section for a more detailed discussion of the Magistrate).

Scenario A Impact: Delinquencies increased \$13,400 from 1999 to 2001. We estimate increased collection efforts could result in a one-time positive financial impact approximating \$10,000 for the General Fund.

- F3.7 The Village's Fiscal Office consists two full-time employees. The Assistant Clerk Treasurer maintains the accounting and payroll related records while the Income Tax Administrator maintains the income tax and certain leave records. As reflected within **Table 3-1**, the cost to administer the Village's income tax process approximated \$53,000 each year for 2000 and 2001 while Wellsville's 2001 expenditures, net of refunds versus 2001 collections, net of refunds, exceeded 10 percent while the peer average equaled 4.6 percent and ranged 2 to 6.8 percent. Additionally, the Village of Wintersville (comparable in population and annual income tax receipts collected) contracts with RITA to collect/process the Village income tax process for approximately \$12,000 a year. The Village of Wintersville does not employ any income tax personnel. Rather, except for managing delinquent accounts, RITA facilitates all aspects of the Village's income tax.

- R3.6** The Village should consider outsourcing the administration of the income tax ordinance(s) and contract with an agency such as the Regional Income Tax Agency (RITA). RITA is an agency created by the Regional Council of Governments (RCOG), a not-for-profit organization established under ORC Chapter 167 to handle the mutual tax problems and concerns of its participants. RITA offers services including:

- Tax payer registration
- Quarterly and monthly billing
- Lockbox services
- Delinquent tax collections
- Subpoena programs
- Civil suits
- Complete record control/information retention
- Printing and mailing
- Computer services

RITA allocates costs to the participants according to the following formula:

1. The total cost of the agency multiplied by a factor consisting of the number of transactions processed for the individual municipality divided by the total number of transactions processed by all municipalities.
2. The total cost of the agency multiplied by a factor consisting of the receipts collected for the individual municipality divided by the total receipts for all municipalities.
3. Add step 1 and step 2.
4. The sum of steps 1 and 2 (step 3) shall be divided by two to arrive at the individual municipality's cost.

For 2001, the average cost per municipality was less than 2 percent of gross receipts collected while the range was .72 percent to 4.49 percent. The average cost is expected to increase to approximately 3% of gross receipts collected per municipality for 2002, due to computer upgrades.

In order to contract with RITA, the Village would need to implement mandatory filing requirements. In addition, certain limited functions may need to be performed by the Village depending on the level of RITA service it contracts.

Scenario B Financial Implication: The General Fund will be negatively impacted by approximately \$13,000 for fiscal years 2003 through 2007 if the Village contracted with RITA. The \$13,000 assumes gross income tax receipts approximate \$434,000 and RITA will charge 3% of gross income tax receipts to facilitate the income tax process.

The Village will be positively impacted by approximately \$40,000 if the income tax process transitions to RITA. The \$40,000 assumes the average Fiscal Department employee salaries and benefits and supplies and materials approximates \$38,000 and \$2,000, respectively. The Village will incur certain employee costs approximating \$10,000 for this transition;

therefore, the 2003 savings will be reduced to \$30,000. If the employee had remained and received annual wage increases, the 2004 through 2007 savings would approximate \$41,200; \$42,400; \$43,700; and \$45,000, respectively.

The net positive impact will approximate \$17,000 for 2003 and \$27,000 for 2004 through 2007.

- F3.8 The Village does not maintain updated job descriptions for the Income Tax Clerk. The Department has not utilized job descriptions in the past. When such job descriptions are absent from a work environment, employees may unknowingly omit responsibilities that they were hired to address. Conversely, the employees may also perform activities that are not their responsibilities, or may duplicate efforts of other employees.
- R3.7** The Village should create and periodically update job descriptions for all employees.
- F3.9 On several occasions, Village Council previously discussed and even passed several resolutions and ordinances to present an additional .5 percent income tax rate to the voters for consideration. However, those issues were never placed on a ballot and presented to the voters.

This page intentionally left blank.

Employee Benefits

Background

Certain issues regarding employee benefits for the Village of Wellsville (the Village) have been assessed and compared to peer villages and illustrated in the following pages.

The Village's employees are either represented by the American Federation of State, County, and Municipal Employees Local 1869 (AFSCME) or are considered "ordinance" (i.e. non unionized) employees whose wages and benefits are established through Village Council action. The Village's 6 AFSCME members include 3 street department employees, a cemetery department employee, and the income tax clerk and assistant clerk/treasurer. The remaining 46 full- and part-time employees are "ordinance" employees which includes 25 call-paid firefighters.

The peer village's employees are not represented by a union. For purposes of this **employee benefits** section, the term "service personnel" will be used interchangeably with "AFSCME employees." The terminology for the Village's ordinance employees is similar to the peer villages.

The Village's most recent AFSCME contract expired on February 28, 2001; however, the terms and conditions of that expired agreement continue to be applied to the AFSCME employees. For purposes of our analysis, we assumed the contract remained in effect. Unlike ordinance employees, the implicit assumption is that immediate implementation of any of the associated contractual recommendations will require some type of union negotiations.

The analysis within the **fire department** section includes either contracting with the City of East Liverpool to manage, coordinate, and facilitate the Village's police and fire dispatch services and as a result, realize certain fire department staffing level reductions or obtaining additional financial resources to fully supplement that department's operating costs. The employee benefits associated with the proposed staffing reductions within the **fire department** section are analyzed within this section.

During 2002, the Village officials enacted several changes to improve the Village's financial condition. Many of these Village decisions related to employee benefits and are therefore reflected within this **employee benefits** section. We summarized these employee benefit items within this section and calculated the financial impact.

Table 4-1 shows the classification and staffing levels for the Village as of May 2002.

**Table 4-1: Employee Classification and Staffing
As of May 2002**

Section	Employees	FTEs	Contract/Ordinance
AFSCME	6	6 ²	Contract
Fire Department	28 ¹	3.75 ³	Ordinance
Police Department	14	8 ⁴	Ordinance
Administrative	4	2.3 ⁵	Ordinance
Total Employees/FTEs	52	20	--

Source: Wellsville payroll roster

¹ Includes pool of 25 call-paid firefighters.

² Includes 3 street employees, a cemetery employee, and the income tax clerk and assistant clerk/treasurer.

³ Includes 3 firefighters and .75 "extra men." Each of the 5 "extra men" is considered 0.15 FTEs.

⁴ Includes 6 police officers and 2 part-time patrol officers. Each of the 8 part-time patrol officers is considered 0.25 FTEs.

⁵ Includes mayor (0.8), mayor's secretary (0.8), solicitor (0.2) and administrator/fiscal officer (0.5).

Table 4-2 summarizes employee work hours for Wellsville and the peer villages.

Table 4-2: Employee Work Hours

	Wellsville	Coldwater	West Jefferson	Wintersville
Service Personnel	8 hour shift 40 hours/week 2,080 hours/year	8 hour shift 40 hours/week 2,080 hours/year	8 hour shift 40 hours/week 2,080 hours/year	8 hour shift 40 hours/week 2,080 hours/year
Fire Department	8 hour shift 40 hours/week 2,080 hours/year	--	--	--
Police Department	8 hour shift 40 hours/week 2,080 hours/year	8 hour shift 40 hours/week 2,080 hours/year	4 Officers: 10 hour shifts 40 hours/week; 6 Officers: 8 hour shifts 40 hours/week; 2,080 hours/year	8.6 hour shift 43 hours/week 171 hours/month 2,223 hours/year

Source: Wellsville AFSCME contract and Village ordinances, respective peer villages' policy manuals and/or interviews

Note: The peers have street and maintenance employees but do not have cemetery employees.

Except for Coldwater, which maintains a volunteer fire department and has a chief and an assistant chief, none of the peers maintain fire departments or associated employees. The two Coldwater employees work approximately 2 hours per week. For purposes of this analysis, we did not calculate an FTE for those 2 employees.

Service personnel in Wellsville and the peer villages maintain comparable shifts and work hours. Except for Coldwater, none of the peers maintain fire departments or associated employees. The two Coldwater employees, combined, work approximately four hours a week. Wellsville and Coldwater police employees work customary 8 hour shifts and total 40 hours each week. West Jefferson police employees work either 10 or 8 hour shifts and total 40 hours each week, while Wintersville police employees work, on average, 8.6 hour shifts and total 43 hours each week. Wintersville police employees are paid at 1.5 times their regular rate of pay for hours in excess of 171 hours a month.

Findings/Recommendations

F4.1 **Tables 4-3** through **4-5** reflect the hourly wages for Wellsville and the peer villages. The hourly wages for Wellsville and Wintersville include longevity pay. Of the peer villages, only Wintersville offers longevity pay, which totals \$100 each year.

Table 4-3 compares the hourly wages for service or similar personnel of Wellsville and the peer villages.

Table 4-3: Service Personnel Hourly Wages

Area/ Position	Wellsville	Coldwater	West Jefferson	Winters- ville	Peer Average	Dollar Difference ¹	% (Under) ¹
Street	\$12.35 ²	\$13.45	\$13.25	\$11.13	\$12.61	(\$0.26)	(2%)
Cemetery	14.52	--	--	--	--	--	--
Assistant Clerk/ Treasurer	9.67	10.48	12.72	11.31	11.50	(1.83)	(16)
Income Tax	12.67	11.83	13.97	--	12.90	(0.23)	(2)

Source: Respective village's payroll roster and/or interviews

Note: Hourly wages include longevity pay for Wellsville and Wintersville, if eligible.

¹ Comparison made between Wellsville and peer average.

² Amount based upon the average general maintenance employee, mechanic, and heavy machine operator rates.

Wellsville street department employees earn an average of \$12.35, each hour, which is \$0.26 or approximately 2 percent less than the peer average. Wintersville street department employees earn the least at \$11.13 while Coldwater street department employees earn the most at \$13.45. Assuming a 2,080 hour work year, each Wellsville street department employee earns roughly \$500 less than the peer average.

Wellsville is the only village among its peers which owns, operates, and maintains a cemetery (See the **cemetery department** section for more information on Wellville's cemetery operations).

Wellsville's assistant clerk/treasurer earns the least at \$9.67 each hour, which is \$1.83 or approximately 16 percent less than the peer average. West Jefferson's assistant clerk/treasurer earns the most at \$12.72 while Coldwater's assistant clerk/treasurer earns the closest to Wellsville at \$10.48. Assuming a 2,080 hour work year, Wellsville's assistant clerk/treasurer earns roughly \$3,800 less than the peer average.

Wellsville's income tax clerk earns \$12.67 each hour, which is \$0.23 or approximately 2 percent less than the peer average. West Jefferson's income tax clerk earns the most at \$13.97 while Coldwater's income tax clerk earns the least at \$11.83. Assuming a 2,080 hour work year, Wellsville's income tax clerk earns roughly \$500 less than the peer average.

Table 4-4 reflects the hourly wages for Wellsville's fire department employees. Of the four villages, only Wellsville maintains full-time fire department employees (See the **fire department** section for further discussion of the Village's fire department).

Table 4-4: Fire Department Hourly Wages

Position	Wellsville	Coldwater	West Jefferson	Winters-ville
Fire Chief	\$13.44	--	--	--
Assistant Fire Chief	12.47	--	--	--
Firefighter ¹	11.78	--	--	--
"Extra men"	7.50	--	--	--
Call-paid	7.00	--	--	--

Source: Respective village's payroll roster and/or interviews

¹ Includes longevity pay.

Table 4-5 compares the hourly wages for police department employees of Wellsville and the peer villages.

Table 4-5: Police Department Hourly Wages

Position	Wellsville	Coldwater	West Jefferson	Wintersville	Peer Average	Dollar Difference ¹	% (Under) ¹
Chief	\$18.01	\$18.24	\$19.20	\$16.77	\$18.07	(\$0.06)	(0.3%)
Lieutenant ²	15.79	--	17.68	--	17.68	(1.89)	(11)
Sergeant ²	--	15.40	16.93	14.45	15.59	--	--
Full-Time Patrol Officers ³	12.46	14.60	15.78	13.47	14.62	(2.16)	(15)
Part-Time Patrol Officers ²	7.50	10.16	13.31	11.09	11.52	(4.02)	(35)

Source: Respective village's payroll roster and/or interviews

Note: Hourly wages include longevity pay for Wellsville and Wintersville employees, if eligible.

¹ Comparison made between Wellsville and peer average.

² Hourly wage presented reflects the highest wage for the respective position.

³ Hourly wage presented for patrol officers reflects an average hourly wage.

Wellsville's chief of police earns \$18.01, each hour, which is slightly less than the peer average. West Jefferson's chief of police earns the most, at \$19.20 while Wintersville earns the least, at \$16.77. Assuming a 2,080 hour work year, Wellsville's chief of police earns roughly \$125 less than the peer average. Overall, Wellsville's chief of police rate of pay is comparable to the peer average.

Wellsville's lieutenant earns \$15.79, each hour, which is \$1.89, or approximately 11 percent, less than the peer average. West Jefferson's lieutenants earn the most, at \$17.68. Coldwater and Wintersville do not have lieutenants ranks. Assuming a 2,080 hour work year, Wellsville's lieutenant earns roughly \$3,900 less than West Jefferson.

Wellsville's police department does not have the rank of sergeant in its authorized staffing structure. Coldwater has one sergeant, West Jefferson has two sergeants, and Wintersville has two sergeants including a detective.

Wellsville's full-time patrol officers earn the least at \$12.46, each hour, which is \$2.16, or approximately 15 percent, less than the peer average. West Jefferson's full-time patrol officers earn the most, at \$15.78 while Wintersville's full-time patrol officers earn the closest to Wellsville, at \$13.47. Assuming a 2,080 hour work year, each Wellsville full-time patrol officer earns roughly \$4,500 less than the peer average.

Wellsville's full-time patrol officers also receive an additional \$300 bonus each year if the employee used two or fewer days of personal leave, and did not use any of the accumulated sick time for one year.

Wellsville's part-time patrol officers earn the least at \$7.50, each hour, which is \$4.02, or approximately 35 percent, less than the peer average. West Jefferson's part-time patrol officers earn the most, at \$13.31 while Coldwater's part-time patrol officers earn the closest to Wellsville, at \$10.16.

Excluding a \$300 incentive offered to police personnel if certain leave is limited, Wellsville's hourly wages (including longevity) for service and police department employees are approximately 8 percent and 21 percent lower than the peer averages, respectively. The peers do not have full-time fire department employees; therefore, wage rate comparisons were not made. Similar to police department employees, fire department employees receive a \$200 incentive if certain leave is limited.

F4.2 **Table 4-6** reflects the Sunday premium pay for Wellsville's fire department employees.

Table 4-6: Sunday Premium Pay

	Wellsville	Coldwater	West Jefferson	Wintersville
Fire Department	8 hour shift paid at 1.5 times regular rate of pay	--	--	--

Source: Wellsville Village ordinance

Although Sunday is a normal working day for the fire department, the Village pays a premium to each full-time firefighter, who works that day. The premium pay covers each of the three 8 hour shifts.

During May 2002, the Village eliminated the Sunday premium pay. Unless, the employees are in overtime status, the employees are now paid at their regular rate of pay to cover the three Sunday shifts.

Scenario A Impact: Assuming only full-time employees staff the Sunday shifts and the incremental shift premium (i.e., the difference between the regular pay rate and premium pay rate) totals \$170 per all 3 shifts, the Village will save \$170 each Sunday. Based upon 52 weeks a year, the Village will save \$6,000 from May 2002 through the remainder of fiscal year 2002 and \$9,000 during 2003.

The General Fund or Special Revenue Fire Levy Fund will be impacted by this decision. We assumed the Village would decrease the General Fund Operating Transfer to the Special Revenue Fire Levy Fund. Therefore, we reflected the positive financial impact within the General Fund. The Village could alternatively reflect the impact within the Special Revenue Fire Levy Fund.

F4.3 **Table 4-7** compares longevity pay for Wellsville and the peer villages.

Table 4-7: Longevity Pay (All Employees)

	Wellsville	Coldwater	West Jefferson	Wintersville
Service Personnel	\$2.06/hour ¹	--	--	\$.05/hour
Ordinance Employees	\$1.03/hour ²	--	--	\$.05/hour
Longevity Calculation	.01 times years of service, times hourly rate; added to the base hourly rate	--	--	\$100 paid to each full-time employee at beginning of each year

Source: Wellsville AFSCME contract, Village ordinance, and peer interviews

Note: Neither Coldwater nor West Jefferson offer longevity pay.

¹ Approximates the average longevity pay for the AFSCME employees, who receive this benefit.

² Approximates the average longevity pay for the ordinance employees, who receive this benefit.

Historically, longevity pay was not capped for either AFSCME or ordinance employees. Rather, the longevity pay was initially established at 1 percent for each year of Village service. During 1992 and 1996, the Village capped both the fire and police departments (i.e., ordinance employees), respectively at 10 percent. Any ordinance employee who already exceeded a 10 percent longevity benefit before the 1992 and 1996 policy changes was permitted to maintain the percentages in effect at those times. However, their benefit remains fixed at that level with no future increases. Meanwhile, the AFSCME employees receive the benefit without a ceiling.

Neither Coldwater nor West Jefferson offer longevity pay while Wintersville offers a modest \$100 each year or approximately \$.05 an hour to each employee. Wellsville's longevity benefit approximates \$2 and \$1 an hour for service and ordinance employees, respectively. As previously reflected, even with this higher benefit, Wellsville's hourly rates for service and police department employees are approximately 8 percent and 21 percent lower than the peer averages, respectively. The peers do not have full-time fire department employees; therefore, wage rate comparisons were not made.

- F4.4 **Table 4-8** compares the call-out and hold-over pay for service employees of Wellsville and the peer villages.

Table 4-8: Service Personnel Call-Out and Hold-Over Pay

	Wellsville	Coldwater ¹	West Jefferson	Wintersville
Call-Out Pay	minimum of 2 hours paid at 1.5 times regular hourly rate	actual hours worked at 1.5 times regular hourly rate	minimum of 2 hours paid at 1.5 times regular hourly rate	actual hours worked at 1.5 times regular hourly rate
Hold-Over Pay	1.5 times regular hourly rate	1.5 times regular hourly rate	1.5 times regular hourly rate	1.5 times regular hourly rate

Source: Wellsville AFSCME contract, peer village ordinances, employee benefit documents and interviews

¹One of 6 employees (2 street, 2 water and 2 sewer) are on-call every week and are also paid an additional lump sum of \$160 standby pay for the week.

Both Wellsville and West Jefferson provide a minimum of 2 hours at 1.5 times the hourly rate while both Coldwater and Wintersville pay actual hours worked at 1.5 times the regular rate of pay. Coldwater pays \$160 to the employee designated as “on-call.”

All of the Villages merely consider “hold-over” as overtime and pay it at 1.5 times the hourly rate of pay.

R4.1 During the next bargaining unit negotiation session, the Village and union should reduce the call-out provision to actual hours worked at 1.5 times the regular rate of pay or require employees to perform other duties until 2 hours are worked. This reduction would align Wellsville with Coldwater and Wintersville.

The data to calculate a *Financial Implication* was not readily available. Although a *Financial Implication* certainly exists, the exact amount was unable to be quantified.

F4.5 **Table 4-9** compares the call-out and court-time pay for police department employees of Wellsville and the peer villages.

Table 4-9: Police Department Call-Out and Court-Time Pay

	Wellsville	Coldwater	West Jefferson	Wintersville
Call-Out Pay	1.5 times regular hourly rate	1.5 times regular hourly rate	1.5 times regular hourly rate	regular hourly rate
Court-Time	1.5 times the regular hourly rate for time beyond scheduled daily shift	1.5 times the regular hourly rate for time beyond the total scheduled monthly shifts (160 hours/month)	1.5 times the regular hourly rate for time beyond the total scheduled monthly shifts (160 hours/month)	1.5 times the regular hourly rate for time beyond the total scheduled monthly shifts (171 hours/month)

Source: Respective Village

Wellsville's call-out pay mirrors Coldwater and West Jefferson while Wintersville only pays the regular rate of pay. Wellsville court-time pay is different from the peers. The Village pays 1.5 times the regular hourly rate for hours in excess of the normal 8 hour shift, while Coldwater and West Jefferson pay a similar rate for hours in excess of 160 hours per month, and Wintersville pays a similar rate for hours in excess of 171 hours per month.

- R4.2** The Village should change the court-time pay to reflect 1.5 times the regular hourly rate for hours in excess of 160 per month. This will more closely align Wellsville with the peer villages.

The data to calculate a *Financial Implication* was not readily available. Although a *Financial Implication* certainly exists, the exact amount was unable to be quantified.

- F4.6 The Fair Labor Standards Act (FLSA) requires a premium wage (i.e., overtime) to be paid only for hours worked in excess of 40 hours during a given work week, commonly referred to as "standard work week." This requirement is also reflected in ORC Section 124.18. The Village, however, pays full-time service personnel and "ordinance" employees overtime when the employee works more than 8 hours during any work day.

In determining the total hours worked, an organization is not required by FLSA or the ORC to include hours in active pay status when work is not actually performed. Examples of hours that are not required to be included as time worked include sick leave, personal leave, professional leave, vacation leave and holiday leave. A policy which excludes sick leave hours from the total work hours used to calculate eligibility for overtime pay eliminates the increased cost of compensating employees for hours charged for leave usage which does not contribute to village operations. Such a policy is consistent with the FLSA.

- R4.3** For ordinance employees, the Village should consider changing to the minimum FLSA work rule and only pay overtime for hours actually worked in excess of 40 hours in a particular week. Meanwhile, during the next bargaining unit negotiation session, the Village and union should similarly adjust the work rule to hours actually worked in excess of 40 hours in a particular week. These changes would align Wellsville with the peers. Alternatively, only certain leave types could be excluded from the determination.
- F4.7 **Table 4-10** reflects the fire safety inspector certification pay, hazard pay, education incentive, and gasoline allowance for Wellsville's fire department employees.

Table 4-10: Fire Department Fire Safety Inspector Certification, Hazard Pay, Education Incentive, and Gasoline Allowance

Certification	Wellsville	Coldwater	West Jefferson	Wintersville
Fire Safety Inspector Certification	\$240/year	--	--	--
Hazard Pay	\$840/year	--	--	--
Education Incentive	\$1,000/year	--	--	--
Gasoline Allowance	\$200/year ¹	--	--	--

Source: Wellsville Village ordinance

¹ Only the fire chief is eligible to receive the gasoline allowance.

The fire chief is the only one who receives the Fire Safety Inspector Certification (FSIC) allowance. All full-time employees receive the hazard pay and are eligible for the Education Incentive. Historically, only the fire chief uses the Education Incentive. The fire chief is the only fire department employee who receives the gasoline allowance.

During May 2002, the Village eliminated the Hazard Pay. Our analysis within the **fire department** section suggests the Village should out source its dispatch services and focus efforts to improve the Village's ISO rating. The Village should determine whether FSIC and Education Incentive may help improve the ISO rating. If so, the Village should consider offering these or some limited versions to the call-paid staff.

Scenario A Impact: Based upon this decision, the Village will save \$1,700 from May 2002 through the remainder of fiscal year 2002 and \$2,500 during 2003.

The General Fund or Special Revenue Fire Levy Fund will be impacted by this decision. We assumed the Village would decrease the General Fund Operating Transfer to the Special Revenue Fire Levy Fund. Therefore, we reflected the positive financial impact within the General Fund. The Village could alternatively reflect the impact within the Special Revenue Fire Levy Fund.

F4.8 **Table 4-11** reflects the uniform allowance for Wellsville's fire department employees.

Table 4-11: Fire Department Yearly Uniform Allowance

Position	Wellsville	Coldwater	West Jefferson	Wintersville
Fire Chief	\$425	--	--	--
Assistant Fire Chief	425	--	--	--
Firefighter	425	--	--	--

Source: Wellsville Village ordinance

During May 2002, the Village reduced the uniform allowance from \$425 to \$175 for the 3 full-time employees.

Scenario A Impact: Based upon this decision, the Village will save \$750 (rounded to \$800) during 2003.

R4.4 *Scenario B Financial Implication:* Assuming the Village out-sources its dispatch services and reduces its staffing level to 1 FTE, the Village would save \$350 (rounded to \$400) related to the uniform allowance during 2003.

The General Fund or Special Revenue Fire Levy Fund will be impacted by this decision. We assumed the Village would decrease the General Fund Operating Transfer to the Special Revenue Fire Levy Fund. Therefore, we reflected the positive financial impact within the General Fund. The Village could alternatively reflect the impact within the Special Revenue Fire Levy Fund.

F4.9 **Table 4-12** compares Wellsville police department employees' yearly uniform allowance to the peer villages.

Table 4-12: Police Department Yearly Uniform Allowance

Position	Wellsville	Coldwater ¹	West Jefferson ²	Wintersville	Peer Average	Dollar Difference ³	% Over ³
Police Chief	--	\$500	--	\$150	\$325	--	--
Lieutenant	--	500	--	150	325	--	--
Patrol Officer	\$475	500	--	150	325	150	46%

Source: Respective Villages' ordinance and policy manuals

¹ Includes both Uniform and Cleaning Allowances.

² West Jefferson pays for uniform purchase and dry cleaning on an as-needed basis.

³ Comparison made between Wellsville and the peer average.

Wellsville's police chief and lieutenant do not receive a uniform allowance. Wellsville patrol officers receive \$475 each year, which is \$150 or approximately 46 percent more than the peer average. All Wintersville police employees receive \$150 while Coldwater police employees receive \$500. West Jefferson police employees do not receive a standard yearly amount; however, the village pays for the purchase and cleaning of uniforms on an as-needed basis.

During January 2002, the Village reduced the patrol officer uniform allowance from \$475 to \$175 and increased the chief and lieutenant uniform allowance from \$0 to \$175.

