



**Auditor of State
Betty Montgomery**

**Village of Wellsville
Columbiana County, Ohio
Fiscal Emergency Termination**

Local Government Services Section

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

FISCAL EMERGENCY TERMINATION

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CERTIFICATION

Pursuant to a request to the Auditor of State by the Financial Planning and Supervision Commission of the Village of Wellsville to terminate the Commission, the Auditor of State has determined that the Village of Wellsville has met the conditions set forth in Section 118.27(A)(1), (2), (3), and (4), Revised Code. Therefore, the existence of the Wellsville Financial Planning and Supervision Commission and its role in the operation of the Village of Wellsville is terminated as of December 1, 2005.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Joseph Surace, Mayor of the Village of Wellsville; Tony Cataldo, President of Council; Jennette Bradley, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Bob Taft, Governor; Thomas W. Johnson, Director of the Office of Budget and Management, and Nancy Milliken, Secretary of the Columbiana County Budget Commission.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Pursuant to Section 118.27(A)(2), Revised Code, the Auditor of State will monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 1, 2005

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Report on Termination of the Wellsville Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the Village of Wellsville (the Commission), Columbiana County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code, should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A), Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter, shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) Planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) Corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to section 118.04 of the Ohio Revised Code, and no new emergency conditions have occurred...; (3) Met the objectives of the financial plan described in section 118.06 of the Ohio Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”

Results of our work under section 118.27(A), Ohio Revised Code, are as follows:

Pages three through seventeen of our report indicate that the Village has effectively implemented or is in the process of implementing corrections to its financial accounting and reporting system in accordance with section 118.10(A) of the Ohio Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under section 118.04, of the Ohio Revised Code. This analysis can be found beginning on page 18.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with section 118.06, of the Ohio Revised Code. Specific conclusions can be found on page 23.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated. The Village has not completed its implementation of an effective financial accounting and reporting system; therefore, the Auditor of State will monitor the progress to secure full implementation of the remaining items.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the Village of Wellsville, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Wellsville, and others as designated by the Auditor of State, and is not to be used for any other purpose. Our procedures and findings follow.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

SECTION 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files and reports of the Village of Wellsville (Village) and issued an Accounting Report, dated January 3, 2002. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination included confirmation of the actions taken by management to address the issues identified in the Financial Accounting Report. A summary of the actions taken by management to address those issues is presented below:

Budgetary System

Implemented

- *The department heads are not involved with the development of the tax budget.*

In June each year, the Mayor and Fiscal Officer sent a memo to all department heads seeking information about future expenditures for their departments.

- *The Mayor does not prepare the proposed tax budget in conjunction with the Fiscal Officer and submit the proposal to Council in advance so that Council has the opportunity to make inquiries and changes prior to the public hearing.*

The Mayor, with the assistance of the Fiscal Officer, prepares the tax budget and submits it to Council for review prior to the public hearing on the tax budget held by Council.

- *The file copy of the tax budget for calendar year 2002 was not signed and dated by the appropriate Village Officials.*

The copy of the tax budget retained by the Village for calendar year 2005 was signed and dated by the Mayor.

- *The tax budget prepared for 2002 did not include all funds of the Village, a statement of permanent improvements, or the information required for the debt issues.*

The tax budget for 2005 included a schedule of anticipated revenues and expenditures for the general fund and each fund that would receive property taxes, a summary schedule reflecting anticipated receipts and expenditures for all other funds, and any other information requested by the budget commission.

- *The subtotals and totals in the appropriation ordinance are mathematically incorrect.*

The appropriation ordinances are footed by the Assistant Clerk to ensure the subtotals and totals are correct.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Budgetary System **(Continued)**

- *The Village allows expenditures to exceed the appropriated amounts authorized by Council.*

The Fiscal Officer authorizes all purchases prior to incurring the obligation or placing the order for the goods or services. The authorization is documented on a purchase order. The accounting software has a built in safeguard which prevents the issuance of purchase orders against appropriation accounts with an unencumbered balance not sufficient to cover to obligation. Appropriation accounts are adjusted by the Fiscal Officer within the legal level of control or by a supplemental appropriation ordinance approved by Council.

- *Management does not request supplemental appropriations when necessary.*

Management requests Council's approval of supplemental appropriations when the current appropriations are not sufficient to cover anticipated expenditures or there has been a decrease in the anticipated expenditures and/or estimated resources.

- *The certificate of estimated resources is not amended to include the actual unencumbered balances within the period required by statute.*

The 2003, 2004, and 2005 certificates of estimated resources were amended to include the actual unencumbered fund balances in January each year.

- *The Village does not compare estimated (budgeted) revenues to actual revenues during the year.*

The Fiscal Officer compares estimated (budgeted) revenues to actual revenues at least monthly.

- *Fund names in the appropriation ordinance are different from the fund names on the amended official certificate of estimated resources.*

The Fiscal Officer reviews the fund names to ensure consistency in all budgetary documents and the accounting records.

- *The Village does not transfer money from the general fund to cover expenditures in grant funds until the grant proceeds are received.*

The Village has not received any grants which require advances from the general fund.

- *The Village has not requested an amended official certificate of estimated resources for any revised estimates in revenues.*

The Fiscal Officer requested an amended official certificate of estimated resources for the award of a new grant for Clean Ohio Revitalization. The Village also requested an updated amended certificate for changes in estimated revenues.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Budgetary System **(Continued)**

- *The appropriation ordinance does not present information in a format that allows for amounts to