Scenario A Impact: Assuming 4 full-time patrol officers historically received nearly \$1,900 and those patrol officers, the chief, and lieutenant will now collectively receive \$1,000 each year, the Village will save \$900 during 2003.

The General Fund or Police Salary Levy Fund will be impacted by this decision. We assumed the Village would incur the police department financial savings within the General Fund. Therefore, we reflected the positive financial impact within the General Fund. The Village could alternatively reflect the impact within the Special Revenue Police Salary Levy Fund.

- F4.10 **Tables 4-13 through 4-15** summarize the various categories of time-off including sick leave holidays, personal leave, and bereavement leave for Wellsville and the peer villages.

Table 4-13 reflects time-off for service personnel for Wellsville and the peers.

Table 4-13: Service Personnel Time-Off (each year, in days)

	Wellsville	Coldwater	West Jefferson	Wintersville
Sick Leave	15 ¹	15	15 ¹	13 ³
Holidays	11	8	10	12
Personal Leave	5	Employees earn by accumulating sick hours: 8 hours at 1,400 sick hours, 16 hours at 1,760 sick hours, 24 hours at 2,000 sick hours. ²	--	--
Bereavement Leave	3	3	3	3

Source: Wellsville's AFSCME contract and ordinances, respective peer villages' policy manuals, and ORC Section 124.38

¹ 4.6 hours/80 hours; 119.6 hours/year.

² Village of Coldwater employee policy manual.

³ 4.0 hours/80 hours; 104 hours/year.

Table 4-14 reflects time-off for Wellsville's fire department employees.

Table 4-14: Fire Department Time-Off (each year, in days)

	Wellsville	Coldwater	West Jefferson	Wintersville
Sick Leave	15 ¹	--	--	--
Holiday	11	--	--	--
Personal Day	5	--	--	--
Bereavement Day	3	--	--	--

Source: Wellsville ordinances and ORC Section. 124.38

¹ 4.6 hours/ 80 hours; 119.6 hours/ year.

Table 4-15 reflects time-off for police department employees of Wellsville and the peers.

Table 4-15: Police Department Time-Off (each year, in days)

	Wellsville	Coldwater	West Jefferson	Wintersville
Police Chief and Lieutenant/Sergeant				
Sick Leave	15 ¹	15	15	13
Holidays	10	8	10	12
Personal Leave	5	Employees earn by accumulating sick hours: 8 hours at 1,400 sick hours, 16 hours at 1,760 sick hours, 24 hours at 2,000 sick hours. ³	--	--
Bereavement Leave	3	3	3	3
Patrol Officer				
Sick Leave	16 ²	15	15	13
Holidays	8	8	10	12
Personal Leave	3	Employees earn by accumulating sick hours: 8 hours at 1,400 sick hours, 16 hours at 1,760 sick hours, 24 hours at 2,000 sick hours.	--	--
Bereavement Leave	3	3	3	3

Source: Wellsville ordinances, respective peer villages' ordinances, policy manuals and interviews

¹ 4.6 hours/80 hours; 119.6 hours/year; may accumulate sick leave without limit, ordinance number 96-12.

² 5 hours/ 80 hours; 130 hours / year; may accumulate sick leave to a maximum of 180 days, ordinance numbers 96-17 and 00-17.

With the exception of personal leave, Wellsville's leave benefits are commensurate with the peers. However, the Village's leave types are allocated somewhat differently for various positions. For instance, Wellsville grants 5 personal leave days to Village employees except for police officers. Whereas, Coldwater, the only peer that grants personal leave days, allows employees to earn a maximum of 3 personal days only after accumulating 2,000 sick hours. The other notable difference in leave benefits involves holiday leave. Wellsville grants, except to patrol officers, an employee's birthday as a holiday. For comparative purposes, ORC Section 124.19, delineates 10 state holidays. Additionally, as enumerated in pertinent Village ordinances, the AFSCME contract and ORC Section 124.18, anytime

an employee works a holiday, the employee wage rate increases to 2.5 times regular hourly pay.

- R4.5** The Village should reduce the number of personal days given to service personnel, fire department employees, the police chief and lieutenant from five to three. This reduction would align Wellsville with Coldwater, the only other village among its peers that offers personal days.

The Village should exclude birthdays as holidays for employee benefits. This will place the Village more inline with ORC Section 124.18 and help reduce personnel costs and ensure the Village pays for work actually performed.

The data to calculate a *Financial Implication* was not readily available. Although a *Financial Implication* certainly exists, the exact amount was unable to be quantified.

- F4.11 **Tables 4-16** through **4-18** summarize vacation leave for Wellsville and the peer villages. All Wellsville employees are provided their annual vacation leave entitlement on January 1, each year.

An employee's leave, regardless of type, should not be considered the sole employer cost. Rather, in many instances, whenever an employee enters some type of leave status, another Village employee is called in to work. As a result, the Village pays one employee, at the regular pay rate, while often paying another employee a premium pay rate. Therefore, reasonable leave accrual rates and effective leave management are essential for maintaining efficient Village operations and financial stability.

Table 4-16 reflects vacation leave for service personnel of Wellsville and the peer villages.

Table 4-16: Service Personnel Vacation Leave (each year, in days)

Years of Service	Wellsville¹	Coldwater	West Jefferson	Wintersville
more than 1 year	10	10	10	13
more than 5 years	15	--	--	--
more than 8 years	--	15	15	--
more than 10 years	20	--	--	--
more than 15 years	25	20	20	20
more than 20 years	30	--	--	26
more than 25 years	--	25	25	30

Source: Wellsville AFSCME contract and respective peer villages' ordinances, policy manuals and interviews

Note: AFSCME employees may accrue vacation leave for up to 3 years.

¹ Wellsville AFSCME employees receive 3 additional vacation days with accumulation of 120 days of sick leave.

Wellsville and the peer villages, with the exception of Wintersville, service personnel earn 10 vacation days after one year of service. Wintersville service personnel earn 13 days after one year. However, the vacation leave rates among the villages begins to change beyond 5 years. Overall, Coldwater and West Jefferson employees earn the least vacation, up to 25 days, while Wellsville and Wintersville employees earn the most vacation, up to 30 days. Wellsville employees, however, begin earning the 30 days 5 years earlier than Wintersville.

F4.12 **Table 4-17** reflects vacation leave for Wellsville's fire department employees.

Table 4-17: Fire Department Vacation Leave (each year, in days)

Years of Service	Wellsville¹	Coldwater	West Jefferson	Wintersville
more than 1 year	10	--	--	--
more than 5 years	15	--	--	--
more than 10 years	20	--	--	--
more than 15 years	25	--	--	--
more than 20 years	30	--	--	--
more than 25 years	35	--	--	--

Source: Wellsville employee ordinances

¹All full-time fire department employees receive 3 additional vacation days with accumulation of 120 days of sick leave. Fire employees are also allowed to carry over vacation leave of up to 5 days from one year to the other.

Wellsville full-time fire department employees earn the most vacation leave time of any employee of the village with 35 days.

F4.13 **Table 4-18** reflects vacation leave for police department employees of Wellsville and the peers.

Table 4-18: Police Department Vacation Leave (each year, in days)

Years of Service	Wellsville	Coldwater	West Jefferson	Wintersville
more than 1 year	10	10	10	13
more than 5 years	15	--	--	--
more than 8 years	--	15	15	--
more than 10 years	20	--	--	20
more than 15 years	25	20	20	26
more than 25 years	--	25	25	30

Source: Wellsville and respective peer villages ordinances, policy manual and interviews

Note: The police chief and the lieutenant also receive 3 additional vacation days with accumulation of 120 days of earned sick leave.

Initially, Wellsville and the peer villages, with the exception of Wintersville, police employees earn 10 vacation days after one year of service. Wintersville employees earn 13 days after the same one year period. However, the vacation leave rates, among the villages, begins to change beyond 5 years. Overall, Coldwater and West Jefferson employees are in line with Wellsville in terms of the maximum number of days of vacation leave time, at 25 days. Wellsville employees, however, begin earning the 25 days 10 years earlier than Coldwater and West Jefferson. Wintersville employees earn the most vacation leave time of all the peers villages.

Although not depicted in the table, Wellsville's police chief and lieutenant receive 30 days annual leave, a benefit given to them without having to accrue the time off. In addition, the police chief and the lieutenant receive 3 additional vacation days if they accumulate 120 days of sick leave. Therefore, the police chief and lieutenant can receive a total of 33 days of vacation leave each year.

R4.6 Rather than maintaining varied leave schedules and to facilitate consistent record keeping practices, the Village should align all employee leave accrual rates and schedules. Furthermore, the Village should also consider aligning the leave accrual rates with the peers. For example, the accrual rate for vacation days should be changed to reflect the following schedule, 10 days after 1 year of service, 15 days after 8 years of service, 20 days after 15 years of service, and 25 days after 25 years of service. The Village should also have the police chief and lieutenant accrue leave in accordance to the aforementioned schedule.

F4.14 For certain leave types, Wellsville permits earned but unused time to be accumulated to certain levels. A percentage of that accumulated leave is paid to the employees at retirement or separation. **Table 4-19** shows sick leave payout for the employees of Wellsville and peer villages.

Table 4-19: Sick Leave Payout

	Wellsville	Coldwater	West Jefferson	Wintersville
Service Personnel	25% of 960 hours of unused sick leave paid at retirement, maximum of 240 hours or 30 days	25% of unused sick leave up to a maximum of 320 hours (40 days) paid at retirement	50% of unused sick leave; maximum of 60 days or 480 hours plus unused vacation for maximum of 3 years period or (15 weeks), plus any unused comp. time.	25% of unused sick leave; maximum of 60 days or 480 hours paid at retirement
Fire Department	Unused sick leave of up to 360 hours (45 days) will be paid at present hourly rate at retirement	--	--	--
Police Department	Unused sick leave up to 360 hours (45 days) will be paid at present hourly rate at retirement	25% of unused sick leave up to a maximum of 320 hours (40 days) paid at retirement	50% of unused sick leave; maximum of 60 days or 480 hours plus unused vacation for maximum of 3 years period or (15 weeks), plus any unused comp. time.	25% of unused sick leave; maximum of 60 days or 480 hours paid at retirement

Source: Wellsville AFSCME contract and ordinances, respective peer villages' policy manuals and interviews

Wellsville pays up to 25 percent of 960 hours, or a maximum of 240 hours, of unused sick leave to the AFSCME employees at retirement. When compared to peer villages, Wellsville's sick leave payout is closest to Coldwater, at 320 hours. West Jefferson's sick leave payout is the highest of the peer villages.

Wellsville's sick leave payout for fire department employees is a maximum of 360 hours. As discussed in the **fire department** section, peer villages do not maintain full-time fire department employees like Wellsville. However, payout of this benefit to fire department employees is commensurate with that provided to the Village police department personnel.

Wellsville pays up to 360 hours of unused sick leave to the full-time police employees at retirement. Coldwater pays the closest to Wellsville, at 320 hours, while West Jefferson pays the most, at 480 hours including a maximum of 15 weeks of vacation and any unused compensatory time.

Wellsville's sick leave payout is comparable to the peer villages.

F4.15 **Table 4-20** details the fire department and police department pension pick-up for the Village of Wellsville.

**Table 4-20: Fire and Police Pension Pick-Up Pay Out
(rounded to the nearest \$100)**

	Annual Salaries	Employer Pick-up	Annual Cost
Fire Department			
Fire Chief	\$33,900	1%	\$300
Assistant Fire Chief	32,800	1%	300
Firefighter	29,500	1%	300
Police Department			
Chief of Police	\$37,500	2%	\$800
Lieutenant	32,900	2%	700
Patrol Officers (4)	108,500	1%	1,100
Total Annual Cost			\$3,500

Source: Wellsville payroll roster and ordinances

In January 2002, the Village amended applicable ordinances and eliminated this benefit. The Village currently pays only the state-mandated employer contribution in accordance with ORC Sections 742.33 and 742.34.

In January 2002, the Village repealed the pension pick-up for police department and fire department employees. Savings are based on the elimination of this benefit for three fire department employees and six police department employees.

Scenario A Impact: Repealing the pension pick-up will result in an annual savings of approximately \$3,500 for 2002. This action will positively impact the General Fund by approximately \$2,600 and the Special Revenue Fire Levy Fund by approximately \$900.

The General Fund, Special Revenue Fire Levy Fund, or Police Salary Levy Fund will be impacted by this decision. We assumed the Village would decrease the General Fund Operating Transfer to the Special Revenue Fire Levy Fund for the fire personnel and incur the police department financial savings within the General Fund for the police personnel. Therefore, we reflected the positive financial impacts within the General Fund. The Village could alternatively reflect the impacts within the Special Revenue Fire Levy Fund and the Special Revenue Police Salary Levy Fund, as appropriate.

- F4.16 **Table 4-21** compares insurance premiums for Wellsville and the peer villages. Currently, the Village contracts with United Healthcare as the employee healthcare administrator. Medical/hospitalization services under United Healthcare require an out-of-pocket payment of \$2,000 for each employee before the provider begins paying the costs. The medical/hospitalization benefits offered under United Healthcare include hospitalization, prescriptions and life insurance.

**Table 4-21: Insurance Premiums
(rounded to the nearest \$1,000)**

	Wellsville	Coldwater	West Jefferson	Wintersville	Peer Average	Dollar Difference ¹	% Over ¹
1999	\$203,000	\$143,000	\$173,000	\$178,000	\$165,000	\$38,000	23%
2000	249,000	114,000	174,000	215,000	168,000	81,000	48
2001	193,000	109,000	192,000	165,000	155,000	38,000	25

Source: Wellsville employee United Healthcare monthly billings records

Note: The insurance premium and hospitalization is derived from various Village funds including the General Fund, Special Revenue Fire Levy Fund, Special Revenue Police Salary Levy Fund, Special Revenue Street Levy Fund and Special Revenue Cemetery Levy Fund.

¹Comparison made between Wellsville and peer average.

In 1999, Wellsville paid \$203,000 in insurance premiums, which is \$38,000, or approximately 23 percent, more than the peer average. Coldwater paid the least, at \$143,000, while Wintersville paid the closest to Wellsville, at \$178,000.

In 2000, Wellsville paid \$249,000, which is \$81,000, or approximately 48 percent, more than the peer average. Coldwater paid the least at \$114,000 while Wintersville paid the closest to Wellsville at \$215,000. In 2001, Wellsville paid \$193,000, which is \$38,000, or approximately 25 percent more than the peer average. Coldwater, again, paid the least, at \$109,000, while West Jefferson paid the closest to Wellsville at \$192,000. Overall, the Village of Coldwater paid the least during each of the three years 1999 through 2001, while Wellsville paid the most during the same period. Furthermore, the average cost per employee exceeds the peers by nearly 70 percent for those three years.

In addition to the medical coverage provided by the Village, the service personnel also receive vision, dental, hearing, supplemental life, and supplemental prescription through the AFSCME Care Plan. The Village pays approximately \$50 per month for each AFSCME employee for these benefits.

- R4.7** The Village recognizes its insurance costs are increasing at an alarming rate and is searching for a lower cost, yet responsible insurance program. The Village also recently offered, and several employees accepted, payments in lieu of insurance. This program will help reduce the Village's insurance costs. Nevertheless, requiring employee participation in insurance costs may be another partial alternative. The Village should closely monitor its financial condition and insurance costs.
- F4.17 In January 2002, the Village offered employees \$200 a month in lieu of receiving medical/hospitalization benefits as a way of reducing health care costs. Should an employee elect to receive this incentive, the Village will realize incremental savings (i.e. the difference between premium cost and \$200).

Scenario A Impact: Two of the three employees who have accepted the \$200 per month in lieu of medical benefits are fire department employees and had "employee, spouse and child"(family) coverage. The third employee is the assistant fiscal officer and had "employee and spouse" coverage. The family coverage costs roughly \$1,150 per employee, per month and the employee and spouses' coverage costs \$850 per employee, per month. Based on the three employees who accepted the payment in lieu of coverage, the Village will save approximately \$30,400 annually. The positive impact to the General Fund will be \$7,800 annually, while the Special Revenue Fire Levy Fund will also benefit \$22,600 annually.

The General Fund or Special Revenue Fire Levy Fund will be impacted by this decision. We assumed the Village would decrease the General Fund Operating Transfer to the Special Revenue Fire Levy Fund. Therefore, we reflected the positive financial impact within the General Fund. The Village could alternatively reflect the impact within the Special Revenue Fire Levy Fund.

- F4.18 **Table 4-22** compares the employee medical insurance yearly deductible for Wellsville and the peer villages.

**Table 4-22: Employee Medical Insurance Deductible Comparison
(each month, rounded to the nearest \$100)**

	Wellsville	Coldwater	West Jefferson	Wintersville	Peer Average	Dollar Difference ¹	% Over ¹
Employee Only	\$1,000	\$300	\$150	\$250	\$230	\$770	330%
Employee and Family	2,000	900	300	500	600	1,400	230

Source: Wellsville employee Insurance records, monthly billings and peer villages' employee insurance records

¹ Comparison made between Wellsville and peer average.

Wellsville's employee only medical insurance deductible is \$1,000, annually, which is \$770, or 330 percent more than the peer average. West Jefferson's employee only deductible costs the least, at \$150, while Coldwater's employee only deductible is the closest to Wellsville, at \$300.

Wellsville's employee and family medical insurance deductible is \$2,000, annually, which is \$1,400, or 230 percent more than the peer average. West Jefferson's employee and family deductible costs the least at \$300, while Coldwater's employee and family deductible is the closest to Wellsville, at \$900. Overall, Wellsville spends more on medical insurance deductibles than any of the peer villages.

The above table represents the out-of-pocket maximum yearly deductible that the employees and/or the villages pay before insurance begins to pay for health costs. For an employee only plan, Wellsville pays \$750 or 75 percent of the deductible, and the employee is responsible for the other \$250 or 25 percent. In the case of an employee and family plan, the Village pays \$1,500 or 75 percent, and the employee is responsible for \$500 or 25 percent. In the case of Coldwater and West Jefferson, the employees pay the entire deductible at \$900 and \$300, respectively. In the case of Wintersville, the village pays the entire deductible.

From 1999 through 2001, the Village incurred approximately \$8,000 on average in expenses attributable to providing this benefit to employees.

Effective January 2002, the Village repealed the benefit which requires the Village to pay 75 percent of the medical/hospitalization deductible for the employee. Therefore, each Village employee now pays the entire annual insurance deductible, up to a maximum of \$1,000 for single plan and \$2,000 for family plan.

Scenario A Impact: Eliminating deductible pick up for Village employees will result in an annual savings of approximately \$8,000. Assuming the savings are distributed among the

various funds which support personnel costs, the positive impacts would be \$5,000 to the General Fund, \$1,800 to the Special Revenue Street Construction Maintenance and Repair Fund, \$600 to the Special Revenue Fire Levy Fund and \$600 to the Special Revenue Cemetery Levy Fund. Savings are assumed to remain constant in 2004 through 2007.

The General Fund, Special Revenue Fire Levy Fund or Special Revenue Police Salary Levy Fund will be impacted by this decision. We assumed the Village would decrease the General Fund Operating Transfer to the Special Revenue Fire Levy Fund and incur the police department financial savings within the General Fund. Therefore, we reflected the positive financial impacts within the General Fund. The Village could alternatively reflect the impacts within the Special Revenue Fire Levy Fund and the Special Revenue Police Salary Levy Fund, as appropriate.

- F4.19 **Table 4-23** reflects the employee medical insurance contribution and employer medical insurance maintenance for Wellsville and the peer villages.

Table 4-23: Employee Contribution and Insurance Maintenance

	Wellsville	Coldwater	West Jefferson	Wintersville
Employee Contribution (per month)	--	--	Single = \$40/month Employee with Dependent = \$60/month Employee & Spouse = \$60/month Family = \$80/month	--
Insurance Maintenance	Coverage ends at end of month of separation	Coverage ends at end of month of separation	Coverage ends at end of month of separation	Coverage is continued for 1 month following month of separation, and then stopped

Source: Wellsville AFSCME contract, respective villages' employee insurance documents and interviews

Wellsville, Coldwater and Wintersville do not require employees to contribute toward their medical insurance coverage. However, West Jefferson requires its employees to pay part of the monthly premium. West Jefferson employees contribute approximately 21 percent for single coverage, 17 percent for employee and dependant coverage, 14 percent for employee and spouse coverage and 13 percent for family coverage. On average, West Jefferson employees contribute toward 16 percent of their monthly medical/hospitalization premium.

The Village medical/hospitalization network administrator has recently revised the monthly insurance premiums to the levels listed below.

- Employee only \$360/month
- Employee and dependant \$660/month
- Employee and spouse \$850/month
- Family \$1,140/month

Participation by Village employees in a schedule similar to that of West Jefferson would positively impact the various funds that support personnel costs.

The Village recognizes the need to lower its medical insurance costs and has taken steps toward reducing those costs (e.g., offering payments in lieu of insurance coverage and searching for lower cost yet responsible programs). The Village should closely monitor its financial condition and insurance costs. If the Village is unable, however, to reduce these costs, then employee participation in insurance costs should be considered as a partial solution.

F4.20 The Village provides life insurance coverage to all full-time employees as well as the Village mayor. **Table 4-24** compares life insurance coverage for Wellsville and the peer villages.

**Table 4-24: Life Insurance Comparison
(rounded to the nearest \$1,000)**

	Wellsville ¹	Coldwater ²	West Jefferson ³	Wintersville ⁴	Peer Average	Dollar Difference ⁵	% Over
Service Personnel	\$15,000	\$20,000	\$15,000	\$20,000	\$18,000	\$3,000	17%
Fire Department	15,000	--	--	--	--	--	--
Police Department	15,000	20,000	15,000	20,000	18,0000	3,000	17

Source: Villages ordinances, insurance premium monthly billings, respective peer villages' policy manuals and interviews

¹ Wellsville's full-time employees over 64 years of age and Village Mayor receive \$9,000 in life insurance.

² Life insurance decreases by 35 percent at 70 years of age.

³ Life insurance decreases by 35 percent at 65 years of age.

⁴ Life insurance contract with GE Financial Assurance; coverage decreases by 35 percent at 65 years of age.

⁵ Comparison made between Wellsville and peer average.

Wellsville provides full-time Village employees with \$15,000 of life insurance coverage. The average level of life insurance coverage among the peers, particularly for service personnel and police department employees, is \$18,000 or 17 percent more than Wellsville. Coldwater and Wintersville have the most life insurance coverage per employee, at \$20,000 while West Jefferson's coverage is identical to Wellsville's.

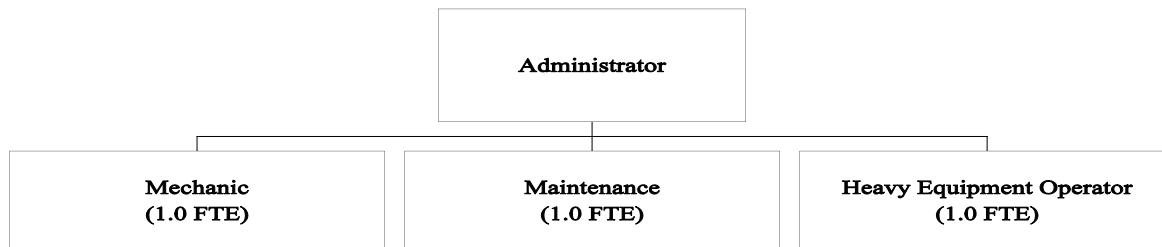
This page intentionally left blank.

Street Department

Background

This section of the performance audit focuses on the Village of Wellsville's Street Department (the Department). For the purposes of this section, we limited the scope of our examination to focus on accounting practices, funding sources, purchasing practices, and operational policies and practices.

**Chart 5-1: Organizational Chart
(includes full- and part-time employees)**



Source: Wellsville Street Department

Note: In February 2002, a part-time Department laborer (0.5 FTEs) resigned which reduced staffing from four to three employees. Furthermore, the chart does not include senior citizen aides who are paid by Columbiana County.

The Department consists of three employees, excluding the Administrator. While Village ordinances establish basic positions, job descriptions and requirements do not exist for the Department employees. The Department employees are not fully dedicated to "street department" functions but also provide services to other Village areas including the Fire, Police, and Cemetery departments.

The Village historically used an "Internal Service Intragovernmental Fund" to account for all Street Department personnel costs including the time incurred performing street department functions. Before 2001, rather than charging the personnel costs directly to the fund which received the benefit, the Village used the Intragovernmental Fund as a "clearing fund" to record those costs. In effect, all Department personnel costs were charged to this Fund, while a corresponding operating transfer in from the benefitted fund was also recorded there. The direct labor costs were paid by the fund

which received the benefit; however, all paid leave time, payroll taxes, and benefits were solely absorbed by the Special Revenue Street Construction Maintenance and Repair (SCMR) Fund versus proportionately allocating those costs among the various benefitted funds. This allocation issue is further expanded upon within this **street department** section.

Effective January 2001, the “clearing fund” is no longer used. Rather, the Village decided to merely charge the labor costs directly to the respective fund. However, from January 2001 through September 20, 2001, the Village incorrectly charged all Department wage costs to the SCMR versus charging the costs to those funds which received the benefits. Subsequent to September 2001, the Village corrected this practice and, now charges all Department wages to the appropriate fund. This particular issue is a significant reason the fiscal years 1999 through 2001 expenditures within **Tables 5-1.1 through 5-1.5** are not readily comparable. We did not incur the time to adjust the expenditures within those tables. Rather, we focused our efforts on developing Recommendations and Financial Implications to correct the errors and propose additional future accounting alternatives. Additionally, all leave time, payroll taxes, and benefits are still fully absorbed by the SCMR. Charging all of the leave time, payroll taxes, and benefits solely to the SCMR Fund versus proportionally charging the cost to the benefitted fund represents an illegal accounting practice. The Village needs to make our proposed changes within its accounting books and records and correct the accounting process going forward.

The Department is responsible for the general upkeep and maintenance of Village streets, two parks (43 acres), sanitary sewer lines, storm sewers, and the flood wall. The Village maintains roughly 42 lane miles, of which approximately 24 lane miles are alleys. The Department does not use a formalized maintenance schedule; rather, maintenance duties are performed ad hoc and are largely dependent upon seasonal factors as well as maintenance emergencies. The following represents reoccurring functions performed by the Department:

- Street snow and ice removal
- Street patching, minor paving, and street marking
- Sanitary sewer line maintenance
- Storm sewer cleaning and repair
- Street sign and traffic light maintenance
- Mechanical work for all Village vehicles and equipment
- Flood wall maintenance
- Lawn care and tree trimming of Village parks and property

Overall, the Department’s duties are more extensive than the peer villages’ street departments. For example, the peer villages have separate departments which are responsible for the park areas as well as water and sewer lines. Additionally, none of the peer villages maintain a flood wall.

Financial Data

Tables 5-1.1 through 5-1.3 summarize the Department's receipts and expenditures for fiscal years 1999 through 2001. The Departmental operations are predominately supported by the Special Revenue Street Construction Maintenance and Repair (SCMR) Fund, Special Revenue State Highway Improvement Fund, Special Revenue Permissive Tax Fund, and the General Fund. These three Special Revenue Funds receive Gas Tax receipts and Motor Vehicle License Tax receipts while the Special Revenue Permissive Tax Fund also received note proceeds totaling \$120,000 during fiscal year 1999. Those note proceeds were used to resurface Main Street. As previously reflected, other funds (including: the Special Revenue Flood Wall Levy Fund, Special Revenue Cemetery Levy Fund, Special Revenue Fire Levy Fund, Special Revenue Enterprise Sewage Disposal Fund, General Fund Park Maintenance special cost center, and the General Fund Police special cost center) also absorb portions of the Street Department labor costs for time incurred benefitting those areas.

Table 5-1.1 illustrates the SCMR Fund receipts and expenditures for fiscal years 1999 through 2001.

Table 5-1.1: Special Revenue Street Construction Maintenance and Repair (SCMR) Fund Receipts and Expenditures (rounded to the nearest \$100)

	1999	2000	2001
Receipts:			
Gas Tax	\$67,500	\$65,900	\$65,500
Motor Vehicle License Tax	22,900	24,500	22,200
Miscellaneous	0	0	400
Total Receipts	90,400	90,400	88,100
Expenditures:			
Supplies and Materials	19,500	8,000	9,500
Salaries and Benefits	0	0	130,200
Contractual Services	4,500	10,300	4,000
Total Expenditures	24,000	18,300	143,700
Receipts Over/(Under) Expenditures	66,400	72,100	(55,600)
Other Financing Sources and Uses:			
Other Sources	0	0	900
Transfer to Intragovernmental Fund	(98,000)	(109,500)	0
Other Uses	0	0	(500)
Total Other Financing Sources and Uses	(98,000)	(109,500)	400
Receipts and Financing Sources (Under) Expenditures and Other Financing Uses	(31,600)	(37,400)	(55,200)
Beginning Fund Cash (Deficit)	(10,200)	(41,800)	(79,200)
Ending Fund Cash (Deficit)	(\$41,800)	(\$79,200)	(\$134,400)

Source: 1999 through 2001 General Ledgers; 2001 Unaudited Cash Basis Annual Financial Report; and 1999 and 2000 Trial Balances

Note: Ledgers indicate a \$20,000 transfer from the Special Revenue Permissive Tax Fund in 2000 that was not recorded in the trial balances.

Total receipts decreased 2.5 percent from 1999 to 2001. The SCMR Fund is currently supported by Gas Tax receipts and Motor Vehicle License Tax receipts. Fluctuations in gas tax receipts were primarily responsible for the decrease in total receipts.

Excluding the Salaries and Benefits and Transfers to the Intragovernmental Fund, expenditures ranged from a low of \$14,000 during 2001 to a high of \$24,000 in 1999. In 1999, supplies and materials expenditures were at higher levels due to purchases associated with street resurfacing, equipment purchases, and protective equipment. Furthermore, operational supplies were at higher levels in 1999 than 2000. In 2000, contractual services experienced higher expenditure levels due to maintenance on traffic lights and purchasing liability insurance.

The Fund Cash (Deficit) totaled \$134,400 at December 31, 2001.

Table 5-1.2 summarizes the Special Revenue State Highway Improvement Fund receipts and expenditures for fiscal years 1999 through 2001.

**Table 5-1.2: Special Revenue State Highway Improvement Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	1999	2000	2001
Receipts:			
Gas Tax	\$5,500	\$5,300	\$5,300
Motor Vehicle License Tax	1,800	2,000	1,800
Total Receipts	7,300	7,300	7,100
Expenditures:			
Street Repair/ Transportation	6,200	5,500	0
Receipts Over Expenditures	1,100	1,800	7,100
Other Financing Uses:			
Transfer to Intragovernmental Fund	300	1,200	0
Receipts Over Expenditures and Other Financing Uses	800	600	7,100
Beginning Fund Cash Balance	6,900	7,700	8,300
Ending Fund Cash Balance	\$7,700	\$8,300	\$15,400

Source: 1999 through 2001 General Ledgers; 2001 Unaudited Cash Basis Annual Financial Report; and 1999 and 2000 Trial Balances

This fund is supported by Gas Tax receipts and Motor Vehicle License Tax receipts which have been relatively consistent from 1999 to 2001. Resources are primarily allocated for expenditures associated with the maintenance and repair of state highways within Village limits. Excluding the Transfers to the Intragovernmental Fund, expenditures ranged from a low of \$0 during 2001 to a high of \$6,200 in 1999.

The Fund Cash Balance totaled \$15,400 at December 31, 2001.

Table 5-1.3 summarizes the Special Revenue Permissive Tax Fund receipts and expenditures for fiscal years 1999 through 2001.

**Table 5-1.3: Special Revenue Permissive Tax Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Receipts:			
Motor Vehicle License Tax	\$58,100	\$58,200	\$59,600
Expenditures:			
Snow and Ice Removal-Salt and Slag	6,900	8,600	5,100
Asphalt	5,700	3,600	3,100
Street Maintenance Supplies	0	0	4,300
Debt Payment	27,600	30,100	32,900
Capital Outlay	132,000 ¹	8,500	4,600
Total Expenditures	172,200	50,800	50,000
Receipts Over/(Under) Expenditures	(114,100)	7,400	9,600
Other Financing Sources:			
Proceeds of Note	120,000	0	0
Receipts and Other Financing Sources Over Expenditures	5,900	7,400	9,600
Beginning Fund Cash Balance	25,700	31,600	39,000
Ending Fund Cash Balance	\$31,600	\$39,000	\$48,600

Source: 1999 through 2001 General Ledgers; 2001 Unaudited Cash Basis Annual Financial Report; and 1999 and 2000 Trial Balances

¹ Includes \$5,000 for street resurfacing and patching and \$127,000 for a street resurfacing project.

Total receipts increased approximately 3 percent from 1999 to 2001, while total expenditures decreased approximately 4 percent, excluding \$120,000 for street resurfacing. Permissive Motor Vehicle License Tax receipts have supported the fund while, in 1999, the fund received \$120,000 proceeds from a commercial loan to finance a street resurfacing project totaling \$127,000. Monthly payments total \$2,740 including interest. The note has an annual interest rate of 4.5 percent, and matures during February 2003.

The Fund Cash Balance totaled \$48,600 at December 31, 2001.

ORC Section 4504.06 states that motor vehicle license tax receipts may be used for planning, constructing, improving, maintaining, and repairing public roads, highways, and streets. In essence, this Fund could supplement the SCMR. Further discussion of the use of Special Revenue Permissive Tax Fund resources follows in **F5.3** and **R5.5**.

Table 5-1.4 summarizes the Special Revenue Flood Wall Levy Fund receipts and expenditures for fiscal years 1999 through 2001.

**Table 5-1.4: Special Revenue Flood Wall Levy Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	1999	2000	2001
Receipts:			
Property Taxes	\$10,600	\$10,500	\$10,500
Expenditures:			
Contractual Services ¹	3,800	2,300	5,000
Supplies and Materials	1,400	600	700
Salaries and Benefits	0	0	1,200
Total Expenditures	5,200	2,900	6,900
Receipts Over Expenditures	5,400	7,600	3,600
Other Financing Uses:			
Transfer to Intragovernmental Fund	3,900	5,800	0
Receipts Over Expenditures and Other Financing Uses	1,500	1,800	3,600
Beginning Fund Cash Balance	3,000	4,500	6,300
Ending Fund Cash Balance	\$4,500	\$6,300	\$9,900

Source: 1999 through 2001 General Ledgers; 2001 Unaudited Cash Basis Annual Financial Report; and 1999 and 2000 Trial Balances

¹ Includes payments for contracted labor, electricity, liability insurance, and auditor and treasurer fees.

This fund receives proceeds from a .5 mill levy, which expires during 2002. The fund expenditures are used solely to maintain the Village's flood wall. Excluding the Salaries and Benefits and Transfers to the Intragovernmental Fund, expenditures ranged from a low of \$2,900 during 2000 to a high of \$5,700 in 2001.

The Fund Cash Balance totaled \$9,900 at December 31, 2001.

Table 5-1.5 summarizes the General Fund Park Maintenance special cost center expenditures for fiscal years 1999 through 2001.

**Table 5-1.5: General Fund Park Maintenance Special Cost Center
Expenditures
(rounded to the nearest \$100)**

	1999	2000	2001
Expenditures:			
Hammond Park Commission	\$2,900	\$5,400	\$0
Salaries and Benefits	0	0	1,800
Supplies and Maintenance	900	200	300
Contracted Services	700	300	0
Equipment Purchase	600	0	0
Total Park Expenditures	5,100	5,900	2,100
Other Financing Uses:			
Transfers to the Intragovernmental Fund	8,100	12,500	0
Total Expenditures and Other Financing Uses	\$13,200	\$18,400	\$2,100

Source: 1999 through 2001 General Ledgers; 2001 Unaudited Cash Basis Annual Financial Report; and 1999 and 2000 Trial Balances

Excluding Salaries and Benefits and Transfers to the Intragovernmental Fund, expenditures ranged from a low of \$300 during 2001 to a high of \$5,900 in 2000. The lower expenditures during 2001 are primarily attributable to the Hammond Park Commission expenditures declining to zero in 2001 because Hammond Park did not have any capital improvements for that year.

Additionally, other General Fund special cost centers also had transfers to the Intragovernmental Fund; therefore, the \$8,100 and \$12,500 are not directly traceable to the Intragovernmental Fund financial activity within **Table 5-1.6**.

Table 5-1.6 summarizes the receipts and expenditures of the Intragovernmental Fund for 1999, 2000 and 2001.

**Table 5-1.6: Internal Service Intragovernmental Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	1999	2000	2001
Other Financing Sources Transfers In:			
Special Revenue SCMR Fund	\$98,000	\$109,500	\$0
Special Revenue Floodwall Levy Fund	3,900	5,800	0
Special Revenue State Highway Improvement Fund	300	1,200	0
Special Revenue Cemetery Levy Fund	3,900 ¹	3,700 ¹	0
Special Revenue Fire Levy Fund	0	400	0
Enterprise Sewage Disposal Fund	25,700	20,500	0
General Fund	15,400	16,300	0
Total Other Financing Sources	147,200	157,400	0
Expenditures:			
Wages	77,800	79,000	0
Hospitalization	41,500	51,300	0
PERS	11,300	9,800	0
Part-time Workers	6,000	7,800	0
Workers' Compensation	6,600	1,300	0
Dental & Vision Insurance/ Union Insurance	1,400	1,500	0
Medicare Tax	800	800	0
Total Expenditures	145,400	151,500	0

Source: 1999 through 2001 General Ledgers

¹These transfers are reflected within the Special Revenue Cemetery Levy Fund Appropriation Ledgers; however, the transfers are not reflected within the Intragovernmental Fund Receipt Ledgers.

As previously reflected, all Street Department personnel costs including the time incurred performing street department functions were recorded within this “clearing” fund, while a corresponding operating transfer in from the benefitted fund was also recorded here. Effective January 2001, the fund is no longer used. Rather, the Village decided to merely charge the labor costs directly to the respective fund.

Except for the SCMR transfers into this fund, the transfers represent direct labor time incurred by street department employees for the benefit of those funds. Meanwhile, the SCMR includes the direct labor cost, all leave time, payroll taxes, and benefits. The leave time, payroll taxes, and benefits were fully absorbed by the SCMR versus proportionately allocating those costs among the various benefitted funds.

The expenditures increased by approximately 4 percent from 1999 to 2000, which is largely attributable to a \$9,800 or 24 percent increase in hospitalization costs (See the **employee benefits** section for a further discussion of medical benefits).

Findings/Recommendations

- F5.1 From January 1, 2001 through September 20, 2001, the Street Department's direct labor costs were charged entirely to the SCMR Fund versus charging the costs to the funds which received the benefits. The Village corrected this error and charged the direct labor costs to the benefitted funds for the remainder of fiscal year 2001 and beyond, but did not reverse previous errors. The 2001 Street Department time sheets reflect 77 percent of the labor hours were incurred maintaining streets while approximately 12 percent and 6 percent were incurred maintaining sewers and parks (General Fund), respectively. The remaining labor hours were incurred benefitting the Special Revenue Flood Wall Levy Fund (Enterprise Sewage Disposal Fund) (2 percent), the Special Revenue Permissive Tax Fund (1 percent), and the police department (General Fund) (2 percent).

Total 2001 Street Department wage costs approximated \$67,500. The SCMR Fund, General Fund Police special cost center, General Fund Park Maintenance special cost center, Enterprise Sewage Disposal Fund, Special Revenue Flood Wall Levy Fund, and Special Revenue Permissive Tax Fund absorbed \$58,500, \$0, \$1,800, \$6,000, \$1,200, and \$0. However, we estimate the SCMR Fund, General Fund Police special cost center, General Fund Park Maintenance special cost center, Enterprise Sewage Disposal Fund, Special Revenue Flood Wall Levy Fund and Special Revenue Permissive Tax Fund should have absorbed charges totaling \$51,200, \$1,400, \$4,600, \$8,300, \$1,400, and \$600. Therefore, the SCMR was over charged by \$7,300 while the General Fund Police special cost center, General Fund Park Maintenance special cost center, Enterprise Sewage Disposal Fund, Special Revenue Flood Wall Levy Fund, and Special Revenue Permissive Tax Fund were undercharged by \$1,400, \$2,800, \$2,300, \$200, and \$600, respectively.

- R5.1** As prescribed by ORC Section 5705.10 and further dictated by prudent business practices, the Village should charge the employee labor hours to the fund which received the benefit. For 2001, the Village should increase or decrease the Street Department labor costs within certain funds as reflected above.

Financial Implication which affects Scenario A: The Special Revenue SCMR Fund will be positively impacted by \$7,300 while the General Fund Police special cost center, General Fund Park Maintenance special cost center, Enterprise Sewage Disposal Fund, Special Revenue Flood Wall Levy Fund, and Special Revenue Permissive Tax Fund will be negatively impacted by \$1,400, \$2,800, \$2,300, \$200, and \$600, respectively during 2003.

The Enterprise Sewage Disposal Fund, Special Revenue Flood Wall Levy Fund, and Special Revenue Permissive Tax Fund are not included within the Financial Forecast. Therefore, these negative impacts will not be reflected within the financial forecasts.

- F5.2 Other than the error reflected within **F5.1**, the Street Department direct labor hours are charged to the respective fund which received the benefit. However, all leave time, benefits, and payroll taxes have historically been solely absorbed by the SCMR Fund versus proportionately allocating those costs among the various benefitted funds.

Table 5-2 summarizes the proportionate percentages of direct labor the Street Department employees incurred benefitting the various funds for fiscal years 1999 through 2001.

**Table 5-2: Street Department Labor Hours Benefitting Funds
(in percentages, and rounded to the nearest whole percentage)**

Benefitting Fund:	1999 Labor Hour Allocations	2000 Labor Hour Allocations	2001 Labor Hour Allocations	Projected Labor Hour Allocations
Special Revenue Street Construction Maintenance and Repair (SCMR) Fund	32%	38%	77%	35%
Special Revenue State Highway Fund	1%	1%	0%	1%
Special Revenue Fire Levy Fund	0%	1%	0%	1%
Special Revenue Cemetery Levy Fund	5%	5%	0%	5%
Special Revenue Permissive Tax Fund	0%	0%	1%	0%
Special Revenue Flood Wall Levy Fund	5%	7%	2%	6%
Enterprise Sewage Disposal Fund	36%	27%	12%	31%
General Fund	21%	21%	8%	21%

Source: 2001 Street Personnel Time sheets, and 1999 and 2000 transfers to the Intragovernmental Fund

Note: The SCMR transfers include direct labor and all Department leave time, benefits, and payroll taxes. For purposes of this analysis, we deducted leave time costs, benefit costs, and payroll taxes from the SCMR transfers to calculate the SCMR's direct labor allocation.

Note: Street Department personnel noted that street maintenance activities were abnormally high in 2001. Therefore, 2001 labor hour allocations were not used to project future labor hour allocations.

- R5.2** The Village should proportionately allocate Street Department leave (i.e., sick, personal, vacation, and holidays) to the funds which receive the benefit versus charging all of those costs to the SCMR Fund. The Village should maintain sufficient documentation to support the allocations (i.e., a spreadsheet which is easily reconciled to the employee time sheets and easily traceable to the Appropriation Ledger). This practice would more accurately reflect the cost of the functions performed by the Department.

The Street Department leave for 1999 through 2001 totaled \$13,400, \$15,800, and \$16,900 each year. As reflected within **Tables 5-1.2, 5-1.3, 5-1.4, 6-1.1, 8-1, 9-4**, and the General Fund Financial Forecast, the Village could “reasonably” support allocating leave among various funds; however, the SCMR fully absorbs the leave time. Based upon the **Table 5-2**, we estimate leave time could have been charged as follows: SCMR \$23,300; Special Revenue State Highway Fund \$300; Special Revenue Fire Levy Fund \$100; Special Revenue Cemetery Levy Fund \$1,500; Special Revenue Permissive Tax Fund \$100; Special Revenue Flood Wall Levy Fund \$2,300; Enterprise Sewage Disposal Fund \$11,000; General Fund \$7,500 for 1999 through 2001. Therefore, the SCMR absorbed leave costs totaling \$22,800 which could have been proportionately allocated among other funds.

Scenario B Financial Implication: The Special Revenue SCMR Fund will be positively impacted by \$22,800 during 2003 for the 1999 though 2001 leave time which could have been charged to other benefitted funds. Meanwhile, the Special Revenue State Highway Fund, Special Revenue Fire Levy Fund, Special Revenue Cemetery Levy Fund, Special Revenue Permissive Tax Fund, Special Revenue Flood Wall Levy Fund, Enterprise Sewage Disposal Fund, and the General Fund will be negatively impacted by \$300, \$100, \$1,500, \$100, \$2,300, \$11,000, \$7,500 respectively during 2003.

Assuming the Street Department continues to incur time consistent with 1999 and 2000 allocations, as reflected within **Table 5-2**, and leave time approximates \$15,800, \$16,300, \$16,800, \$17,300, \$17,800, for 2003 through 2007, the Special Revenue SCMR Fund will be positively impacted by \$10,300, \$10,600, \$11,000, \$11,300, \$11,600, during 2003 through 2007, respectively. Meanwhile, the Special Revenue State Highway Fund, Special Revenue Cemetery Levy Fund, Special Revenue Flood Wall Levy Fund, Enterprise Sewage Disposal Fund, and the General Fund will be negatively impacted by \$200, \$800, \$1,000, \$5,000, and \$3,300 respectively by 2003 and compounded by 3 percent annually for 2004 through 2007.

The Enterprise Sewage Disposal Fund, Special Revenue State Highway Fund, and the Special Revenue Flood Wall Levy Fund are not included within the Financial Forecast. Therefore, these negative impacts will not be reflected within the financial forecast.

- R5.3** The Village should proportionately allocate Street Department benefit costs (i.e., Hospitalization and Union Insurance) to the funds which receive the benefit versus charging all of those costs to the SCMR. The Village should maintain sufficient documentation to support the allocations (i.e., a spreadsheet which is easily reconciled to the employee time sheets and easily traceable to the Appropriation Ledger). This practice would more accurately reflect the cost of the functions performed by the Department.

The Street Department benefits for 1999 through 2001 totaled \$42,900, \$52,800, and \$38,000 each year. As reflected within **Tables 5-1.2, 5-1.3, 5-1.4, 6-1.1, 8-1, 9-4**, and the General Fund Financial Forecast, the Village could “reasonably” support allocating benefits among various funds; however, the SCMR fully absorbs the benefits. Based upon **Table 5-2**, we estimate benefits could have been charged as follows: SCMR \$62,900; Special Revenue State Highway Fund \$1,000; Special Revenue Fire Levy Fund \$300; Special Revenue Cemetery Levy Fund \$4,900; Special Revenue Permissive Tax Fund \$300; Special Revenue Flood Wall Levy Fund \$7,100; Enterprise Sewage Disposal Fund \$33,800; General Fund \$23,400 for 1999 through 2001. Therefore, the SCMR absorbed benefit costs totaling \$70,800 which could have been proportionately allocated among other funds.

Scenario B Financial Implication: The Special Revenue SCMR Fund will be positively impacted by \$70,800 during 2003 for reallocating 1999 though 2001 benefits which could have been charged to other funds. Meanwhile, the Special Revenue State Highway Fund, Special Revenue Fire Levy Fund, Special Revenue Cemetery Levy Fund, Special Revenue Permissive Tax Fund, Special Revenue Flood Wall Levy Fund, Enterprise Sewage Disposal Fund, and General Fund will be negatively impacted by \$1,000, \$300, \$4,900, \$300, \$7,100, \$33,800, and \$23,400 respectively during 2003.

Assuming the Street Department continues to incur time as reflected within **Table 5-2** for 2001, and benefits approximate \$45,900, \$47,300, \$48,700, \$50,100, \$51,600, for 2003 through 2007, the Special Revenue SCMR Fund will be positively impacted by \$30,000, \$30,900, \$31,800, \$32,700, and \$33,700, respectively for 2003 through 2007. Meanwhile, the Special Revenue State Highway Fund, Special Revenue Fire Levy Fund, Special Revenue Cemetery Levy Fund, Special Revenue Flood Wall Levy Fund, Enterprise Sewage Disposal Fund, and General Fund will be negatively impacted by \$500, \$100, \$2,400, \$3,000, \$14,300, and \$9,700 respectively in 2003 and compounded by 3 percent annually for 2004 through 2007.

The Enterprise Sewage Disposal Fund, Special Revenue State Highway Fund, Special Revenue Permissive Tax Fund, and Special Revenue Flood Wall Levy Fund are not included within the Financial Forecast. Therefore, a portion of these negative impacts will not be reflected within the financial forecast.

- R5.4** The Village should proportionately allocate Street Department payroll taxes (i.e., “PERS,” “Medicare taxes,” and “Workers’ Compensation”) to the funds which receive the benefit versus charging all of those costs to the SCMR. The Village should maintain sufficient documentation to support the allocations (i.e., a spreadsheet which is easily reconciled to the employee time sheets and easily traceable to the Appropriation Ledger).

This practice would more accurately reflect the cost of additional duties performed by the Department. In addition, it would end the practice of subsidizing other funds with SCMR Fund's resources.

The Street Department payroll taxes for 1999 through 2001 totaled \$18,800, \$12,000, and \$17,800 each year. As reflected within **Tables 5-1.2, 5-1.3, 5-1.4, 6-1.1, 8-1, 9-4**, and the General Fund Financial Forecast, the Village could "reasonably" support allocating benefits among various funds; however, the SCMR fully absorbs the benefits. Based upon the **Table 5-2**, we estimate benefits could have been charged as follows: SCMR \$24,300; Special Revenue State Highway Fund \$300; Special Revenue Fire Levy Fund \$100; Special Revenue Cemetery Levy Fund \$1,600; Special Revenue Permissive Tax Fund \$100; Special Revenue Flood Wall Levy Fund \$2,300; Enterprise Sewer Disposal Fund \$11,900; General Fund \$8,000 for 1999 through 2001. Therefore, the SCMR absorbed benefit costs totaling \$24,300 which could have been proportionately allocated among other funds.

Scenario B Financial Implication: The Special Revenue SCMR Fund will be positively impacted by \$24,300 during 2003 for the 1999 though 2001 benefits which could have been charged to other funds. Meanwhile, the Special Revenue State Highway Fund, Special Revenue Fire Levy Fund, Special Revenue Cemetery Levy Fund, Special Revenue Permissive Tax Fund, Special Revenue Flood Wall Levy Fund, Enterprise Sewage Disposal Fund, and General Fund will be negatively impacted by \$300, \$100, \$1,600, \$100, \$2,300, \$11,900, and \$8,000 respectively during 2003.

Assuming the Street Department continues to incur time as reflected within **Table 5-2** for 2001, and payroll taxes approximate \$16,700, \$17,200, \$17,700, \$18,200, and \$18,800 for 2003 through 2007, the Special Revenue SCMR Fund will be positively impacted by \$10,900, \$11,200, \$11,500, \$11,900, and \$12,200, during 2003 through 2007, respectively. Meanwhile, the Special Revenue State Highway Fund, Special Revenue Cemetery Levy Fund, Special Revenue Flood Wall Levy Fund, Enterprise Sewage Disposal Fund, and General Fund will be negatively impacted by \$200, \$900, \$1,100, \$5,200, and \$3,500 respectively for 2002 and compounded by 3 percent annually for 2004 through 2007.

The Enterprise Sewage Disposal Fund, Special Revenue State Highway Fund, Special Revenue Permissive Tax Fund, and Special Revenue Flood Wall Levy Fund are not included within the Financial Forecast. Therefore, a portion of these negative impacts will not be reflected within the financial forecast.

- F5.3 ORC Section 4504.06 prescribes the allowable uses of local motor vehicle license tax proceeds, which are primarily used within the Special Revenue Permissive Tax Fund and the SCMR Fund. In short, the SCMR and the Special Revenue Permissive Tax Fund are to be used for planning, constructing, improving, maintaining, and repairing public roads, highways, and streets, respectively. In essence, the funds may supplement one another.

As previously reflected, within the **financial forecast scenario A**, the forecasted January 1, 2003 SCMR deficit will approximate \$215,000 and, by 2007 the SCMR deficit is forecasted to approximate \$435,000. Meanwhile, the Special Revenue Permissive Tax Fund balance approximated \$31,600, \$39,000, and \$48,600 at December 31, 1999, 2000 and 2001, respectively. Even with the negative financial impacts reflected within **F5.1** through **F5.4** and assuming the Village sets-aside 17 percent of receipts in “reserve,” we estimate the Special Revenue Permissive Tax Fund will maintain fund balances over that reserve approximating \$80,700, \$111,200, \$141,700, \$172,200, and \$202,700 at December 31, 2003, 2004, 2005, 2006, and 2007, respectively. Those estimates assume annual receipts and expenditures will appreciate by 1.3 percent and 3 percent annually from a base of \$60,400 and \$19,100 in 2002, respectively.

- R5.5** The Village should determine a sufficient reserve within this Fund (i.e., set-aside 17 percent of annual receipts until a certain reserve level is achieved). The Village could establish the “reserve” within the Fund or alternatively, a capital projects fund could be created as permitted by ORC Section 5705.13(C). The Village could transfer financial resources by resolution or ordinance from “... any other fund of the subdivision that may lawfully be used for the purpose of acquiring, constructing, or improving the fixed assets identified by the resolution or ordinance.” The reserves could be used as local matches for state or federal grants or used for certain Village projects for which a grant could not be obtained. In addition to the reserve, the Village should use the Special Revenue Permissive Tax Fund to supplement the SCMR.

Scenario B Financial Implication: Assuming annual receipts and expenditures approximate \$60,000 and \$20,000, respectively for 2002 through 2007 and the Village’s annual reserve contribution approximates \$20,000, the Special Revenue SCMR Fund will be positively impacted by \$20,000 each year from 2003 to 2007 or \$100,000. In addition, previous fund reserves would allow the Special Revenue Permissive Tax Fund to pay the street maintenance costs in the one-time amount of \$51,400 in 2003, thereby, shifting costs away from and benefitting the SCMR Fund. The Special Revenue Permissive Tax Fund will be negatively impacted for the same amount.

The Special Revenue Permissive Tax Fund is not included within the Financial Forecast. Therefore, the \$100,000 and the \$51,400 in one time additional costs in 2003 are not presented there.

- F5.4 The Village does not have sufficient resources to address infrastructure needs. For example, during 1999, the Village did not maintain sufficient resources for a street project and borrowed \$120,000 from a local bank to pave Main Street. Historically, very limited Village resources have been used to maintain the Village’s infrastructure. Rather, most of the Village’s resources are used for operating costs. As a result, the Village’s capital needs will likely increase in the foreseeable future as the Village’s infrastructure deteriorates.

However, obtaining grants which require local matching funds will also become increasingly difficult for the Village to obtain.

ORC Section 727.01 allows the legislative authority of municipal corporations to levy and collect special assessments from property owners of lands adjacent, abutting, contiguous or specially benefitting from improvements to streets, park entrances, sewers, sidewalks, storm sewers, snow removal, and other similar type appurtenances. Currently, the Village does not rely on special assessments for capital improvements to streets, sidewalks, storm sewers, water or sewer pipes, or to remove snow or a number of other potential improvement initiatives that specially benefit lands or lots within the municipal corporation.

Special assessments could be used to partially or fully fund a capital project or in some cases used as the local match for grants. For instance, matching funding or “community leveraging ratios” are among the primary considerations the Ohio Public Works Commission (OPWC) uses during Issue 2 application reviews. State Issue 2 funding is available for capital improvements such as roads, bridges, waters supply systems, storm sewer systems, and other like projects. In addition, matching funds are either required or considered for awarding funding through the following Ohio Department of Development programs:

- Comprehensive Downtown Revitalization Program
- Rural Industrial Park Loan
- Urban and Rural Initiative
- Roadwork Development Account

Assessments may be levied by any of the following methods.

- By a percentage of the tax value of the property assessed
- In proportion to the benefits which may result from the improvement
- By the front foot of the property bounding and abutting upon the improvement

These assessments are limited by ORC Section 727.03, which states that in a five-year period, special assessments are limited to 33.3 percent of the assessed property's value. The villages of Coldwater and West Jefferson have special assessments for items such as sidewalk and curb installation or repairs.

R5.6 The Village should develop a capital plan and consider, at least partially, funding that plan with special assessments. Additionally, whenever possible, the Village should use the special assessments as the local match for state, federal, or other grants. Based upon the lack of a readily available maintenance schedule or capital plan, we did not attempt to either prioritize maintenance and infrastructure needs or develop any associated Financial Implications.

- F5.5 The Village routinely purchases salt, asphalt, slag/gravel, cold patch, weed killer, gasoline, and sub-base. The Village attempts to minimize purchasing costs with a competitive bidding process. However, the Village's small procurement quantities result in a relatively insignificant purchasing power.

Meanwhile, the Ohio Department of Transportation (ODOT) offers a Cooperative Purchasing Program (Program) to political subdivisions. This program receives bids from various vendors for materials, certain equipment, and certain vehicles commonly used in street maintenance and repair that do not require significant service or labor by the vendor.

The Program enables political subdivisions, like Wellsville, which may have little purchasing power to pool procurement efforts and negotiate significantly lower prices. Similarly, for a fee, the Department of Administrative Services also administers a purchasing cooperative for other non-construction-related items outside the scope of this discussion.

Before participating in the Program, the Village must adopt and submit a resolution or Village ordinance requesting participation in ODOT awarded contracts and establish an authorized agent for the Village. Following this action, a written request must be submitted by an authorized agent to the Office of Contracts, Purchasing Services.

- R5.7** The Village should participate in the ODOT Program. While those items requiring significant service and labor by vendors are not readily available through the Program, the Village could still purchase salt, aggregate, liquid asphalt, certain vehicles, certain equipment, and other necessary supplies.

Participation in the Program will likely yield financial savings. However, developing broad based Financial Implications would be cumbersome given the Village's ad-hoc maintenance schedule. However, the information to determine road salt purchases was readily available.

During the fall 2001 and winter 2002, the Village purchased approximately 150 tons of salt at \$44 per ton. The \$44 required the Village to transport the salt to its storage facilities. Meanwhile, during the similar time period, the Program offered road salt delivered from Cargill Salt Co. to entities located within Columbiana County for approximately \$29 per ton.

The \$29 is for "piled" salt (i.e., salt that is both delivered and piled for client needs). A \$2 deduction per ton (\$27 per ton) was available for salt that was delivered, but not "piled."

Scenario B Financial Implication: Assuming the Village continues to purchase 150 tons of salt and the Program's salt prices remain \$17 less than the Village's current vendor, the Village would save approximately \$2,500 each year for 2003 through 2007. Historically, the Special Revenue Permissive Tax Fund purchased the road salt; therefore, that Fund

would be positively impacted. However, as reflected within **R5.4**, the savings could indirectly benefit the SCMR.

The Village would also save labor time and equipment wear by having the salt delivered.

The Special Revenue Permissive Tax Fund is not included within the Financial Forecast. Therefore, the \$12,500 related to that Fund is not presented there.

- F5.6 **Table 5-3** illustrates the Street Department's staffing in relation to the peer villages. The staffing figures, depicted in FTEs, represent only the time spent by employees working on streets and related appurtenances during 2001. As previously mentioned, Street Department employees perform duties which benefit areas beyond the Street Department. Conversely, the peers are fully dedicated to street department duties.

Table 5-3: Departmental Staffing and Select Comparison

	Wellsville	Coldwater	Wintersville
Street Department FTEs	1.7	5.3	5.9
Lane Miles (rounded)	39	37	46
Lane Miles per FTE (rounded)	23	7	8

Source: Village of Wellsville 2001 street employee time sheets and respective villages

Note: West Jefferson was excluded from the analysis since an accurate estimate of lane miles was unavailable.

Note: The FTE's exclude management labor hours and the labor hours of a part-time employee who resigned effective February 28, 2002.

Note: The Lane Miles exclude state highways.

Wellsville's staffing is approximately 3 FTEs less than the peers. Wellsville maintains the highest ratio or lane miles to FTEs at 23 miles per FTE almost 3 times as those of the nearest peer.

- F5.7 During 2001, the Department maintained a 0.5 FTE who worked as a general maintenance laborer. The employee resigned effective February 28, 2002. Since the former employee was not reflected within the Department's organization and staffing structure and due to the Village's financial condition, a replacement employee is not expected to be hired.

Scenario A Impact: The former employee cost the Village approximately \$7,100 in 2001 including payroll taxes. Therefore, the Village will save approximately \$6,200 from March 2002 through the remainder of fiscal year 2002 related to the former employee. The positive financial impact should approximate \$7,500 during 2003.

The SCMR Fund will be positively impacted by the resignation.

- F5.8 The Department maintains a fleet of vehicles and ancillary equipment to facilitate its operations. **Table 5-4** shows the age, mileage, and estimated value of equipment used by the Department. Mileage for certain Departmental equipment is not applicable.

**Table 5-4: Street Department Vehicles and Equipment
(rounded to the nearest 100 miles/hours)**

Item Description	Year	Mileage/Hours	Estimated Value	Usage
Vehicles				
International Dump Truck (7 ton)	1991	58,000/ --	\$20,000	Operations
International Dump Truck (7 ton)	1974	150,000/ --	3,000	Operations
1 ton GMC pick-up truck ¹	1986	100,000	1,500	Operations
1 ton utility Chevy pick-up truck	1984	150,000	1,100	Operations
Chevy Caprice Cruiser	1987	250,000/ --	300	Auction
Ford Crown Victoria	1993	167,000/--	300	Operations
Ford Crown Victoria	1993	scrap/ --	100	Auction
Equipment				
Waterjet Machine ¹	1986	--/500	15,000	Operations
B2150 Kubota Brush Hog (4 ft.)	1994	-- /1,000	10,000	Operations
3500 International Backhoe	2001 ²	--/235	6,000	Operations
464 International Tractor with brush hog & snow blade	1974	--/3,800	4,000	Operations
6 cylinder International Galion Grader	1960's	-- /200	4,000	Operations
International 260 Back Hoe	1978	-- /unknown ³	4,000	Auction
Eager Beaver Roller (1 ton)	1970	-- /unknown ³	2,000	Auction
Air Compressor (WABCO 125 Rotary)	1969	-- /2,500	2,000	Operations
Street Sweeper	1978	--/unknown ³	2,000	Auction
Wisconsin 4" Trash Pump	1959	-- /unknown ³	1,500	Auction
Street Sweeper	1971	-- /scrap	300	Auction

Source: Department prepared inventory report

¹ Primarily used for sewer operations.

² Engine rebuilt in 2001, but body is from 1972.

³ Equipment does not have an hour/mileage meter or meter is damaged.

- R5.8** The Department's vehicles and equipment are not excessive to carry-out Departmental duties and are consistent with those of peer villages. Furthermore, the Village has expressed its intention to auction unused or unneeded equipment and vehicles. At the time of this report, a date had not been established for this event and a complete auction list was not available.

Scenario B Financial Implication: Assuming that the Village will receive the full estimated value of equipment designated for auction and scrap, the SCMR Fund will have a one time benefit of \$10,200 in 2003.

- F5.9 The maintenance practices for state highways within Village corporation limits is unclear. There are 1.4 lane miles of state route OH-39, 1.72 lane miles of OH-45 and 13.52 lane miles of OH-7 within village limits. Conversations with Village and ODOT officials have revealed discrepancies of stated responsibilities for state highways within Village limits. Furthermore, documented agreements between ODOT and the Village are not binding, but merely grant the Village's consent for various maintenance duties on state highways. Village Ordinance 92-2 granted consent for application of longitudinal pavement markings, erection of regulatory and warning signs, and application of abrasives for ice control and snow plowing of OH-39, OH-45 and OH-7 to be performed by ODOT within Village limits. Village Ordinance 67-21 requires ODOT to perform all construction, maintenance, and repair of OH-7 with the Village's portion of expenses equaling \$3,000 annually. It should be noted that the Village has not granted consent for the repair of pavement surfaces of OH-39 and OH-45.

Furthermore, the broad language of ORC section 5521.01 and ORC section 5501.41 does not clarify the duties of Villages and ODOT for state highways within village limits. These sections state that most types of maintenance of state routes within Village limits *may* be performed by the Ohio Department of Transportation (ODOT). According to these statutes, ODOT *must* maintain, repair, and apply standard longitudinal pavement marking lines; however, it *may* perform snow and ice removal, pavement surface maintenance, and road sign replacement upon consent from the Village.

The lack of clarity of state highway maintenance duties could result in the Village incurring redundant maintenance costs or increased liability risks should some duties not be performed.

- R5.9** The Village should update, clarify, and revise agreements with ODOT for future maintenance and repair of sections of OH-39 and OH-45 within Village limits. In addition, consent for the repair and maintenance of pavement surfaces should be granted to ODOT for all state highways within Village limits. While no statutory mandate exists to shift responsibility to ODOT for OH-39 and OH-45, the Village should make every effort to do so.

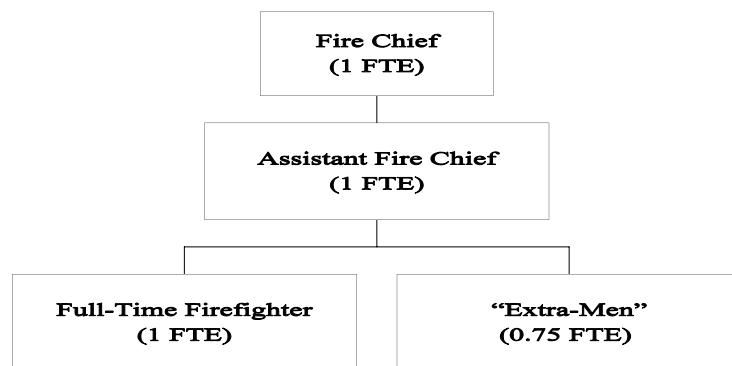
Regardless of the Village's ability to shift responsibility to ODOT, an assessment of road quality should be performed, and a formal maintenance schedule should be established based on its findings. A clear division of duties will ensure that all necessary maintenance is performed, thereby avoiding any liability that could result from potential inadequate maintenance of these sections of state highways. Should the Village be able to shift responsibility for maintaining these roads to ODOT, the Village can avoid future maintenance expense of these roads and ensure a reasonable quality of care.

Fire Department

Background

This section of the performance audit focuses on the Village of Wellsville's Fire Department (WFD or the Department). For purposes of this section, we limited the scope of our examination to focus on staffing levels, departmental organization, and apparatus and vehicle fleet.

**Chart 6-1: Organizational Chart
(includes full- and part-time employees)**



Source: Wellsville Fire Department

Note: During March 2002, a full-time firefighter resigned which reduced the full-time staffing from four to three. Five "extra-men" total 0.75 FTE firefighters and provide station coverage for open shifts and leave time. These five individuals are also part of the 25 call-paid staff who assist, on an as-needed basis, in providing fire protection services to the Village.

The Village maintains a single fire station which houses the apparatus and equipment for both WFD and the Wellsville Volunteer Fire Department (the Volunteer Fire Department). The Village pays all of the costs associated with operating and maintaining the facility while the Volunteer Fire Department does not pay any rent. WFD and the Volunteer Fire Department are organizationally and legally separate entities; however, the personnel are identical, certain equipment is commingled, and certain Volunteer Fire Department apparatus is used by WFD. Conversely, WFD apparatus is not used by the Volunteer Fire Department.

WFD only responds to calls located within Village limits, while the Volunteer Fire Department responds to calls within Yellow Creek Township, an adjoining township. Yellow Creek's fire

protection services are provided jointly by the Volunteer Fire Department and another volunteer fire department (Highlandtown) located within the township. The two volunteer fire departments equally share a 3 mill levy approved by the Yellow Creek Township voters.

WFD maintains a 1970 ladder truck (L-11) and a 1996 pumper truck (E-11), while the Volunteer Fire Department maintains two pumper trucks (E-12 and E-13). Trucks L-11 and E-11 are the preferred responders to Village calls, while trucks E-12 and E-13 respond to township calls.

Effective March 2002, WFD has three full-time personnel and five “extra men” (0.75 FTE) who cover open shifts. The Department also uses a pool of 25 call-paid firefighters (includes the 5 “extra men”) who respond to fire emergencies and other call-outs, as needed. The full-time firefighters and “extra men” staff the fire station around-the-clock in three, eight-hour shifts. Those personnel who function as “extra men” and call-paid firefighters receive \$7.50 and \$7 an hour, respectively. In 2001, “extra men” and call-paid personnel accounted for approximately \$14,900 and \$3,100, respectively, of WFD’s total personnel expenditures.

Each shift is staffed by either a full-time employee or one of the “extra men.” The fire chief is scheduled to staff the 8 a.m. to 4 p.m. shift Monday through Friday and occasionally the same shift on Saturday, while the remaining two employees or an “extra man” rotate between the other two Monday through Saturday daily shifts. The Saturday daytime shift is frequently covered by either a full-time employee or an “extra man,” and Sunday shifts are staffed via a predetermined rotation. Full-time employees earn overtime for hours worked beyond normal shifts. Except for Sunday premium pay, shift premiums are not provided to the employees (See the **employee benefits** section for a more detailed discussion of the Village’s compensation and benefits package).

The employees’ main shift responsibility is to cover the Village’s police and fire dispatch services and the fire dispatch services for two neighboring volunteer fire departments. The Village receives \$600 annually to provide the dispatch services for the neighboring volunteer fire departments.

Whenever a fire occurs, the on-duty employee determines the call’s severity and, if necessary, makes a tone-out call to the off-duty full-time and the call-paid firefighters. The tone-out passes through a personal scanner or pager and alerts the off-duty and call-paid employees to respond to the station. Except for the fire chief who responds to all calls, the on-duty employee remains at the station during call outs. The off-duty full-time employees are expected to respond to all calls. The Village estimates that eight call-paid employees typically respond to each call. Off-duty departmental employees who respond to calls receive overtime, and as previously reflected, call-paid employees receive \$7 an hour.

In most instances, E-11 (pumper) is the lead apparatus and leaves the station with three firefighters or after three minutes once two firefighters are on board. One of those firefighters is generally a full-time employee while the remaining two firefighters may be a combination of full-time or call-paid employees. If necessary, L-11 (ladder) follows with at least two firefighters. While at the

scene, the firefighter's responsibilities include, but are not limited to: connecting hose lines to hydrants, operating pumps for pressure hoses, positioning ladders to deliver water to a fire, ventilating smoke-filled areas, salvaging contents of buildings, and rescuing victims. Although the Village does not provide Emergency Medical Services (EMS) to Village residents, the Department does provide basic first-aid and Cardiac Pulmonary Recitation (CPR) since the full-time and "extra men" employees and many call-paid employees are basic first-aid and CPR certified. The first-aid and CPR services are provided until private EMS companies arrive on the scene.

WFD is unable to staff the apparatus with the sole shift employee. Therefore, as previously reflected, it relies on off-duty and call-paid employees to staff the apparatus. Although the Village views the Department as a full-time fire department and tries to financially fund it accordingly, WFD actually functions as a volunteer fire department with a full-time dispatching service. To function as a full-time fire department and staff its apparatus accordingly, WFD would need to staff each shift with at least three firefighters with an additional employee remaining at the station during call-outs (a minimum of 12 full-time firefighters plus part-timers).

Although rarely used, the Village also has a mutual aid agreement with the City of East Liverpool Fire Department. According to the agreement, each fire department furnishes aid to the other upon request at no cost to either department.

Clerical and administrative functions are typically performed by the fire chief.

Financial Data

Tables 6-1.1 and 6-1.2 summarize receipts and expenditures for fiscal years 1999 through 2001. WFD is supported by the General Fund, the Special Revenue Fire Levy Fund, and the Special Revenue Fire Truck Levy Fund. The Special Revenue Fire Levy Fund receives proceeds from a 6 mill levy and annual Operating Transfers from the General Fund. WFD's personnel related expenditures are reflected within the Special Revenue Fire Levy Fund. The Special Revenue Fire Truck Levy Fund receives proceeds from a 2 mill levy which is used to service the debt payments related to a fire truck purchase (See the **other matters** section for a more detailed discussion of the Village's property tax levies).

Table 6-1.1 illustrates the Special Revenue Fire Levy Fund receipts and expenditures for fiscal years 1999 through 2001.

**Table 6-1.1: Special Revenue Fire Levy Fund Receipts and Expenditures
(rounded to nearest \$100)**

	1999	2000	2001
Receipts:			
Property Tax	\$99,600	\$99,100	\$101,700
Intergovernmental	13,400	13,500	9,500
Miscellaneous	7,700	0	500
Total Receipts	120,700	112,600	111,700
Expenditures:			
Salaries - Regular Wages	93,600	93,600	93,600
Salaries - Call-paid	6,500	2,300	3,100
Salaries - "Extra Men"	13,600	6,000	14,900
Overtime	16,500	9,500	11,500
Benefits	123,500	121,900	123,500
Other	0	1,700	100
General Government	0	15,900	2,400
Capital Outlay	0	0	0
Total Expenditures	253,700	250,900	249,100
Receipts (Under) Expenditures	(133,000)	(138,300)	(137,400)
Other Financing Receipts:			
Transfers In	130,000	140,000	70,000
Receipts and Other Financing Sources Over/(Under) Expenditures	(3,000)	1,700	(67,400)
Beginning Fund Cash (Deficit)	(99,700)	(102,700)	(101,000)
Ending Fund Cash (Deficit)	(\$102,700)	(\$101,000)	(\$168,400)

Source: 1999 through 2001 General Ledgers; 2001 Unaudited Cash Basis Annual Financial Report; and 1999 and 2000 Trial Balances

The Property Tax receipts are generated from a 6 mill levy which was initially approved for 5 years in 1986. The levy was renewed several times since 1986. The levy was "replaced" during May 2001. Although the levy proceeds remained consistent for fiscal years 1999 through 2001, the annual levy proceeds should increase to approximately \$150,000 since the millage will be based upon much more current property tax valuations.

Intergovernmental receipts is an apportionment from the State to the Village based upon Homestead/Rollback property tax credits. Homestead/Rollback includes a 10 percent property tax rollback for all real property tax owners. In 1979, an additional 2.5 percent rollback was enacted for owner-occupied homes. These tax credits are reimbursed to the Village through the State and are calculated by applying the appropriate percentages to the residential and commercial properties. Also, included in this category is an exemption for businesses for the first \$10,000 in personal property tax valuation. This exemption is reimbursed by the State and is estimated based upon historical trends. For fiscal years 1999 through 2001, the Village realized a 29 percent decline for this particular receipt. The decrease is attributable to a reduction in the eligible population (mostly elderly) who would receive the tax credit.

Excluding Miscellaneous receipts, total receipts decreased slightly from 1999 through 2001.

Total expenditures decreased approximately 2 percent from 1999 through 2001.

The Transfers In represents financial support from the General Fund which is both approved by Village Council and is discretionary. As a result, the support is subject to fluctuation. The Transfers In totaled \$130,000, \$140,000, and \$70,000 for fiscal years 1999 through 2001, respectively. The significant decrease in 2001 is largely attributable to the declining financial stability of the General Fund. Historically, approximately 75 percent of all General Fund transfers were recorded within this Special Revenue Fire Levy Fund.

From 1999 to 2001, the Ending Fund Cash (Deficit) increased nearly 64 percent from \$102,700 to \$168,400.

Table 6-1.2 illustrates the Special Revenue Fire Truck Levy Fund receipts and expenditures for fiscal years 1999 through 2001.

**Table 6-1.2: Special Revenue Fire Truck Levy Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	1999	2000	2001
Receipts:			
Property Tax	\$38,300	\$38,200	\$39,600
Expenditures:			
Debt Service	35,300	35,300	35,300
Capital Outlay	0	18,000	0
Auditor and Treasurer Fees	700	700	2,700
Total Expenditures	36,000	54,000	38,000
Receipts Over/(Under) Expenditures	2,300	(15,800)	1,600
Beginning Cash Fund Balance	27,000	29,300	13,500
Ending Cash Fund Balance	\$29,300	\$13,500	\$15,100

Source: 1999 through 2001 General Ledgers; 2001 Unaudited Cash Basis Annual Financial Report; and 1999 and 2000 Trial Balances

Property Taxes increased marginally from 1999 through 2001 to \$39,600.

The \$35,300 debt service expenditures represent principal and interest payments for the 1996 pumper truck purchase. The Village expects to fully retire that debt by June 2003 while the property tax receipts will continue through the fiscal year ended 2005. The \$18,000 Capital Outlay expenditure in 2000 was for the purchase of a 1970 ladder truck.

The Ending Cash Fund Balance decreased \$14,200 or 48 percent from fiscal year 1999 to 2001.

Findings/Recommendations

F6.1 Wellsville and the peer villages receive fire protection services in several ways. Certain villages maintain fire departments while other villages contract for fire protection services. Those villages which provide fire protection services are organized and funded in multiple ways. The following illustrates the organizational and operational similarities and differences between Wellsville and the peer villages:

- The Village of Wellsville's fire protection services are provided by WFD. As of March 2002, staffing consists of nearly 4 full-time firefighters including the "extra men." A pool of 25 call-paid firefighters, which includes the "extra men," are also used to provide fire suppression duties.

WFD's operations are financially supported by the General Fund via Operating Transfers and the Special Revenue Fire Levy Fund, which receives the proceeds from a 6 mill levy. Capital purchases are funded through the Special Revenue Fire Truck Levy Fund, which receives proceeds from a 2 mill levy.

During 2001, WFD operating expenditures approximated \$250,000. Those expenditures do not include the capital expenditures recorded within the Special Revenue Fire Truck Levy Fund. The fire chief earns approximately \$25,000 plus benefits annually while the two remaining full-time employees earn between \$22,000 and \$24,000 plus benefits annually. The "extra men" were cumulatively paid nearly \$15,000 during 2001.

WFD maintains an in-house dispatch service and also provides dispatch services for Yellow Creek Township's two volunteer fire departments, the Highlandtown Volunteer Fire Department and the Wellsville Volunteer Fire Department. WFD services approximately 2 square miles and responds to 110 calls annually. WFD maintains an Insurance Services Organization, Inc. (ISO), Public Protection Classification (PPC) rating of 6 (See **F6.4** for a more detailed discussion of the ISO PPC rating).

- The Village of Coldwater's fire protection services are provided by the Village's volunteer fire department (the Department). The staffing consists of a part-time chief and an assistant chief. A pool of 18 volunteer firefighters is used to provide fire suppression duties. Each of these firefighters is reimbursed approximately \$250 annually for clothing and for other incidental expenses, totaling approximately \$4,500 per year. However, the firefighters are not paid an hourly rate.

The Department's operations are financially supported by a Special Revenue Fire Protection Levy Fund, which receives proceeds from a 1 mill levy approved by Butler Township and Coldwater residents. The Department services Butler Township through an annual agreement. In addition to the levy, both Butler Township and the Village of Coldwater contribute approximately \$10,000 annually for the purchase of a fire truck.

During 2001, the Department's operating expenditures approximated \$87,000. Those expenditures do not include the fire truck payment. The part-time chief and assistant chief cumulatively receive \$3,800 annually.

Coldwater receives dispatch services through a county 911 system while the county sheriff facilitates the Department's tone-outs. The Department services approximately 5 square miles which includes Butler Township and the Village of Coldwater. The Department responds to 115 call-outs annually and maintains an Insurance Services Organization, Inc. (ISO), Public Protections Classification (PPC) rating of 5.

- The Village of West Jefferson does not provide fire protection services. Rather, West Jefferson receives fire protection services from the Jefferson Township Fire Department, which is an organizationally and legally separate entity. The Village of West Jefferson does not contribute towards the operational or capital costs of the Jefferson Township Fire Department nor does the Village maintain any fire department employees.

The Jefferson Township Fire Department is funded by a 12 mill levy which supports operating and capital expenditures for fire and EMS services. Both the Township and the Village residents approved the 12 mill levy. The Jefferson Township Fire Department also provides fire suppression and EMS services for Fairfield Township, an adjoining township. Fairfield Township assesses a 5 mill levy for these services.

The Jefferson Township Fire Department receives its dispatch services through a county 911 system and facilitates its tone-outs within the fire department. The Jefferson Township Fire Department services approximately 35 square miles including the Village of West Jefferson and responds to approximately 400 calls annually. The Jefferson Township Fire Department maintains an Insurance Services Organization, Inc. (ISO), Public Protections Classification (PPC) rating of 4.

- The Village of Wintersville does not provide fire protection services. Rather, Wintersville fire protection services are provided via a contract with the Wintersville Volunteer Fire Department, Inc. which is an organizationally and legally separate entity.

Wintersville paid approximately \$28,000 from its Special Revenue Fire Levy Fund to support the Wintersville Volunteer Fire Department, Inc. operations and another \$38,000 from the same fund for EMS. The Special Revenue Fire Levy Fund receives the proceeds from a 2 mill levy. The Wintersville Volunteer Fire Department, Inc. is also funded through contracts with other area townships and villages and through various fund-raising activities.

The Wintersville Volunteer Fire Department, Inc. receives its dispatch services through a county 911 system and the county facilitates tone-outs for the Wintersville Volunteer Fire Department, Inc., which also maintains an insurance services organization, Inc., (ISO), Public Protections Classification (PPC) rating of 5.

- Waverly's fire protection services are provided by its volunteer fire department (the Department). The staffing consists of a full-time fire chief and inspector. A pool of 27 call-paid firefighters is used to provide fire suppression duties. In addition to receiving an hourly rate of approximately \$8 for the first hour and \$5.75 for each additional hour, the call-paid firefighters also receive an annual salary based on attendance at "mandatory" training sessions of approximately \$800.

The Department's operations are financially supported by the Special Revenue Fire Levy Fund, which receives proceeds from 2 levies which total 3.2 mills. Furthermore, the Department receives other funding through contracts with surrounding townships for fire protections services, including \$3,500 from West Jackson Township and \$20,000 from Pee Pee Township.

During 2001, the Department's operating expenditures approximated \$215,000. Those expenditures do not include capital expenditures.

The Department receives dispatch services through a county 911 system and facilitates its own tone-outs. The Department services approximately 70 square miles including the Village of Waverly and responds to approximately 300 call-outs annually, 150 of which are call-outs for Waverly residents. The Department maintains an Insurance Services Organization, Inc. (ISO), Public Protections Classification (PPC) rating of 4.

Wellsville, Coldwater, and Waverly provide fire protection services while West Jefferson and Wintersville contract for fire protection services. Wellsville provides dispatch services while all of the peers, including those fire departments serving West Jefferson and Wintersville, receive dispatch services through a county-wide 911 system. The method of dispatching is the most significant difference between Wellsville and the peers.

- F6.2 **Table 6-2** compares the classification and staffing levels of Wellsville and the peer villages as of March 2002. West Jefferson and Wintersville do not provide fire protection services; therefore, those two villages are excluded from any further peer comparisons within this **fire department** section.

Table 6-2: Departmental Classification and Staffing

	Wellsville	Coldwater	Waverly
Chief	1	0.05 ¹	1
Assistant Chief	1	0.05 ¹	0
Inspector	0	0	1
Firefighters	1.75	0	0
Total FTEs	3.75	0.10	2
Pool of Firefighters	25	18	27

Source: Respective Village

¹Coldwater's chief and assistant chief work approximately 2 hours each week.

Both Wellsville and Waverly maintain a full-time fire chief while Coldwater's chief works approximately 2 hours each week. Wellsville also maintains a full-time assistant chief while for all practical purposes neither Coldwater nor Waverly maintain that position. Waverly is the only village which maintains an inspector. The inspector performs all commercial and residential building inspections and helps manage the department's daily operations. All three villages maintain a pool of call-paid firefighters who perform fire suppression duties.

Wellsville's FTEs are significantly more than Coldwater and nearly double that of Waverly. Wellsville provides dispatching services; therefore, WFD is staffed around-the-clock with full-time firefighters and "extra men" to provide that service while both Coldwater and Waverly rely upon a county-wide dispatch service.

In March 2002, a full-time Wellsville firefighter resigned. The Village does not intend to replace that former employee with another full-time employee. Rather, the Village expects to use the "extra men" to permanently staff the vacated shifts. Wellsville's staffing decreased from 4 to 3 full-time firefighters with the resignation. However, "extra men" will be used to staff the open shifts caused by that resignation. In reality, the "extra men" will replace that full-time employee except the "extra men" will be paid at a lower hourly rate and will not be provided benefits. Therefore, the Village should realize a "net" savings due to the resignation.

Scenario A Impact: The former employee earned approximately \$33,000 annually including benefits. Therefore, the Village will save approximately \$27,000 from March 2002 through

the remainder of fiscal year 2002 related to the former employee. That savings will be offset by wages paid to “extra men” to cover the open shifts caused by the resignation. Those salaries and related costs should approximate \$18,000 from March 2002 through the remainder of fiscal year 2002. The “net” savings for 2002 will approximate \$9,000 while the positive financial impact should approximate \$12,000 during 2003.

The General Fund or Special Revenue Fire Levy Fund will be positively impacted by the resignation. We assumed the Village would decrease the General Fund Operating Transfer to the Special Revenue Fire Levy Fund. Therefore, we reflected the positive financial impact within the General Fund. The Village could alternatively reflect the impact within the Special Revenue Fire Levy Fund.

F6.3 **Table 6-3** compares select criteria for WFD and peer village fire operations.

Table 6-3: Select Comparisons

	Wellsville	Coldwater	Waverly
Square Miles Covered (rounded to the nearest mile) ¹	2	5	70
2001 Call-outs	108	115	300 ²
2001 operational expenditures (rounded to the nearest \$1,000) ³	\$249,000	\$87,000	\$215,000
Cost per Call-out (rounded to the nearest \$100)	\$2,300	\$800	\$700
ISO PPC Rating ⁴	6	5	4

Source: Respective Village

Note: 2001 Village Call-outs refer to any call which the fire departments sent a firefighter whether or not fleet apparatus is used.

¹ Includes coverage for contracted townships.

² 150 of the 300 call-outs were for Waverly residents.

³ Excludes capital purchases or debt payments for previous capital purchases.

⁴ Insurance Services Office, Inc. (ISO) rates fire protection services through a Public Protection Classification (PPC) numbering system. The lower the number, the better the rating.

WFD provides fire protection services within Village limits which totals approximately two miles. The peers, however, provide fire protection services for much larger areas which include surrounding townships under contract. In 2001, WFD responded to fewer call-outs than both Coldwater and Waverly. Furthermore, Wellsville contributed 187 percent more than Coldwater and 16 percent more than Waverly to financially support fire operations. Wellsville’s 2001 Cost per Call-out was \$2,300 or \$1,500 and nearly 188 percent more than Coldwater and \$1,600 and nearly 229 percent more than Waverly.

F6.4 The Insurance Services Office, Inc. (ISO) ratings are a compilation of information regarding a municipality's fire protection services. Traditionally, communities have used these ratings to justify full-time fire protection services. The lower the ISO rating, the more favorable the insurance premiums are within the covered area which may make the community more attractive for economic development. ISO collects a variety of information on a community's public fire protection to develop and assign a Public Protection Classification (PPC) number which ranges from Class 1 to Class 10. Class 1 represents the best public protection while Class 10 indicates less than the minimum-recognized protection.

A municipality's rating is based upon three major categories including fire alarms, fire department, and water supply. Of the overall rating, approximately 10 percent is based upon how well the respective fire department receives and dispatches fire alarms; 25 percent is based upon ISO's evaluation of the respective fire department's apparatus and equipment and fleet response times; 25 percent is based upon the respective fire department's personnel training and staffing; and 40 percent is based upon the adequacy of the community's water supply.

Wellsville's Class 6 rating is higher than all of the peers including those fire departments which provide fire protection services for West Jefferson and Wintersville. Coldwater's and Waverly's ratings are 5 and 4, respectively while the fire departments which serve West Jefferson and Wintersville rate at 4 and 5, respectively. Wellsville's Class rating is the highest of all the villages despite its in-house dispatching service and substantially higher number of full-time employees.

R6.1 The Village should analyze the categories which establish the PPC Class ratings and determine those more easily addressed variables which influence the rating. The Village should develop a plan based upon those variables and execute that plan accordingly. In particular, training; apparatus, equipment, and dwelling inspection; and public education could be emphasized.

F6.5 The City of East Liverpool Police Department (ELPD) and Columbiana County Sheriff Department (County Sheriff) currently provide dispatch services for certain surrounding communities at a cost. ELPD also facilitates the dispatch and tone-out services for its fire department. ELPD and the County Sheriff expressed a willingness to provide a combination of dispatch and tone-out services for Wellsville. The following describes the options including obstacles of migrating Wellsville's dispatch and tone-out functions to either ELPD or the County Sheriff:

- ELPD asserts Wellsville needs to assess its equipment for tone-out capabilities. If the Village's equipment is sufficient, ELPD believes it has the existing capabilities to perform the dispatch services for both the Wellsville police and fire departments

and tone-outs for the Wellsville fire department. ELPD does not believe additional repeaters are necessary.

ELPD estimates the cost to provide dispatch services for Wellsville's police and fire departments including tone-out for the fire department to range \$20,000 to \$25,000 annually.

ELPD asserts the Wellsville residents will continue to call the existing emergency phone numbers; however, that call will merely be routed to ELPD versus the Wellsville fire department. The duration of elapsed time to the tone-out should not increase from its present length.

- The County Sheriff asserts Wellsville needs to assess its equipment for compatibility. The County Sheriff also believes additional repeaters are necessary to ensure a dependable signal always exists; therefore, the Village must either construct or lease a tower. A repeater costs approximately \$5,000 while tower construction costs may approach \$50,000 or more. The Village should independently investigate the cost of leasing or constructing a tower.

The County Sheriff estimates the cost to provide dispatch services to Wellsville's police and fire departments approximate \$7,000 annually. The County Sheriff does not currently have tone-out capabilities.

Columbiana County plans to implement a 911 emergency system at some future date. While the plans are not completely developed, there is a strong likelihood the system will be based upon either a four or five-point call-center design. If implemented, call centers will likely be included within the County Sheriff's Office and the City of East Liverpool; therefore, Wellsville's dispatching service will likely terminate at that date. Definitive implementation dates for that system do not currently exist.

WFD currently provides dispatching and tone-out services for both the Wellsville and Highlandtown volunteer fire departments. Those fire departments provide fire protection services for Yellow Creek Township. During 2001, WFD dispatched approximately 100 call-outs for those volunteer fire departments. Wellsville management estimates those call-outs are consistent with historical averages. Meanwhile, WFD's 2001 call-outs were 108 or roughly 50 percent of the total call-outs for all three departments. The agreement provides for a \$600 annual payment from Yellow Creek Township to cover the cost of providing the dispatch services for the volunteer fire departments.

- R6.2** The Village and Yellow Creek Township should develop and execute a mutual aid agreement. That agreement should clearly identify the apparatus and equipment which may be shared between WFD and the Wellsville Volunteer Fire Department. The agreement

should also describe which entity assumes the risk of loss when apparatus or equipment is shared. Finally, the Village should consider assessing a monthly rent charge for the volunteer apparatus and equipment which is stored within the Village's fire station. We estimate the value of the space to approximate \$2,500 a year.

Scenario B Financial Implication: The Special Revenue Fire Levy Fund would be positively impacted by \$2,500 during 2003 through 2007 if the Village assessed a rent charge to the Wellsville Volunteer Fire Department. The \$2,500 is merely an estimate. The Village should independently determine a fair market value.

- R6.3** The Village views its fire department as a full-time fire department. However, in reality, the fire department is a volunteer fire department which provides full-time dispatching services. As reflected within **F6.4**, WFD's ISO rating is still higher than the peers although WFD is the only fire department among the peers to provide that service. The Village should transition its dispatch and tone-out services to ELPD and migrate from its current structure of 3 full-time employees to, not more than, 1 full-time employee. For example, the village could maintain a part-time employee to coordinate those activities which will positively impact the Village's PPC Class rating (See **R6.1**). The Village should also transition those former full-time employees to call-paid employees. The Village should view this transition to ELPD as a short- to medium-term solution since Columbiana County will eventually migrate to a county-wide dispatch service.

The ELPD alternative was selected since that decision did not require significant capital investment by the Village and it appeared to be more of a short- to medium-term solution. We viewed the County Sheriff alternative to be a long-term solution.

The Village should also negotiate with and ensure the Yellow Creek Township proportionately shares the cost of the ELPD dispatch and tone-out services. The Village should explore other dispatching alternatives as well.

Scenario B Financial Implication: The Special Revenue Fire Levy Fund will be negatively impacted by approximately \$16,700 for fiscal years 2003 through 2007 if the dispatch and tone-out services transition from WFD to ELPD. The \$16,700 impact assumes the Yellow Creek Township will pay one-third of the \$25,000 annual contract amount. Otherwise, the transition costs will increase to \$25,000.

Assuming WFD salaries including overtime and longevity pay, and pension costs approximate \$35,000 per employee, the Village will save \$70,000 during 2003 by reducing the full-time staffing down to one (the savings would be larger if the Village maintained only .5 FTE). Benefit costs associated with this reduction do not include hospitalization, Sunday premium pay, hazard pay or clothing allowance (See the **employee benefits** section for information regarding the elimination or reduction of these benefits). The Village will incur

certain employee costs approximating \$19,400 related to these reductions. Therefore, the 2003 savings will be reduced accordingly.

The Village will also save approximately \$32,500 each year in personnel costs related to "extra men."

Therefore, during 2003, the net annual expenditure reductions will approximate \$83,100. If those employees remained and received 3 percent annual wage increases, the 2004 through 2007 savings would approximate \$105,600, \$108,700, \$112,000, and \$115,400, respectively.

The General Fund or Special Revenue Fire Levy Fund will be positively impacted by the reductions. We assumed the Village would decrease the General Fund Operating Transfer to the Special Revenue Fire Levy Fund. Therefore, we reflected the positive financial impact within the General Fund. The Village could alternatively reflect the impact within the Special Revenue Fire Levy Fund.

At some point, the levy may provide excessive resources based upon the Department's structure. At that point, the Village should evaluate whether this 6 mill levy should be reduced and "new" millage added elsewhere and used for other necessary but neglected Village priorities.

Conversely, if the Village elects to provide in-house dispatching services and maintain the existing WFD staffing levels, the Village should obtain additional funding approximating \$150,000 each year. The \$150,000 should fully supplement the Special Revenue Fire Levy Fund and eliminate the General Fund Operating Transfers. That funding could be generated from increased millage, a substantial increase to the Yellow Creek Township dispatch contract, or a combination of those alternatives. In the absence of an increase to the dispatch contract with Yellow Creek Township, the Village will need to obtain an additional 5 to 6 mill levy.

- F6.6 The Village has a 1988 mutual aid agreement with the City of East Liverpool to provide and receive fire emergency assistance upon request by the other department. Effective mutual aid agreements address the mutual needs of the engaging departments by serving as tools to execute pre-emergency planning. While the agreement does not have an expiration date, and is therefore, not outdated, it does not accurately reflect current personnel or apparatus for either department.
- R6.4** The Village should update its mutual aid agreement with the City of East Liverpool to reflect current Village and City apparatus and personnel. The updated agreement should enable both entities to accurately assess their resources for emergency situations.

- F6.7 Currently, WFD does not have an equipment replacement plan for turn-out suits, helmets, boots, or air-packs (breathing equipment mandatory for all fires except grass or brush fires). The lack of a replacement plan is largely attributable to available funding.

WFD currently owns 33 various size turn-out suits. Turn-out suits include pants, suspenders, and jackets. In addition, WFD owns approximately 30 helmets and 30 pairs of boots. The regular life-span for a turn-out suit is 10 years. After reviewing many of the turn-out suits and discussions with WFD personnel, we determined many of the suits were manufactured between 1991 and 1992 and are therefore 10 years old. Additionally, during January 2002, a call-paid firefighter received second-degree burns on his back and shoulders because the fire-proof substance within his jacket broke down. That particular turn-out suit was 10 years old.

The Wellsville Volunteer Fire Department recently purchased 10 turn-out suits. Even with those suits, which will also be used during Village call-outs, WFD still needs approximately 12 to 17 turn-out suits to completely equip all staff.

There are sufficient helmets and boots. The air-pack inventory is currently sufficient. However, the air-pack model was discontinued in 1998 and WFD's air packs predate 1998; therefore, break downs are increasingly likely while it will also be increasingly difficult to obtain the parts to make necessary repairs.

The fire chief asserted he may not permit firefighters to enter certain fire emergencies with the current condition of certain equipment. Therefore, increased property damage could occur and injury or death may result to the fire victims.

- R6.5** WFD should develop a reasonable and prudent apparatus and equipment replacement plan and fund that plan through the Special Revenue Fire Truck Levy Fund. The ballot language reflected on the levy used to support the Special Revenue Fire Truck Levy Fund permits both apparatus and equipment to be purchased with the proceeds. Therefore, the Village should consider using that Fund for both apparatus and equipment purchases.

The current 2 mill levy which generates \$39,000 annually does not expire until fiscal year ended 2005 while the Village expects to retire the 1996 pumper debt by June 2003. The annual levy proceeds only cover the debt payments; therefore, any equipment purchases will be delayed beyond June 2003. The Village should consider refinancing the debt related to the 1996 pumper for two years. The Village may incur refinancing and additional interest costs; however, the Village could purchase, at least some, critically needed equipment.

The loan will approximate \$65,000 in June 2002. The Village could reduce the annual principal and interest payments from approximately \$35,000 to \$19,000 if the Village extended the loan maturity from June 2003 until December 2005. The Village could begin

purchasing critical equipment in late 2002 and early 2003 versus waiting until after June 2003.

At some point, the levy may provide excessive resources for the fund based upon current and future anticipated apparatus and equipment needs. At that point, the Village should evaluate whether this 2 mill levy should be reduced and “new” millage added elsewhere and used for other necessary but neglected Village priorities.

F6.8 **Table 6-4** illustrates WFD’s vehicle mileages.

**Table 6-4: Vehicle Mileage
(rounded to the nearest 100 miles)**

Vehicle	Mileage
1970 La France (Ladder No. L-11)	2,000
1996 Freight Liner (Engine No. E-11)	4,700

Source: Wellsville Fire Department (as of February, 2002)

According to the fire chief and staff, the 1970 ladder truck is in good repair and running well. There are no plans to replace the 1970 ladder truck. The ladder truck should be tested annually; however, a record does not exist which reflects it has been tested since its purchase during 2000. The ladder truck is used for multi-story buildings and is not used to respond to each fire incident. In addition, a 1968 LaFrance Engine was purchased in the early 1990s to accommodate WFD’s short-term needs. That vehicle is inoperable and up for bid. Management estimates that the vehicle has only salvage value.

R6.6 WFD should annually test its apparatus for proper working order and maintain records regarding the testing results in accordance with National Fire Protection Association and State Fire Marshall mandates. In addition to ensuring compliance with applicable laws and procedures, regular testing and inspection will enable WFD to identify any maintenance issues before major problems occur. Such testing will help eliminate unplanned vehicle purchases such as the 1968 LaFrance Engine.

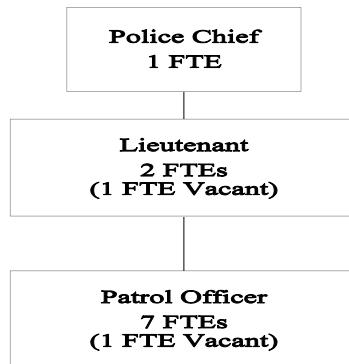
This page intentionally left blank.

Police Department

Background

This section of the performance audit focuses on the Village of Wellsville's Police Department (the Department). For the purposes of this section, we limited the scope of our examination to focus on staffing levels, overtime, and vehicle fleet.

**Chart 7-1: Organizational Chart
(includes full- and part-time employees)**



Source: Wellsville Police Department

Note: The Department has two full-time position vacancies; one lieutenant and one patrol officer. The positions have been vacant since September 2001. Eight part-time patrol officers total 2 FTEs.

The Department operates around-the-clock with three equal length primary shifts. However, the Department schedules personnel to work secondary overlapping shifts mainly on Fridays and Saturdays to increase coverage during late evening and early morning hours. All Department employees, including the police chief and lieutenant perform patrol duties. Generally, each shift is staffed with one patrol officer and/or a supervisor. Staffing may be reduced based upon use of vacation or call-offs.

The following illustrates basic shifts:

- Day (8 a.m. - 4 p.m.)
- Evening (4 p.m. - midnight)
- Midnight (midnight - 8 a.m.)

The Village's police and fire dispatch services are facilitated by the Village's fire department (See the **fire department section** for a further discussion of the Village's dispatch services).

Financial Data

The Department's operating and capital costs are accounted for within the General Fund, Police Department special cost center; Special Revenue Police Salary Levy Fund; Special Revenue Columbiana Metropolitan Housing Authority (CMHA) Fund; Special Revenue Drug Abuse Resistance Education Fund; and Special Revenue Community Oriented Policing Services Grant Fund.

The Special Revenue Police Salary Levy Fund receives proceeds from a 1.5 mill levy while the Special Revenue CMHA Fund receives contract proceeds for services provided to the local CMHA. The Special Revenue Drug Abuse Resistance Education Fund and Special Revenue Community Oriented Policing Services Grant Fund were historically funded with certain grants; however, the Village no longer receives those grants. Therefore, those two funds no longer reflect any financial activity. Rather, the expenditures previously charged to those funds are now reflected within the Department's special cost center. In addition, the CMHA contract does not fully cover the cost of providing the contracted service. These excess costs are also reflected within the Department's special cost center.

Table 7-1 summarizes the General Fund, Police Department special cost center function expenditures and the total expenditures for the four previously mentioned Special Revenue Funds for fiscal years 1999 through 2001. The Special Revenue Police Salary Levy Fund receipts and expenditures are reflected within **Table 7-2** while the Special Revenue CMHA Fund receipts and expenditures are reflected within the **other matters** section. Tables reflecting the receipts and expenditures of the Special Revenue Drug Abuse Resistance Education Fund and Special Revenue Community Oriented Policing Services Grant Fund are not presented.

**Table 7-1: Police Department Expenditures
(rounded to the nearest \$1,000)**

	1999	2000	2001
General Fund Police Department Special Cost Center Expenditures:			
Wages and Benefits	\$340,000	\$361,000	\$381,000
Supplies	3,000	2,000	4,000
Phone	2,000	2,000	2,000
Vehicle and Equipment Maintenance	11,000	11,000	15,000
Vehicle and Liability Insurance	14,000	20,000	22,000
Juvenile Subsidy	5,000	4,000	3,000
Miscellaneous	3,000	1,000	0
Capital Outlay	15,000	13,000	10,000
Total General Fund Police Department Special Cost Center Expenditures	\$393,000	\$414,000	\$437,000
Special Revenue Police Salary Levy Fund expenditures	\$30,000	\$26,000	\$17,000
Special Revenue Columbian Metropolitan Housing Authority Fund expenditures	\$32,000	\$36,000	\$26,000
Special Revenue Drug Abuse Resistance Education Fund expenditures	\$18,000	\$6,000	\$0
Special Revenue Community Oriented Policing Services Grant Fund expenditures	\$11,000	\$0	\$0
Total Police Department Expenditures	\$484,000	\$482,000	\$480,000

Source: 1999 through 2001 General Ledgers; 2001 Unaudited Cash Basis Annual Financial Report; and 1999 and 2000 Trial Balances

General Fund Police Department Special Cost Center expenditures increased approximately \$44,000 from 1999 through 2001. In particular, salaries and wages increased approximately \$41,000, while vehicle and liability insurance increased approximately \$8,000 from 1999 to 2001.

The increase in salaries is partially due to the General Fund Police Department Special Cost Center absorbing certain salary expenditures during 2000 and 2001 which were previously paid from the Special Revenue Community Oriented Policing Services Grant Fund, the Special Revenue Drug Abuse Resistance Education Fund, and the Special Revenue Police Salary Levy Fund.

The Special Revenue Drug Abuse Resistance Education Fund and Special Revenue Community Oriented Policing Services Grant Fund expenditures represent certain Departmental salaries paid by grant monies from these funds. These funds stopped receiving grant monies in 1999 due largely, in part, to a lack of local matching resources. Accordingly, the expenditures are no longer recorded within these funds but are reflected with the Department's special cost center.

Table 7-2 summarizes the Special Revenue Police Salary Levy Fund's receipts and expenditures for fiscal years 1999 through 2001.

**Table 7-2: Special Revenue Police Salary Levy Fund
Receipts and Expenditures
(rounded to the nearest \$100)**

	1999	2000	2001
Receipts:			
Property Tax	\$18,600	\$18,600	\$18,800
Intergovernmental	2,500	2,500	1,900
Total Receipts	21,100	21,100	20,700
Expenditures:			
Salaries and Benefits	30,300	26,100	16,800
General Government	0	400	400
Total Expenditures	30,300	26,500	17,200
Receipts Over/(Under) Expenditures	(9,200)	(5,400)	3,500
Other Financing Sources:			
Transfers In	0	0	14,300
Receipts and Other Financing Sources Over/(Under) Expenditures	(9,200)	(5,400)	17,800
Beginning Fund Cash Balance (Deficit)	2,500	(6,700)	(12,100)
Ending Fund Cash Balance (Deficit)	(\$6,700)	(\$12,100)	\$5,700

Source: 1999 through 2001 General Ledgers; 2001 Unaudited Cash Basis Annual Financial Report; and 1999 and 2000 Trial Balances

Since 1976, the Village has received proceeds from a property tax levy to supplement the Department's operating costs. The 1.5 levy, which was replaced during 2001, has an effective rate of 1.3 mills. That replacement levy is expected to increase the property tax receipts annually from approximately \$19,000 to \$38,000 for 2002 and beyond. Additionally, the levy is for a "continuing period of time" and does not expire.

Although receipts remained consistent, expenditures ranged from a high of approximately \$30,000 in 1999 to a low of approximately \$17,000 in 2001. Once the Fund realized a deficit balance, the Village recorded fewer expenditures within this Fund. Rather, the General Fund, Police Department special cost center merely absorbed those costs. During 2001, the Village also transferred in approximately \$14,000 from the General Fund to help reduce the deficit balance. With the transfer into the Fund and the reduction of expenditures, the Fund had a positive fund cash balance at December 31, 2001.

Findings/Recommendations

F7.1 The Department is responsible for proactive law enforcement functions (patrolling and routine traffic stops), reactive law enforcement functions (responding to calls), assisting citizens, and delivering certain documents to the court, when needed. As depicted in **Chart 7-1**, the Department has two vacancies; a lieutenant and a patrol officer. The positions have been vacant since September 2001. The Village expects those vacancies to remain for the foreseeable future.

Table 7-3 compares the Department staffing levels (in FTEs) with the peers. **Table 7-3** staffing figures also include part-time and auxiliary employees.

Table 7-3: Departmental Classification and Staffing

	Wellsville	Coldwater	West Jefferson	Wintersville	Peer Average
Police Chief	1.0	1.0	1.0	1.0	1.0
Lieutenant	1.0	--	1.0	--	--
Sergeant	--	1.0	2.0	1.0	1.3
Patrol Officer	6.0 ¹	4.8 ²	6.6 ³	7.0 ⁴	6.2
Detective	--	--	1.0	1.0	--
Dispatcher	--	--	5.5 ⁵	--	--
Clerical	--	0.2	--	1.5 ⁶	--
Total Departmental FTE's	8.0	7.0	17.1	11.5	11.9

Source: Respective police department

¹ Includes four full- and eight part-time patrol officers. One of the full-time employees is fully dedicated to the local CMHA. Each part-time employee is considered 0.25 FTEs.

² The Village has four full- and two part-time patrol officers. Each part-time employee is considered 0.4 FTEs.

³ The Village has five full- and four part-time patrol officers. Each part-time employee is considered 0.4 FTEs.

⁴ The Village has 4 full-time patrol officers and 15 auxiliary officers. Each auxiliary officer is considered 0.2 FTEs.

⁵ Includes four full- and three part-time dispatchers. Each part-time employee is considered 0.5 FTEs.

⁶ Includes a full- and part-time secretary. The part-time employee is considered 0.5 FTEs.

The Village's departmental classification consists of lieutenants and patrol officers, both of whom perform routine patrol duties. Wellsville's departmental classification is somewhat similar to the peers. Wellsville maintains a lieutenant position in patrol operations as does West Jefferson. However, Wellsville does not maintain other supervisory staff as compared to the peers. For instance, the peers have at least one sergeant supervising patrol officers. In the case of West Jefferson, there are two sergeants.

Wellsville, Coldwater and West Jefferson staff patrol with full- and part-time sworn officers. Wintersville staffs with full-time and auxiliary sworn officers. Additionally, West Jefferson and Wintersville have a specific investigative component in their departments whereas Wellsville and Coldwater do not have staff dedicated solely to investigative duties.

Overall, Wellsville maintains 8 Departmental FTEs while the peer average approximates 12 FTEs or 4 more than Wellsville. The Department's organizational structure allows for two lieutenants. However, the Department is functioning with one lieutenant while the other position remains vacant. West Jefferson has two lieutenants, one is a detective and the other assists in administrating the department. Coldwater and Wintersville do not have lieutenants.

As previously mentioned, Wellsville does not have the rank of sergeant in its organizational structure. Coldwater has one sergeant, West Jefferson has two sergeants and Wintersville has two sergeants but one functions as a detective.

When comparing staffing for patrol officers, Wellsville has 6.0 FTEs including 4 full-time patrol officers, one of which is fully dedicated to the local CMHA. The Department also has 8 part-time patrol officers, each factored as 0.25 FTE. In comparison, Wintersville has 7 FTE patrol officers and Coldwater has nearly 5 FTE patrol officers. In all, Wellsville's patrol officer staffing is nearly identical to the peer average of 6.2 FTEs.

Dispatching for Wellsville is coordinated through the Village's fire department. Therefore, Department personnel are not dedicated to that function. West Jefferson has 5.5 FTEs, who dispatch for the police department. Coldwater and Wintersville dispatch services are provided through their respective county 911 systems.

Coldwater and Wintersville utilize clerical employees while neither Wellsville nor West Jefferson maintain clerical staff.

- F7.2 Historically, the Department did not compile "key" crime statistics. Statistical information could be used to assess the level of service the Department delivers to the citizens of Wellsville and as a tool to evaluate Department staffing levels. A common format for compiling crime statistics is based on crimes identified by the United States Department of Justice (DOJ), Federal Bureau of Investigation for calculating national crime statistics.

During the course of this performance audit, the Department compiled a list of police related activities for 1999 through 2001. The information was compiled from 1999, 2000, and 2001 radio call logs and both incident and arrest reports. However, the Department would benefit from participating in the FBI's annual UCR crime reporting statistical effort in order to generate a reliable set of crime statistics for use in the administration, operation, and management of the Department.

Law enforcement agencies may participate in the FBI's voluntary Uniform Crime Reporting (UCR) Program (Program). Over 17,000 city, county, and state law enforcement agencies voluntarily submit data to this nationwide cooperative statistical effort. The Program classifies offenses. One classification consists of selected violent and property crimes reported by the participating law enforcement agencies. Another classification consists of other offenses including misdemeanors.

Developing, submitting, and retaining detailed crime reports would help the Village to make more informed decisions.

To ensure the data is uniformly reported, the FBI provides a handbook to the participating law enforcement agencies. That handbook outlines the definitions of the reportable offenses.

- R7.1** Although the Department recently began compiling information related to law enforcement activities, it should identify the procedures which will permit complete Program participation. Full and complete Program participation will ensure that data is routinely and uniformly collected, reported, and available for review. Program participation will also permit the Village to make more informed decisions with respect to the Department's operations including overall Departmental and individual shift staffing levels.
- F7.3 **Table 7-4** compares select criteria of Wellsville and the peer villages. The Village did not maintain sufficient documentation to facilitate certain analyses. Our analysis is limited to 2001 calls for service, criminal case reports, and automobile accident investigations. Other key statistical information is not uniformly compiled among the police agencies and is therefore not included for comparison purposes.

Table 7-4: Select Comparisons

	Wellsville	Coldwater	West Jefferson	Wintersville	Peer Average
2001 Incidents/Calls ¹	2,243	2,207	2,597	2,435	2,413
Total Incidents/Calls per FTE ²	320	381	245	271	299
Patrol Area (square miles, rounded)	2	2	3	3	3
Square Mile Coverage per FTE ²	0.29	0.34	0.28	0.33	0.32
2000 Population (rounded to nearest 100)	4,100	4,500	4,300	4,100	4,300
Population Coverage per FTE ² (rounded to the nearest 100)	600	800	400	500	600

Source: Respective police department; 2000 decennial census (population); and the Ohio Department of Transportation, Department of Technical Services (Patrol Area)

¹ Total includes complaints/calls for service, criminal case reports, and automobile accident investigations. Other key routine police activity was not aggregated consistently among the police agencies.

² Police chief, clerical employees, and dispatchers were excluded from the calculation.

Wellsville's 320 calls per FTE exceeds the peer average by approximately 7 percent. West Jefferson is the lowest, at 245 and Coldwater has the highest at 381.

Wellsville patrols 2 square miles while the peer average is 3 square miles. Both West Jefferson and Wintersville patrol 3 square miles, while Coldwater, along with Wellsville, patrol the smallest area, at 2 square miles. Wellsville's square miles per FTE is second lowest at 0.29 square miles and Coldwater has the highest at 0.34 square miles. The peer average is 0.32 square miles.

Wellsville's population totals 4,100 and the peer average is 4,300. Coldwater has the highest population, at 4,500, and both Wintersville and Wellsville have the lowest population, at 4,100. Wellsville's 600 population coverage per FTE is identical to the peer average. Coldwater has the highest population per FTE, at 800, and West Jefferson has the lowest, at 400.

- F7.4 The police chief asserts approximately 80 percent of patrol officers' overtime is related to investigatory work and time attending court which extends beyond a normal shift while the remaining 20 percent is attributable to shift coverages.

Historically, Department practice has been to offer overtime related to open shifts to full-time employees and then, if necessary, to part-time employees. Short notice call-offs are inevitable; however, there are occasions when informing Department administration in

advance of an absence is possible. Advance call-off notices will permit the Department sufficient time to coordinate with lower cost part-time employees versus full-time employees.

Table 7-5 reflects Departmental overtime expenditures paid through the General Fund, Police Department special cost center for fiscal years 1999 through 2001. The overtime per FTE calculation is based upon four full-time patrol officers, which is the average number of full-time patrol officers employed by the Village during 1999, 2000, and 2001.

Patrol officers are paid 1.5 times the regular hourly rate for overtime. Overtime is earned whenever a patrol officer works more than 40 hours in a week or 8 hours during a particular day (See **employee benefits** section for a further discussion of overtime as it relates to a standard work week). Generally, overtime results from investigatory work which extends past a regular shift, attending court proceedings, or covering an open shift. Finally, by Village ordinance, the police chief and lieutenants do not receive overtime pay or compensatory time.

**Table 7-5: Department Overtime
(rounded to the nearest \$100)**

Year	Patrol Officer
1999	\$6,300
2000	\$4,000
2001	\$6,600
Overtime per FTE (rounded to the nearest \$100)	
1999 Overtime Cost per FTE ¹	\$1,600
2000 Overtime Cost per FTE ¹	\$1,000
2001 Overtime Cost per FTE ¹	\$1,700

Source: 1999 through 2001 General Ledgers

¹ Based upon four officers.

Overtime costs ranged from a low of \$4,000 during 2000 to a high of \$6,600 during 2001. During 2000, the Village relied more heavily on part-time Department employees to cover open shifts versus staffing those shifts with full-time employees. During 2001, the Department's staffing decreased by two full-time staff and available part-time staff fluctuated between three and five. The decrease in full-time staff and the practice of offering open-shift coverage to full-time officers resulted in an increase in overtime expenditures during 2001.

R7.2 The Department should establish a policy whereby part-time staff are designated as primary replacements to cover open shifts thereby reducing overtime expenditures attributable to call-offs. In order to facilitate this effort, the Department should require full-time employees to provide certain advanced notice regarding absences and planned leave to afford the Department sufficient time to schedule a part-time patrol officer to work the open shift.

If the Department realized the same amount of overtime in future years as in 2001, and 20 percent of that overtime is attributable to vacation or call-offs, then 73 hours of coverage could be covered by part-time officers.

Scenario B Financial Implication: Departmental overtime cost is approximately \$18 per hour. As enumerated above, approximately 20 percent of overtime expenditure is for shift coverage. The difference in cost between having a part-time officer fill-in rather than using a full-time officer, who subsequently earns a higher rate of pay for the overtime, is approximately \$11. Assuming that the Department will incur similar amount of overtime costs as what it had in 2001, the Village's General Fund will be positively impacted by approximately \$800 during fiscal years 2003 through 2007.

F7.5 **Table 7-6** compares the Village's cruiser fleet with the peer villages.

Table 7-6: Cruiser Fleet versus Peer Villages

	Wellsville	Coldwater	West Jefferson	Wintersville	Peer Average
Police Cruisers ¹	4	3	4	6	4.3
FTEs ²	7.0	5.8	10.6	9.0	8.5
Cruisers per FTE ²	0.57	0.52	0.38	0.67	0.52

Source: Respective police department

¹ Includes cruisers, unmarked vehicles, and backup vehicles.

² For comparison purposes, the police chief, clerical employees, and dispatchers were excluded.

Wellsville's 0.57 vehicles per FTE is comparable to the peer average of 0.52 cruisers per FTE. The Village of West Jefferson maintains the lowest cruisers per FTE at 0.38 cruisers per FTE. Wintersville has 0.67 cruisers per FTE, which is the highest cruiser per FTE ratio among all of the villages.

Table 7-7 illustrates the Village of Wellsville's cruiser fleet mileage.

**Table 7-7: Police Cruiser Mileage
(rounded to the nearest 1,000 miles)**

Vehicle	Year	Mileage
W1	2000	78,000
W2	1997	104,000
W3	1996	200,000
W4	1996	204,000

Source: March 20, 2002 mileage chart obtained from the police chief

The highest mileage cruisers are W3 and W4. Those two cruisers were obtained from the Columbiana County Sheriff's Office during the Spring 2002 when, for a period of time, the Village's only operational cruiser was W2. W1 is the newest cruiser and was leased/purchased for approximating \$23,000. Lease payments were made from the General Fund, Police Department special cost center. The last lease payment occurred July 2001.

In March 2002, the Department experienced a shortage of operational cruisers attributable to unanticipated mechanical failures. For at least one day, over a weekend, Departmental personnel utilized personal vehicles to perform certain duties including a chase. ORC Section 4513.21 requires emergency vehicles to use a siren when responding to an emergency call. Emergency vehicles must also be equipped with flashing overhead lights which must be used in conjunction with the siren in cases requiring emergency response.

As stated above, the Department recently acquired two used cruisers, W3 and W4. Both of those cruisers have approximately 200,000 miles registered on the odometers. These vehicles will likely require additional maintenance. The Department's other higher mileage car, W2, will also likely require additional maintenance.

R7.3 The Village should reevaluate the practice of using personal vehicles to perform Departmental duties and, in particular, for emergency responses. The Village should consider developing a policy which prohibits the use of personal vehicles for Department duties including emergency responses. In the absence of such a policy, the Village should ensure it is sufficiently insured to an acceptable level of financial loss should an accident or injury occur.

R7.4 The Department needs to evaluate the cruiser fleet and either develop a cruiser replacement plan and fund it accordingly or budget for higher maintenance costs. With respect to maintaining the current fleet, the Village needs to budget for those maintenance costs within

the annual appropriation measure; otherwise, the Village will likely incur maintenance costs for which a budget does not exist.

- F7.6 The Department does not receive grants to help offset costs of providing law enforcement services. Historically, the Department received grant funding to promulgate Drug Abuse Resistance Education (D.A.R.E.) and Community Oriented Policing Services (COPS). Due to the Village's inability to provide matching grant dollars, the Department no longer participates in these programs.
- R7.5** The Department should seek federal, state and local grants and specifically those grants which permit employee salaries and related costs to be charged.

Although the Department is currently unable to appropriate matching funds to participate in certain law enforcement programs, the United States Department of Justice, Office of Justice Programs solicits applications regarding various law enforcement grant programs that may not require or require only inconsequential matching funding. The Department should therefore research grant opportunities by contacting the United States Department of Justice, Office of Justice Programs and ask for assistance.

The Department should also consult with the State of Ohio Office of Criminal Justice Services and other local law enforcement departments in an effort to become aware of grant opportunities that would help offset operating and equipment costs.

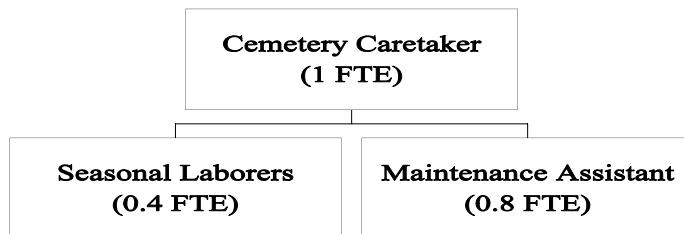
This page intentionally left blank.

Cemetery Department

Background

This section of the performance audit focuses on the Village of Wellsville's Cemetery Department (the Department). The Department operates the Village-owned cemetery (Springhill Cemetery). For purposes of this section, we limited the scope of our examination to focus on staffing levels, service fees, cemetery capacity, and equipment. This section uses local cemeteries as peers and the cemeteries of the villages of Carey and Newcomerstown as best practices.

**Chart 8-1: Organizational Chart
(includes full- and part-time employees)**



Source: Wellsville Cemetery Department.

Note: The seasonal laborers are not compensated by the Village but are paid by the Mahoning and Columbian Training Association (MCTA). The maintenance assistant was laid-off effective April 1, 2002.

While Village ordinances outline general duties for the Cemetery Department, specific job descriptions and requirements do not exist for Department employees. Rather, the cemetery caretaker and a part-time maintenance assistant perform various functions as needed. The Village's Street Department employees also periodically perform limited functions within the Cemetery Department. The seasonal laborers perform lawn care duties during both the spring and summer months. These individuals are not compensated by the Village, but are paid by the Mahoning and Columbian Training Association (MCTA).

The maintenance assistant works 32 hours each week and is paid \$6 an hour with no benefits. The caretaker works 40 hours each week and is paid \$14.52 including longevity per hour plus benefits outlined within the AFSCME labor contract (See the **employee benefits** section for a further discussion of the Village's compensation and benefits package). The Village also provides a house, which is located on cemetery property to the caretaker at no cost. The Cemetery's fiscal and administrative functions are performed by the caretaker's spouse, who is neither a Village employee nor is she bonded by the Village.

The Department is responsible for burials and the general upkeep and maintenance of the Springhill Cemetery (the Cemetery), which has been owned by the Village since 1867. The Department's duties are largely dependent upon seasonal factors and the timing of burials. The Department does not use a formal maintenance schedule. Rather, Department staff perform the following maintenance duties on an ad-hoc basis:

- Lawn care including trimming
- Tree trimming
- Equipment maintenance
- Grave openings and closings
- Land development
- Other general grounds upkeep

According to Village estimates, the Cemetery encompasses approximately 57 acres, including both developed (32 acres) and undeveloped (25 acres) land. Twenty-seven acres are currently used for graves while 5 acres (5,000 plots) are readily available for new plot sales.

The Village does not have a formal land development plan. Rather, Department staff clear undeveloped space for future use as time permits. These remaining 25 undeveloped acres represent an additional 25,000 plots, although significant expense would be required to convert the land into serviceable grounds.

Financial Data

Table 8-1 summarizes the Department's receipts and expenditures for fiscal years 1999 through 2001. The Department has historically been supported almost exclusively by the Special Revenue Cemetery Levy Fund. The Special Revenue Cemetery Levy Fund receives proceeds from a 1 mil levy (See the **other matters** section for a more detailed discussion of the Village's property tax levies) and receipts from Charges for Services. The Village also maintains a Nonexpendable Trust Cemetery Endowment Fund and an Expendable Trust Cemetery Fund.

The Nonexpendable Trust Cemetery Endowment Fund has not been used to support Department operations. Rather, that Fund's financial activity has been limited to interest earnings since its inception. Similarly, the Expendable Trust Cemetery Fund did not have any financial activity for

fiscal years 1999 through 2001 and it maintains a \$700 fund balance. A table is not presented for these funds.

Table 8-1 illustrates the Special Revenue Cemetery Levy Fund receipts and expenditures for fiscal years 1999 through 2001.

**Table 8-1: Special Revenue Cemetery Levy Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	1999	2000	2001
Receipts:			
Charges for Services	\$35,900	\$29,900	\$26,600
Property Taxes	12,400	22,000	22,700
Intergovernmental	1,600	3,100	2,000
Miscellaneous	0	0	1,000
Total Receipts	49,900	55,000	52,300
Expenditures:			
Salaries and Benefits	45,300	50,000	59,600
Contractual Services	3,700	4,200	4,900
Supplies and Materials	2,100	2,000	2,000
Capital Outlay ¹	300	1,600	0
Total Expenditures	51,400	57,800	66,500
Receipts (Under) Expenditures	(1,500)	(2,800)	(14,200)
Other Financing Uses:			
Transfer to Intragovernmental Fund	3,900 ²	3,700 ²	0
Receipts (Under) Expenditures and Other Financing Uses	(5,400)	(6,500)	(14,200)
Beginning Fund Cash Deficit	(36,900)	(42,300)	(48,800)
Ending Fund Cash Deficit	(\$42,300)	(\$48,800)	(\$63,000)

Source: 1999 through 2001 General Ledgers; 2001 Unaudited Cash Basis Annual Financial Report; and 1999 and 2000 Trial Balances

¹ Does not include a \$23,000 backhoe purchased through the General Fund during 2000 and used solely for Cemetery operations.

² The transfers out to the Intragovernmental Fund were appropriately reflected within the Special Revenue Cemetery Levy Fund appropriation ledgers. However, the corresponding transfers in were not recorded within Intragovernmental Fund receipt ledgers (See **street department Table 5-1.6** for more information regarding the Intragovernmental Fund).

Total receipts increased 5 percent from 1999 to 2001. The primary sources of receipts are Charges for Services and a 1 mil levy. The Charges for Services are generated from openings and closings for both the Village's Cemetery and the contiguous St. Elizabeth Cemetery; gravestone foundation construction; and plot sales. Charges for Services declined approximately 26 percent from 1999 to 2001 primarily due to a decrease in the number of plot sales and burials.

Property tax receipts increased by approximately 83 percent due to the passage of a 1 mil replacement levy in 1999. That levy was previously a renewal levy, which was initially passed during 1976. The replacement levy expires during 2003.

Meanwhile, total expenditures, including transfers to the Intragovernmental Fund, increased 20 percent from 1999 to 2001. Salaries and Benefits increased from \$49,200 in 1999 (including transfers to the Intragovernmental Fund), to \$59,600 (21 percent increase) in 2001. Intragovernmental Fund transfers represents time the Street Department employees spend working within the Cemetery Department. Salary and benefit increases are largely attributable to rapidly escalating hospitalization costs. From 1999 to 2000, "hospitalization" costs increased from \$4,500 to \$12,700 (See the **employee benefits** section for a further discussion of the Village's compensation and benefits package).

Overall, the fund deficit increased from approximately \$42,000 to \$63,000 or 49 percent from 1999 to 2001.

Findings/Recommendations

F8.1 **Table 8-2** summarizes the rates of the Village's Springhill Cemetery and certain other area cemeteries within close proximity to Wellsville. The Springhill single plot opening and closing rates were adjusted by Village Council during April 2002. Those higher rates are reflected within the table.

Table 8-2: Select Cemetery Rate Comparisons

	Springhill	Riverview	Lisbon	Hopewell-Hebron	Mount Calvary	Union	Peer Average
Distance from Wellsville (in miles)	0	5	12	13	18	18	13
Single Plot Rate	\$300	\$500	\$400	\$450	\$775	\$775 ¹	\$580
Single Plot Opening and Closing Rate	\$400	\$460	\$395 ²	\$400	\$700	\$775 ³	\$546
Foundation costs per square inch	\$0.35	\$0.50	\$0.42	-- ⁴	\$0.50	\$0.55	\$0.49

Source: Springhill's information was obtained from the cemetery caretaker and spouse and Village Ordinance Nos. 84-12, 96-8, 02-13. The peer information was obtained from the respective cemeteries during March 2002.

Note: The Cemetery does not reduce its rates for infant and cremation plots as is common among local cemeteries. These rates are not presented in the table.

¹ Plot rates vary from \$550 to \$1,000 based upon location within the cemetery. For purposes of this analysis, we assumed plots sell for \$775.

² Weekend opening and closing costs are \$500 while weekday rates are \$375. For purposes of this analysis, we assumed opening and closing costs are \$395.

³ Weekend opening and closing costs are \$900 while weekday rates are \$750. For purposes of this analysis, we assumed opening and closing costs are \$775.

⁴ Information not provided.

The Cemetery's rates are consistently lower than the peers in the various categories even after the April 2002 rate increase. The Cemetery has the lowest single plot rates of the peers at \$300, while the average peer is \$580, which is over 93 percent more than Wellsville. Mount Calvary and Union cemeteries have the highest plot rates at \$775. Although the Lisbon Cemetery charges the least among the peers, it still charges \$100 more or 33 percent more than Wellsville.

The Cemetery charges \$146 or 27 percent less than the peer average for openings and closings. Union Cemetery charges the most for opening and closing services at \$775. While

the Lisbon and Hopewell-Hebron cemeteries charge the least at approximately \$400, which is equal to Wellsville's rate.

The Cemetery charges \$0.35 or 29 percent less per square inch for gravestone foundations as compared to the \$0.49 peer average. As for the peers, Union Cemetery charges the most for foundations at \$0.55 per square inch and Lisbon Cemetery charges the least at \$0.42 per square inch.

From 1999 to 2001 the Cemetery averaged 28 plot sales, 54 burials, and 11 cremation burials.

Scenario A Impact: Recognizing the \$100 increase for openings and closing and assuming the Cemetery continues to perform 54 burials each year, the Special Revenue Cemetery Levy Fund will be positively impacted by \$5,400 annually.

R8.1 The Village should, once again, review the cemetery fee structure and consider increasing the fees to more closely align Springhill's fees with the peers. For example, the Village should enact the following rate adjustments:

- Adjust single plot rates to \$580 from \$300 with annual inflationary increases.
- Adjust single plot opening and closing rates to \$545 from \$400 with annual inflationary increases.
- Adjust foundation rates per square inch to \$.50 from \$.35 with annual inflationary increases.

Scenario B Financial Implication: The Special Revenue Cemetery Levy Fund will be positively impacted by \$18,500 for 2003 if plot sales, burials, and cremation burials totaling 28, 54, and 11 continue. Plot sales represent \$7,900 while opening and closings and foundation (2' by 1') rate adjustments represent \$7,800 and \$2,800, respectively. If the rates increased by 3 percent each year, the total positive financial impact would approximate \$19,000, \$19,600, \$20,200 and \$20,800 for fiscal years 2004 to 2007.

F8.2 The Cemetery is currently the largest within Columbiana County with approximately 57 acres (both developed and undeveloped). The absence of a formal land development plan has permitted Departmental resources to be used to develop grounds beyond the existing community needs. As a result, the Cemetery has excess space capacity. Approximately 30 acres are available for plot sales and burials. Of those 30 acres, approximately 5 acres have been cleared and are ready for burial, while the remaining 25 acres are wooded areas that require significant development.

Assuming the plot sales continue to approximate 28 each year and 1,000 plots cover approximately an acre, the Cemetery's current capacity is 5,000 additional plots or nearly

178 years before only those 5 acres are used. Meanwhile, the Villages of Carey (Spring Grove Cemetery) and Newcomerstown (West Lawn Cemetery) estimate current capacity approximates 20 and 25 years, respectively.

The Department is unnecessarily incurring labor and equipment costs to develop land. During the fall and winter months or approximately 100 work days, roughly 50 percent of the Department's labor hours are dedicated to developing property. The remaining 50 percent is dedicated to maintaining equipment, filling sunken graves, pouring foundations, and trimming trees. Assuming the caretaker uses 6 weeks of vacation during this time period, as in the past, approximately 640 labor hours (.3 FTEs) or \$6,400 are dedicated to this land development process.

R8.2 The Village should not continue to develop cemetery land until a land development plan or, at least, an ad hoc plan, is created.

R8.3 The Village should consider selling undeveloped portions of the Cemetery. The proximity of the Cemetery and the lack of infrastructure available to these grounds may depress real estate values; however, local real estate appraisers should be used to approximate the value of this land. These one-time proceeds should be used to offset the Department's operational costs. The uncertain and fluctuating nature of real estate market values precludes this analysis from estimating a *Financial Implication*.

F8.3 The Village laid-off the part-time maintenance assistant (.8 FTEs) effective April 1, 2002.

Scenario A Impact: Employing the maintenance worker costs the Village approximately \$10,000 annually including payroll taxes. Therefore, the Village will save approximately \$7,500 from April 2002 through the remainder of fiscal year 2002 related to the former employee. That savings will be offset by certain costs. The "net" savings for 2002 will approximate \$4,700 while the positive financial impact should approximate \$10,400 during 2003. The Special Revenue Cemetery Levy Fund will be positively impacted.

F8.4 The Department's administrative and financial duties are performed by the caretaker's spouse who is neither an employee nor bonded by the Village.

R8.4 The Village should either recognize the caretaker's spouse as a "volunteer" and ensure she is appropriately insured and bonded or transition those administrative functions to the Village's finance office. In the event those duties remain with the spouse, the Administrator and Village Council should establish internal control procedures and periodically review the Department's financial activity for accuracy and reasonableness.

F8.5 The Village provides a Village-owned residence rent-free to the caretaker. The caretaker pays for the utilities. Historically, the Village has not considered the fair market value of the

annual rent a taxable fringe benefit for the employee. Although there are situations where certain fringe benefits may not be taxable to the employee, the Village has not determined whether the rent-free house should be a taxed or an untaxed fringe benefit. A local real estate agent estimates the fair market rental value of a 3 or 4 bedroom house in the Wellsville area ranges from \$4,800 to \$6,000 annually.

- R8.5** The Village should determine whether the rent-free house should be a taxable or nontaxable fringe benefit. If the benefit is deemed taxable, the Village should include the fair market value of the benefit within the cemetery caretaker's W-2 Wage and Earnings Statement as prescribed by Title 26 of the Code of Federal Regulations (CFR) 1.61-21. The Village may also charge the caretaker rent for the residence, thereby eliminating the taxable fringe benefit status of the residence. Noncompliance with this statute exposes the Village to certain Internal Revenue Service (IRS) liabilities.
- F8.6 The Department maintains a fleet of vehicles and equipment to facilitate its operations. **Table 8-3** summarizes the age, mileage/hours, and estimated value of the vehicles and equipment used by the Department.

**Table 8-3: Department Equipment/Vehicle
(rounded to the nearest 100 miles or 50 hours)**

Description	Mileage/ Hours	Estimated Value
2001 B-21Kubota Backhoe	250 hours	\$22,000
2000 GTX-20 Troybuilt Mower/ Tractor	500 hours	\$5,000
1998 GTX-16 Troybuilt Mower/ Tractor	800 hours	\$3,400
1995 John Deer Gator Utility Truck	no hour meter	\$4,500
1983 Chevy 1 ton Dump truck	81,200 miles	\$1,000
1982 Kubota Backhoe	hour meter broken	\$5,000

Source: Cemetery Caretaker and area car and equipment dealers

Note: In addition to these vehicles and equipment, the Cemetery caretaker also uses personal vehicles and two lawn tractors to perform maintenance duties.

Department vehicle and equipment levels are not excessive for the duties and tasks of the Department; however, those vehicles and equipment are not optimally used among the Village departments. Equipment is rarely shared between the Cemetery and Street departments. The inefficient equipment usage is most obvious with the equipment used primarily for burials. The Department mainly uses a 1982 Kubota backhoe and a 2001 Kubota backhoe (although the former requires repairs) for opening and closing graves. Based upon historical rates (discussed in F8.1), the Cemetery uses equipment for openings

and closings for approximately 4.5 hours for each burial. There are approximately 65 burials per year (including cremations), representing 293 work hours or approximately 37 days per year. With 260 annual work days, the equipment could easily be shared among both the Cemetery and Street departments. Furthermore, the Cemetery Department can plan its shorter-term equipment needs since burials are scheduled in advance.

Using the Village of Carey's cemetery (Spring Grove Cemetery) operations as a best practice benchmark, we noted Carey does not use its equipment and vehicles exclusively for cemetery operations. Rather, the equipment is shared with the Water and Sewer departments. Sharing reduces the quantity of equipment within the Village while it also improves equipment utilization rates. The Village of Wellsville's vehicles and equipment usage is not maximized.

- R8.6** The Village should consider whether all vehicles and equipment should be cross-functionally used by the Cemetery and Street departments. Sharing equipment between departments will allow equipment and vehicles to be used more efficiently. Furthermore, opportunities to sell extra equipment could be pursued. The Village should consider selling the 1982 Kubota Backhoe.

Scenario B Financial Implication: The Special Revenue Cemetery Levy Fund would be positively impacted by \$5,000 during 2003 if the Village sold the 1982 Kubota backhoe.

- F8.7 Pursuant to ORC Section 759.12, the Village previously received perpetual care "donations" totaling \$35,400 to help maintain approximately 60 designated cemetery plots. ORC Section 759.12 specifies that the director of public service "...shall pledge the faith and credit of the city for the perpetual care of the lots designated, using only the interest or income of the money."

A written trust agreement does not exist between the Village and the individual contributors; however, the Village believes the donations were intended to be restricted in accordance with the ORC. Therefore, the interest earnings may be used to offset the Department's labor costs; however, the corpus of the donations must be maintained. Over the years, the Village recorded the donations within a single Nonexpendable Trust Cemetery Endowment Fund and historically, the Village did not use the interest earnings to financially support the Department's operations. Rather, the Fund balance merely increased each year by the amount of interest recorded within the Fund.

As of December 31, 2001, the Nonexpendable Trust Cemetery Endowment Fund balance approximated \$50,000. Therefore, over the years, the Fund received interest totaling \$14,600 which could have been used to provide perpetual care of entombed benefactor grave sites.

R8.7 During 2003, the Village should allocate Department labor costs totaling \$14,600 to the Nonexpendable Trust Cemetery Endowment Fund for labor costs which could have been previously allocated to the Nonexpendable Trust Cemetery Endowment Fund. The \$14,600 allocation should be supported by Village payroll records; otherwise, that allocation should occur in subsequent years. Going forward, the Village should allocate Department labor costs for time spent maintaining the designated plots to the Nonexpendable Trust Cemetery Endowment Fund.

Additionally, whenever gifts, donations, or endowments are received, the Village should ensure the terms and conditions of the contribution are completely understood, generally in writing, and appropriately reflected within the Village Council Minutes Record.

Scenario B Financial Implication: The Special Revenue Cemetery Fund and the Nonexpendable Trust Cemetery Endowment Fund will be positively and negatively impacted, respectively, by \$14,600 during 2003. Assuming interest earnings approximate \$1,000 annually, the Special Revenue Cemetery Fund and the Nonexpendable Trust Cemetery Endowment Fund will be positively and negatively impacted, respectively, by \$1,000 for fiscal years 2004 through 2007.

The Nonexpendable Trust Cemetery Endowment Fund is not included within the Financial Forecast. Therefore, the \$14,600 and the annual allocations related to that Fund are not presented there.

F8.8 The Village has an Expendable Trust Cemetery Fund, which maintains a \$700 fund balance. Historically, the Fund was not used to support the Department's operations. In fact, the Fund has not had any financial activity during fiscal years 1999 through 2001. The Village considers the Fund to be an Expendable Trust Fund; however, a trust agreement was not available.

R8.8 The Village should locate the agreement and determine an appropriate use of the fund balance. Otherwise, the Village should obtain an opinion from the Village Solicitor to determine an appropriate use for the fund balance. The Village should use the \$700 to support the Department's operations.

Scenario B Financial Implication: The Special Revenue Cemetery Levy Fund and Expendable Trust Cemetery Fund would be positively and negatively impacted, respectively by \$700 during 2003 if the Village used the fund balance to financially support the Department's operations.

We assumed the \$700 was an Expendable Trust Fund and could be used for general Department operations. The Expendable Trust Cemetery Fund is not included within the Financial Forecast. Therefore, the \$700 related to the Fund is not presented there.

Other Matters

Background

This section of the performance audit focuses on certain issues or items we observed during fieldwork or, in some instances, issues or items brought to our attention. Although this section is labeled **other matters**, many of these issues and items herein contain substantial financial impacts or highlight certain Village operational issues that are not directly related to a particular report section.

Columbiana Metropolitan Housing Authority (CMHA)

F9.1 In 1998, the Village entered into an agreement with the Columbiana Metropolitan Housing Authority (CMHA) to provide police services at all CMHA locations within the Village. The purpose of this agreement is to provide for the safety and protection of the residents in its public housing developments by creating a drug-free environment. Currently, CMHA maintains four separate housing locations within the Village including Independence Square, Shoub Towers, four units on Commerce Street, and two units on 15th and Main Street. The following duties and services are provided by the assigned officer:

- Perform specialized patrols to enforce State and local laws and CMHA rules
- Target areas during specific periods of time identified by CMHA
- Appear as a witness in civil or court proceedings involving any resident, members of a resident's household, or any guest of a resident
- Provide training on community relations and interpersonal communications skills
- Perform criminal background checks of applicants for public housing
- Develop crime prevention programs in the public housing communities

The financial activities related to the CMHA service traverses two Village funds. The receipts and certain personnel costs are recorded within the Special Revenue Columbiana Metropolitan Housing Authority Fund. Expenditures which exceed the contracted amount are not recorded within the Special Revenue Columbiana Metropolitan Housing Authority Fund. Rather, those expenditures are recorded with the General Fund. As a result, at best, gaining an accurate financial reflection of the CMHA service is cumbersome while, at worst, inaccurate financial conclusions could occur.

Table 9-1 summarizes the receipts and direct costs of providing the CMHA service for fiscal years 1999 through 2001.

**Table 9-1: Cost To Provide CMHA Services
(rounded to the nearest \$100)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Receipts:			
CMHA Contract	\$32,900	\$32,900	\$32,900
Expenditures:			
Salaries and Benefits	<u>32,900</u>	<u>36,700</u>	<u>36,200</u>
Receipts (Under) Expenditures	<u>\$0</u>	<u>(\$3,800)</u>	<u>(\$3,300)</u>

Source: Village W-2 Wage reports and insurance and benefit information for each respective year

Cumulatively, the expenditures exceeded receipts by approximately \$7,000 during 2000 and 2001. Village management asserts this negative trend will likely continue for 2002 and beyond. The most recent agreement which expired on January 31, 2002 revealed the contract did not provide for inflationary Village cost increases while both the State Employees Retirement Board (SERB) and health insurance industry projections expect health costs to increase every year for the foreseeable future.

R9.1.1 The Village should ensure the next CMHA contract fully covers the cost of providing the policing service. For example, the contract should include a provision to recover equipment and overhead costs and prescribe certain preestablished annual inflationary adjustments for personnel related cost. If necessary, the Village or CMHA should locate alternative funding sources to fully cover the cost of the service or the Village should consider reducing the level of service provided to CMHA to the contract amount. Alternatively, the CMHA should consider obtaining the policy services elsewhere.

Scenario B Financial Implication: If the Village would negotiate with the Authority to cover the cost of providing additional police services to the CMHA locations, the General Fund's positive financial impact would be \$8,700 for 2003. Assuming salary adjustments approximate 3 percent for fiscal years 2004 through 2007, the General Fund's positive impact would be \$8,900, \$9,200, \$9,500 and \$9,800 for each of those years, respectively.

R9.1.2 The Columbian Metropolitan Housing Authority receipts and certain costs are recorded within the Special Revenue CMHA Fund while some costs are reflected within the General Fund. As a result, gaining an accurate financial perspective of the police service is cumbersome, and inaccurate financial conclusions could occur.

On an ongoing basis, the Village should record all receipts and expenditures of a particular service within the same cost center of a fund or within a distinct, separate fund.

Dog Warden

F9.2 The Village created a part-time dog warden position in 1973. The position's duties, as enumerated in the ordinance from which the position was created, include enforcing all State laws and Village ordinances for the control, supervision, confinement, and licensing of dogs. Additionally, the dog warden was required to maintain a complete record for each dog including the duration of confinement and whether the dog is returned to an owner or euthanized. The Village also authorized the dog warden to collect certain fees from the owner-violator.

The duties of the dog warden have changed, through common practice rather than by local legislation, from active enforcement to reactive responses to calls for service. The dog warden no longer collects fines and fees pertaining to ownership of a pet. Therefore, the activities of the dog warden are no longer a source of revenue for the Village. Typical dog warden duties now include answering citizen calls about animal abuse, barking dogs, dog bites, and responding to reported strays dogs and cats. Additionally, the dog warden removes dead animals from Village thoroughfares.

Table 9-2 summarizes the dog warden's expenditures for fiscal years 1999 through 2001. The Village's dog warden expenditures are accounted for within the General Fund, Dog Warden special cost center. This special cost center is appropriated as part of the General Fund and is included within the General Fund for financial statement reporting purposes.

**Table 9-2: Dog Warden Special Cost Center Expenditures
(rounded to the nearest \$100)**

	1999	2000	2001
Expenditures:			
Salaries and Benefits	\$2,800	\$2,800	\$2,800
Gas	200	200	300
Total Expenditures	\$3,000	\$3,000	\$3,100

Source: 1999 through 2001 General Ledgers

Expenditures made by the Village regarding the dog warden remained consistent among the fiscal years at approximately \$3,000. The bulk of the annual expense, \$2,800 is monetary

compensation for the dog warden including employer borne costs. The dog warden also receives money for gas to offset the cost of operating his own vehicle in the performance of his duties.

Columbiana County currently facilitates the control, supervision, confinement, and licensing of dogs within the Village as prescribed by ORC Section 955.12. Therefore, a duplication of effort exists between the Village and County in providing animal control services.

The Village accepted an offer from the dog warden, effective May 2002, to work for a monthly salary of \$50. This action results in cost savings to the General Fund.

Scenario A Impact: The dog warden earned approximately \$3,000 annually in salary and gas compensation. Therefore, the positive impact to the General Fund will be approximately \$1,600 from May 2002, through the remainder of fiscal year 2002, related to the change in the dog warden's compensation. The positive financial impact to the General Fund should approximate \$2,400 during 2003.

- R9.2** The dog warden's compensation was recently adjusted to \$600 annually. However, the dog warden position duties duplicate the services provided by Columbiana County; therefore, the Village should stop providing the dog warden services.

Scenario B Financial Implication: Assuming the dog warden's duties are completely eliminated, the Village's General Fund will be positively impacted by approximately \$600 during fiscal year 2003. If the position remained and received scheduled wage increases of 3 percent for fiscal years 2004 through 2007, the General Fund's positive financial impact would be \$600, \$650 (rounded to \$700), \$650 (rounded to \$700), and \$700 for those four years, respectively.

Zoning Administrator

- F9.3 The Village created a Planning Commission (Commission) in 1995 to compile proposed Village planning and zoning codes. The Commission ultimately presented a compilation of proposed planning and zoning codes to Village Council (Council) and Council passed Ordinance No. 95-3. The Ordinance established Village planning and zoning codes and incorporated them into the Codification of Ordinances, Title XV: Land Usage. The planning and zoning codes are intended to promote public health, safety, and general welfare for Village residents. The Village employs a part-time zoning administrator to enforce the planning and zoning codes and to collect permit fees.

Table 9-3 summarizes the Planning and Zoning Permits receipts and expenditures for fiscal years 1999 through 2001. The Village's Planning and Zoning Permits receipts and expenditures are accounted for within the General Fund, Planning and Zoning Permits special cost center. This special cost center is appropriated as part of the General Fund and is included within the General Fund for financial statement reporting purposes.

**Table 9-3: Planning and Zoning Permits Special Cost Center Receipts and Expenditures
(rounded to the nearest \$100)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Receipts:			
Zoning Fees	\$4,700	\$2,600	\$2,500
Expenditures:			
Salaries and Benefits	2,100	3,600	3,600
Telephone, Office Supplies, and Postage	800	700	700
Total Expenditures	<u>2,900</u>	<u>4,300</u>	<u>4,300</u>
Receipts Over/(Under) Expenditures	<u>\$1,800</u>	<u>(\$1,700)</u>	<u>(\$1,800)</u>

Source: General Ledgers 1999, 2000 and 2001

Note: The planning and zoning permit position was vacant for half of fiscal year 1999.

Collections of Zoning Fees peaked at \$4,700 during fiscal year 1999 and decreased to approximately \$2,500 for both fiscal years 2000 and 2001. The decrease can be attributed to a reduction in requests for zoning permits and zoning enforcement activities. Meanwhile, excluding fiscal year 1999, expenditures were \$4,300 each year. The position was vacant for roughly 50 percent of the time during fiscal year 1999; therefore, the 1999 expenditures are proportionately smaller than both 2000 and 2001. During fiscal year 1999, receipts exceeded expenditures; however, expenditures exceeded receipts by approximately \$1,800 for fiscal years 2000 and 2001, respectively.

The zoning administrator recently offered to manage the zoning and permit process at no charge to the Village. The Village accepted the offer.

Scenario A Impact: Assuming collections of zoning fees remain constant, voluntary staff expenditure reductions in the zoning department result in a positive impact to the General Fund. The Village will save approximately \$2,900 from May 2002 through the remainder of fiscal year 2002 and \$4,400 for 2003.

Enterprise Sewage Disposal and Sewer Update Funds

- F9.4 The Village previously provided both water and sewer services to the Village's residents and certain surrounding areas. During 1996, the Buckeye Water District (District) formerly known as the Southern Columbiana County Regional Water District was formed pursuant to ORC Section 6119.051 and control of the Village's water operations and related infrastructure was assumed by the District. Neither the Village nor the District could initially locate a copy of the fully executed Transfer Agreement.

The Village still owns the sewer infrastructure but contracts with Earth Tech Operation Service (Earth Tech) to manage the sewer operations and provide sewer services to the Village residents and certain surrounding areas; while the District performs all aspects of meter reading, customer account billing (at rates prescribed by Village Ordinances), and collecting without Village oversight. The District provided a copy of the 1996 Agreement for Billing Services which reflects the duties and responsibilities of the District as it relates to certain sewer administrative functions; however, the agreement was unsigned.

Each month, the District remits collections related to sewer billings, in total, to the Village. The District separately bills the Village an administrative fee which approximates 5 percent of collections. The Village deposits and records the sewer receipts with Sky Bank and within the Enterprise Sewage Disposal Fund (operating fund) and Enterprise Sewer Update Fund (capital fund) at 55 percent and 45 percent, respectively.

The District assesses a 10 percent penalty on delinquent water accounts and although Village Ordinance No. 97-07 stipulates that all past due sewer accounts should be charged a 10 percent penalty each month, a similar penalty is not assessed on sewer accounts. The contract reflects the management of delinquent sewer accounts is the Village's responsibility, nevertheless, the District has historically managed that process as well. The District estimates 360 of Wellsville's 1,800 sewer accounts are perpetually delinquent each month.

The administrative fee which is charged to the Enterprise Sewage Disposal Fund approximated \$21,000 annually for fiscal years 1999 through 2001. The Earth Tech operation and maintenance fees which approximated \$195,000 annually for fiscal years 1999 through 2001 was unsystematically allocated between the operating and capital funds during those years. Meanwhile, **Table 9-4** reflects the Enterprise Fund receipts and expenditures for fiscal years 1999 through 2001. The Enterprise Fund Type consist of the Enterprise Water Fund, Enterprise Utility Deposit Fund, Enterprise Sewage Disposal Fund, and Enterprise Sewer Update Fund. The Enterprise Water Fund was eliminated at December 31, 2001 and the Enterprise Utility Deposit Fund did not have any financial transactions during

2001. The receipts and expenditures presented in the table are primarily the activity of the Sewage Disposal Fund and the Sewer Update Fund.

**Table 9-4: Enterprise Fund Type Receipts and Expenditures
(rounded to the nearest \$1,000)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Receipts:			
Charges for Services	<u>\$523,000</u>	<u>\$526,000</u>	<u>\$515,000</u>
Expenditures:			
Personal Services	0	20,000	6,000
Contractual Services	538,000	370,000	68,000
Supplies and Materials	19,000	9,000	0
Capital Outlay	0	0	502,000 ¹
Total Expenditures	<u>557,000</u>	<u>399,000</u>	<u>576,000</u>
Receipts Over/(Under) Expenditures	(34,000)	127,000	(61,000)
Other Financing Sources/Uses:			
OWDA Loan Proceeds	0	0	28,000
OPWC Loan Proceeds	0	0	125,000
Miscellaneous/Intergovernmental	351,000	5,000	46,000
Debt Service	(120,000)	(145,000)	(186,000)
Miscellaneous	(26,000)	0	0
Transfers Out	0	0	(34,000)
Total Other Financing Sources/Uses	<u>205,000</u>	<u>(140,000)</u>	<u>(21,000)</u>
Receipts and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>171,000</u>	<u>(13,000)</u>	<u>(82,000)</u>
Beginning Fund Cash Balance	<u>230,000</u>	<u>401,000</u>	<u>388,000</u>
Ending Fund Cash Balance	<u>\$401,000</u>	<u>\$388,000</u>	<u>\$306,000</u>

Source: 1999 and 2000 audited financial statements and the 2001 unaudited annual cash basis financial report

¹ Similar expenditures were classified as Contractual Services in 1999 and 2000.

Village operating receipts remained consistent from 1999 through 2001, but decreased slightly on a cash basis due to the timing of receipts near year end. Payments remitted near year end for the current year are sometimes received and deposited in the subsequent year by the Village. Total operating expenditures increased 3 percent from 1999 through 2001; however, during 2000 operating expenditures were approximately 30 percent less than 1999 and 2001. The decrease in 2000 operating expenditures is attributable to the decrease in 2000 nonoperating receipts. During 1999 and 2001 the Village received monies from outside sources, such as the Ohio Water Development Authority (OWDA), to fund capital expenditures. Specifically, Contractual Services decreased 700 percent from 1999 through 2001, while Capital Outlay increased 100 percent. Significant changes are attributable to differences in expenditure classifications between years. Contractual Services would only increase by 6 percent from 1999 through 2001 if the Capital Outlay expenditures were classified consistent with past practice as Contractual Services. OWDA and Ohio Public Works Commission (OPWC) Loans increased 100 percent from 1999 through 2001, while Miscellaneous/Intergovernmental decreased 86 percent. The changes were a result of outside funding changing from grants in 1999 to loans in 2001. The Village did not receive any outside funding during 2000. An increase in the number of Village loans caused Debt Service expenditures to increased 55 percent from 1999 to 2001. The \$34,000 Transfer Out closed the Village's Enterprise Water Fund, transferring the monies to the General Fund. As the Villages's annual debt payments continue to increase the Village will need to increase operating receipts to maintain a positive cash flow in the fund. Based upon the large positive Enterprise Fund cash balances, the Village is using these funds for general Village operations (i.e. these funds are financially supplementing the Village's funds which maintain deficits).

Based upon the financial and ministerial functions provided by the District for the Village, a Statement on Auditing Standards (SAS) No. 70 relationship exists. A SAS 70 relationship typically occurs whenever an entity processes accounting transactions on another entity's behalf. That Statement also permits service organizations to disclose their control activities and processes to their customers' auditors in a uniform reporting format. Upon the determination that an organization is a "service organization," a SAS 70 audit report should be prepared.

- R9.3** The Village and the District should review and update the Agreement for Billing Services to reflect current operating practices. Once updated, the agreement should be fully executed. The Village should also implement procedures to ensure all significant Village contracts are completely understood, fully executed, readily available, and current.

Additionally, the District should have an annual SAS 70 report prepared on its internal control processes or the Village should perform certain supervisory reviews to help ensure the District accurately and appropriately performs the following:

- Reads meters
- Bills sewer customers
- Posts sewer receipts to customer accounts
- Manages delinquent sewer accounts including penalty assessment and collection
- Writes-off uncollectible accounts
- Remits receipts to the Village monthly

Finally, the Earth Tech operation and maintenance fees are typically unsystematically allocated between the capital and operating funds. The Village should determine the appropriate fund(s) to record the operation and maintenance fees and adjust the current sewer receipts allocation formula accordingly. The Village should also stop using the Enterprise Fund cash for general operations. The Village should continuously analyze whether sufficient resources remain to satisfy current and future debt service obligations.

Scenario B Financial Implication: Assuming the average sewer bill approximates \$22 each month, the Village enacts a 10 percent penalty on delinquent balances, and 360 sewer accounts are perpetually delinquent each month, the Village's Enterprise Sewage Disposal Fund and Enterprise Sewer Update Fund would be positively impacted by \$5,000 and \$4,000, respectively each year.

The Enterprise Sewage Disposal Fund and Enterprise Sewer Update Fund are not included within the Financial Forecast. Therefore, the \$9,000 financial implication related to those Funds is not presented there.

Mayor's Court

F9.5 ORC Section 1905.01 enables the mayor of a municipal corporation to hear and determine any prosecution for the violation of an ordinance of the municipal corporation. In addition, the mayor may hear and determine any case involving a violation of a vehicle parking or standing ordinance of the municipal corporation and to hear and determine all criminal causes involving any moving traffic violation occurring on a State highway located within the boundaries of the municipal corporation. The Village established the Mayor's Court for the betterment of its residents and to ensure compliance with Village ordinances. The Mayor's Court established a schedule of fees and fines for violations of State laws and Village ordinances within the Village. All fees and fines are deposited into the Village's Agency Mayor's Court Fund and disbursements are made to the State for Reparations Rotary/Court payments for any case involving a motor vehicle. Any remaining funds are transferred to the Village's General Fund.

State Reparation Rotary/Court payments account for approximately 20 percent of the total fines and fees collected. Generally, the State Reparation Rotary/Court payments are made

from the first dollars collected by the Mayor's Court any remaining balance is disbursed to the Village's General Fund on a monthly basis.

Table 9-5 summarizes receipts, expenditures and the current balance within the Village's Agency Mayor's Court Fund for fiscal years 1999 through 2001. The Mayor's Court operations (operating cost) are accounted for within the General Fund for financial statement reporting purposes, and therefore, are not reflected in this table.

**Table 9-5: Agency Mayor's Court Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	1999	2000	2001
Receipts:			
Fines and Fees	\$20,200	\$14,900	\$14,100
Expenditures:			
General Fund/State of Ohio	21,200	11,100	13,700
Receipts Over/(Under) Expenditures	(1,000)	3,800	400
Beginning Fund Cash Balance	4,200	3,200	7,000
Ending Fund Cash Balance	\$3,200	\$7,000	\$7,400

Source: Village bank statements obtained from the Village's Mayor's Court secretary

The receipts and disbursements made by the Agency Mayor's Court Fund for the past three fiscal years total approximately \$49,200 and \$46,000, respectively. From 1999 to 2001, total fines and fees collected decreased approximately 30 percent. As noted in **Table 9-5**, the Agency Mayor's Court Fund has a \$7,400 Fund balance and there is no outstanding payments due the State.

The secretary of the Mayor's office is responsible for the following functions regarding the Mayor's Court operations:

- Recording citations issued within the Village to be heard in the Mayor's Court
- Preparing the docket
- Recording fines and fees imposed in the Court
- Receipting payment of the fines and fees
- Depositing and disbursing Agency Funds
- Collecting delinquent fines and fees

Table 9-6 summarizes the Agency Mayor's Court Fund delinquent fines and fees as of December 31, 2001.

**Table 9-6: Mayor's Court Delinquent Fines and Fees
(rounded to the nearest \$100)**

Aged Fines and Fees (by years)	Amount	Percentage Outstanding
less than 1 year	\$3,900	12.5%
more than 1 year, less than 2 years	4,100	13.1%
more than 2 years, less than 3 years	1,700	5.4%
more than 3 years	21,600	69.0%
Total	\$31,300	100.0%

Source: Mayor's Court records

The Village has a large amount of uncollected fines and fees, totaling approximately \$31,300 as of December 31, 2001, dating back to 1996. Fines and fees outstanding for less than 2 years total approximately \$8,000. If these fines and fees were collected and subsequently disbursed in accordance with ORC, the General Fund would be positively impacted by approximately \$6,400. Village fines and fees outstanding for more than 2 years total approximately \$23,300 or approximately 74 percent of all outstanding delinquent accounts.

A study released on August 11, 1992 by the National Center for State Court attempted to discover what constitutes a strong collection method for the Mansfield, Ohio Municipal Court. It revealed that a more aggressive collection method resulted in a higher collection rate. In general, the more attention that a court pays to the collection process, the more likely a defendant would be to comply with the court order and pay the associated fines and fees.

Other important findings revealed by the study include the following:

- Requiring defendants to complete an affidavit of income, expenses and financial disclosure often led to more timely payments. This process served as a deterrent to defendants who would typically ask for additional time to pay their fines and fees.
- Sending a reminder notice to defendants five days prior to the payment due date, a telephone call three days after missed payment and a follow-up letter five days after the telephone call resulted in a higher collection rate.

The Mayor's Court has not used any of the collection methods suggested in the study to collect fines and fees. In addition, the Mayor's Court does not monitor or track its collections rate, so the Village cannot accurately determine how successful it is in collecting fines and fees. Furthermore, goals regarding the collection of fines and fees have not been established within the Mayor's Court.

In an effort to increase collections, particularly on delinquent fines and fees, the Village retained the services of a magistrate. In accordance with ORC Section 1905.05, the magistrate began holding court in the Village in March 2002. Additionally, the magistrate is compensated \$6,000 annually pursuant to Village Ordinance.

Once the magistrate was retained, the Village collected approximately \$1,800 in March 2002, excluding the state reparation payment. In April and May 2002, the Village collected approximately \$3,700 and \$3,600, respectively from court related activities. The Village estimates most of the receipts are related to current fines and fees. Village management believes monthly collections will approximate the April and May average. Therefore, annualized receipts should total approximately \$30,000, or \$15,000 more than previous years.

Although it is not the intent of the Mayor's Court to generate revenue, the Village's General Fund would be positively impacted by the collection of delinquent fines and fees. The collection of fines and fees should be a priority. Use of a magistrate to hold court in the Village appears to have had a positive impact in this endeavor. An improved collections process should continue to increase the collection rate of the Court and provide additional revenue for the Village.

Scenario A Impact: If the Village collects \$8,000 in delinquent fines and fees, the General Fund would ultimately realize a \$6,400 one-time positive impact in 2002.

If the magistrate incrementally increases collections on current fines and fees by \$15,000 each year and the magistrate costs \$6,000 to employ, the net General Fund positive financial impact will be \$6,400 for 2002 and \$9,000 for 2003 through 2007.

Property Tax

- F9.6 Property taxes are levied and assessed on a calendar year basis against real (residential/agricultural and commercial/industrial), public utility (used in business) and tangible personal property located in Wellsville. Assessed values for real property taxes are established by State law at 35 percent of the appraised market value. All real property is required to be revalued (reappraised) every six years. Property tax reappraisal is accomplished through a visual inspection and is based upon the physical condition and improvements of the property. To avoid large increases in property taxes every six years,

a triennial update (update) occurs three years after a reappraisal to update the market value of all real property. It is accomplished through studies of property transactions since the last reappraisal. A property tax update for the Village occurred in 2001 with the associated collection of this revenue beginning in 2002. A property tax reappraisal for the Village will take place in 2004 and collection of this revenue will commence in 2005.

Table 9-7 reflects Village property tax values as a result of recent reappraisals and triennial updates.

**Table 9-7: Property Value
(rounded to the nearest \$1,000)**

	Reappraisal 1992	Update 1995	Reappraisal 1998	Update 2001
Residential/Agricultural	\$9,412,000	\$11,275,000	\$15,564,000	\$17,134,000
Commercial/Industrial	3,237,000	3,622,000	4,170,000	4,308,000
Public Utility	3,618,000	3,647,000	3,610,000	2,412,000
Tangible Personal	1,945,000	1,862,000	3,630,000	3,134,000
Total Property Tax Value	\$18,212,000	\$20,406,000	\$26,974,000	\$26,988,000

Source: Columbiana County Auditor's Office

The 1995 and 2001 figures represent the property tax values after the State's mandated property triennial updates. The 1992 and 1998 figures represent the property tax values after the State mandated reappraisals. From 1992 to 1995 total property value increased approximately 12 percent, and from 1995 to 1998 total property value increased approximately 32 percent. However, from 1998 to 2001 the total property tax value increased less than 1 percent.

As shown in **Table 9-7**, property value for residential/agricultural properties from 1992 to 1995 increased approximately 20 percent, 38 percent from 1995 to 1998, and 10 percent from 1998 to 2001. Property value for commercial/industrial properties from 1992 to 1995 increased approximately 12 percent, approximately 15 percent from 1995 to 1998, and a little more than 3 percent from 1998 to 2001. Public Utility property decreased approximately 33 percent from 1992 to 2001. Furthermore, property value for tangible personal properties from 1992 to 2001 increased approximately 61 percent.

Additionally, according to a representative from the Columbiana County Auditor's Office, Wellsville's size and present capacity make future construction prohibitive. Taking into account various economic factors, the Columbiana County Auditor's Office expects Village property values to increase at a decreasing rate. This estimate assumes that in 2004, the

period when the next property tax reappraisal is to occur, the appraised property values will increase at a conservative growth rate of 10 percent.

The Village currently has 3.2 inside millage allocated from the County Auditor. The minimum or guaranteed amount that the Village receives is 3.0 mills; however, the Village also receives an additional 0.2 mills. The additional 0.2 mills was allocated to the Village by the Columbiana County Budget Commission. Of the 3.2 mills; 2.6 mills is for the General Fund, 0.3 mills is for the Special Revenue Fire Pension Fund, and 0.3 mills is for the Special Revenue Police Pension Fund.

Table 9-8 summarizes the property tax levies of the Village, the millage rate, effective millage rate, levy type (renewal or replacement), the number of years the levy is to be in effect, the year the levy expires and the approximate amount of revenue expected to be collected in 2002.

**Table 9-8: Property Tax Levies
(rounded to the nearest \$100)**

Fund	Auth. Millage	Agri./Res. Effective Rate ¹	Com./Ind. Effective Rate ²	Addition Renewal Replace	Number of Years	Expire	Est. Rev. ³
Inside Millage							
General Fund Levy	2.6	2.6	2.6	N/A	Cont.	2035	\$70,100
Special Revenue Police Pension Levy	0.3	0.3	0.3	N/A	Cont.	2035	8,100
Special Revenue Fire Pension Levy	0.3	0.3	0.3	N/A	Cont.	2035	8,100
Total Inside Millage/Amount	3.2	3.2	3.2				\$86,300
Outside Millage							
General Fund Levy	1.0	0.3	0.6	Renewal	5	2005	\$13,200
Special Revenue Fire Levy Fund	6.0	5.4	6.0	Replace	5	2005	151,000
Special Revenue Fire Truck Levy Fund	2.0	1.1	1.7	Renewal	5	2004	37,200
Special Revenue Police Salary Levy Fund	1.5	1.3	1.5	Replace	Cont.	Cont.	37,700
Special Revenue Cemetery Levy Fund	1.0	0.9	1.0	Addition	5	2003	25,200
Special Revenue Street Light Levy Fund	1.0	0.5	0.8	Renewal	5	2005	18,300
Special Revenue Floodwall Levy Fund	0.5	0.3	0.5	Addition	5	2002	10,400
Total Outside Millage/Amount	13.0	9.8	12.1				\$293,000
Total Millage/Amount	16.2	13.0	15.3				\$379,300

Source: Columbiana County Auditor's Office, Individual Fund Worksheets

Note: The abbreviation *Cont.* represents *Continuing*

¹ Rates shown reflect the 2002 effective millage for Agricultural and Residential taxable property.

² Rates shown reflect the 2002 effective millage for Commercial and Industrial taxable property.

³ Estimated revenues also include money derived from Personal Property assessment not reflected in the table.

As noted in **Table 9-8**, the Village's authorized millage rate is 16.2 mills; however, the effective millage rate for agriculture and residential class of property is 13.0 mills and 15.3 mills for commercial and industrial property. Levies that are inside mills are not reduced by an inflationary factor and maintain their full authorized rate. However, voted levies (outside mills) take into account inflationary increases and mitigate increases in the tax bill when a

reappraisal or update in the property values occur. Therefore, if property values increase due to a reappraisal or update, a tax credit factor is applied whereby the dollar amount generated by the levy remains unchanged from the date collection begins. Subsequently, estimate tax levy revenue for 2002, approximately \$380,000, is reflective of the tax credit adjustment for the year.

Money collected for the General Fund levies are used to support the daily operations of the Village. Likewise, money received from the Special Revenue Street Light Levy is deposited into the General Fund and then redistributed to the Special Revenue Street Light Levy Fund as a “transfer in.” All other money derived from specified sources other than the General Fund are paid directly into a Special Revenue Fund and to be used for those purposes. The Special Revenue Fire Levy money is used for the general operations of the fire department and the Special Revenue Fire Truck Levy money is used for debt repayment for a fire truck. The Special Revenue Police Salary Levy is restricted and can only be used for expenditures directly related to police department salary and benefit items. Finally, the Special Revenue Flood Wall Levy and Special Revenue Cemetery Levy are restricted and can only be used for those items respectively.

Money collected as inside millage from the Special Revenue Police Pension Levy and Special Revenue Fire Pension Levy is used to service the Village’s long-term portion of the State Police Pension Fund and State Fire Pension Fund, respectively.

For further information regarding the Special Revenue Fire Levy and the Special Revenue Police Salary Levy see the **fire department** section and the **police department** section. For detailed information regarding the Special Revenue Flood Wall Levy, Special Revenue Street Light Levy, and the Special Revenue Cemetery Levy, see the **street department** and **cemetery** sections.

The term “tax year,” the year that property tax is actually collected on, lags one year behind the current calendar year. When a levy, for instance the Special Revenue Flood Wall Levy, is shown to expire in 2002, the Village will actually collect revenue on that assessment through 2003. However, the Village can seek voter approval to renew or replace a levy up to one year before the levy’s expiration. In this instance, the Village could have the Special Revenue Flood Wall Levy replaced during the November 2002 election, whereby the effective millage of the levy would be based on the most current property valuation rather than being based on 1998 property values, the year the levy was initially passed. The Village could also seek to have the Special Revenue Cemetery Levy placed on the ballot during the November 2002 election since levies can be placed on the ballot up to one year in advance of its expiration.

- R9.4** The Village should ensure that a campaign to replace levies due to expire in future years begins at least one year in advance of the levies’ respective expiration dates. Replacement,

versus renewal, will allow the Village to collect revenues based upon the most current property valuations, generating additional property tax revenue to offset costs for which the assessment was initially established.

Budgetary

- F9.7 The provisions enumerated within ORC Chapter 5705 establish the framework and represent the fundamental principles for developing, approving, monitoring, and modifying a government's operating budget. As such, those budgetary provisions are closely interrelated and violations of one budgetary section often leads to other more severe consequences.

Table 9-9 examines the Village's noncompliance with ORC Section 5705.39 for selected funds for fiscal years 1999 and 2000. In short, ORC Section 5705.39 requires annual appropriations be limited to estimated resources for each fund. That is, a government cannot plan to spend more than the fund balance "carryover" plus those anticipated receipts expected to be received for that next year. **Table 9-9** summarizes select funds in which appropriations exceeded estimated resources for fiscal years 1999 and 2000. The Village's fiscal year 2001 internal accounting records reflect similar violations.

**Table 9-9: Select Funds in Violation of ORC Section 5705.39
(rounded to the nearest \$1,000)**

Fund	Estimated Resources	Appropriations	Variance
1999			
General Fund	\$838,000	\$865,000	(\$27,000)
Special Revenue Street Construction Maintenance and Repair Fund	82,000	99,000	(17,000)
Special Revenue Fire Levy Fund	134,000	246,000	(112,000)
Special Revenue Fire Truck Levy Fund	27,000	41,000	(14,000)
Special Revenue Cemetery Levy Fund	6,000	53,000	(47,000)
2000			
General Fund	416,000	908,000	(492,000)
Special Revenue Street Construction Maintenance and Repair Fund	83,000	118,000	(35,000)
Special Revenue Fire Levy Fund	180,000	249,000	(69,000)
Special Revenue Fire Truck Levy Fund	29,000	41,000	(12,000)
Special Revenue Cemetery Levy Fund	8,000	55,000	(47,000)
Enterprise Sewage Disposal Fund	286,000	303,000	(17,000)

Source: 1999 and 2000 audited financial statements

Table 9-9 reflects the Village anticipated spending more than the available resources for many significant Village funds. The most notable instances include the General Fund and Special Revenue Fire Levy Fund. The General Fund was over appropriated by \$27,000 during 1999 and nearly \$500,000 during 2000 while the Special Revenue Fire Levy Fund was over appropriated by \$112,000 and \$69,000 for 1999 and 2000, respectively.

Another provision, ORC Section 5705.41(D), requires appropriations be reserved for commitments. That is, once a contract is executed, a government should reflect it as an

encumbrance or “quasi” expenditure against the fund appropriation. In short, this provision helps ensure fund expenditures are limited to appropriations through a certification process. During fiscal years 1999 and 2000, the Village did not always comply with ORC Section 5705.41(D). The Village’s fiscal year 2001 internal accounting records reflect similar violations.

Additionally, the Village’s accounting records were not fully maintained. Therefore, the monthly bank-to-book reconciliation process was cumbersome and obtaining a complete and accurate perspective of the Village’s financial position was difficult.

Table 9-10 examines the Village’s compliance with ORC Section 5705.41(B) for selected funds for fiscal years 1999 and 2000. In short, ORC Section 5705.41(B) requires expenditures be limited to appropriations for each fund. That is, a government cannot spend more than the appropriations for each fund.

**Table 9-10: Select Funds/Functions in Violation of ORC Section 5705.41 (B)
(rounded to the nearest \$1,000)**

Fund	Function	Appropriations	Expenditures and Encumbrances	Variance
1999				
Special Revenue Drug Abuse Resistance Education Fund	Wages	\$9,000	\$18,000	(\$9,000)
Special Revenue Street Construction Maintenance and Repair Fund	Capital Outlay	1,000	6,000	(5,000)
Enterprise Sewage Disposal Fund	Contracted Services	110,000	124,000	(14,000)
2000				
General Fund - Police Special Cost Center	Regular Wages	135,000	160,000	(25,000)
General Fund- Police Special Cost Center	Part-time Wages	15,000	23,000	(8,000)
General Fund - Police Special Cost Center	Liability Insurance	12,000	19,000	(7,000)
Special Revenue Fire Levy Fund	Hospitalization	50,000	56,000	(6,000)
Special Revenue Fire Truck Levy Fund	Capital Outlay	40,000	53,000	(13,000)
Special Revenue Cemetery Levy Fund	Hospitalization	5,000	11,000	(6,000)
Enterprise Sewer Update Fund	Debt Service	57,000	83,000	(26,000)

Source: 1999 and 2000 audited financial statements

Table 9-10 reflects certain fund expenditures exceeded appropriations. Therefore, the Village did not limit expenditures but overspent an already improperly inflated appropriation. The most notable instances of overspending include the Enterprise Sewage Disposal Fund in 1999 and the General Fund Police Special Cost Center and Enterprise Sewer Update Fund in 2000. The Enterprise Sewage Disposal Fund was overspent by \$14,000 during 1999, while in 2000 the Enterprise Sewer Update Fund and the General Fund Police Special Center Regular Wages function were overspent by \$26,000 and \$25,000, respectively. The Village's fiscal year 2001 internal accounting records reflect similar violations. **Table 9-10** also contains the deficit funds included in the financial forecast, the

Special Revenue Street Construction Maintenance and Repair Fund in 1999 (\$5,000) and the Special Revenue Fire Levy Fund (\$6,000) and the Special Revenue Cemetery Levy Fund (\$6,000) in 2000.

The Village's noncompliance with the previous ORC Sections continued and even compounded until certain Village funds were spent into deficit balances. **Table 9-11** examines the Village's compliance with ORC Section 5705.10 for selected funds for fiscal years 1999 and 2000. In short, ORC Section 5705.10 requires funds to avoid deficit balances and maintain fund cash balances. Certain other funds also maintain fund deficits.

**Table 9-11: Select Fund Cash Balances (Deficits) as of December 31
(rounded to the nearest \$1,000)**

Fund	1999	2000	2001
General Fund	\$222,000	\$84,000	\$40,000
Special Revenue Street Construction Maintenance and Repair Fund	(\$42,000)	(\$79,000)	(\$134,000)
Special Revenue Fire Levy Fund	(103,000)	(101,000)	(168,000)
Special Revenue Cemetery Levy Fund	(42,000)	(49,000)	(63,000)

Source: 1999 and 2000 audited financial statements and the 2001 unaudited annual cash basis financial report

Table 9-11 reflects the General fund balance decreased \$215,000 or 97 percent from fiscal year 1999 to 2001. Meanwhile, the Special Revenue Street Construction Maintenance and Repair Fund deficit increased \$92,000 or 220 percent, the Special Revenue Fire Levy Fund deficit increased \$65,000 or 63 percent, and the Special Revenue Cemetery Levy Fund deficit increased \$21,000 or 50 percent. Historically, the General Fund's fund balance was sufficient to satisfy the deficit fund "overdrafts." However, **Table 9-11** reflects certain significant Special Revenue Fund's deficits continue to increase while the General Fund's fund balance continues to decline. As such, the General Fund is unable to absorb the "overdrafts" and the Enterprise Funds are providing resources for general Village operations.

R9.5 In order to effectively manage the Village's financial operations, the Village's elected officials and management must become more familiar with the budgetary process and budgetary requirements as prescribed by ORC Section 5705 (Code). The officials and management should review the Code and periodically meet with the Columbiana County Budget Commission and, in particular, with the Columbiana County Auditor to facilitate their understanding of the budgetary process and budgetary requirements.

The Village should also maintain complete and accurate accounting records and reconcile those records to the bank statements each month. Additionally, a financial reporting package should be developed and provided to Village Council each month for review and comment.

Finally, the Village's elected officials and management should consider enrolling in the Ohio Financial Accountability Certification program (OFAC). The Program, developed by the Ohio Auditor of State, educates interested participants about the intricacies of public finance and accounting through a series of on-line self study modules.

Regardless of the methods selected, the Village's elected officials and management should make understanding the budgetary process, budgetary requirements, public finance, and accounting a priority. Village Council, via formal action, should require all newly elected officials or newly appointed managers to receive some type of budgetary law, public finance, and accounting training.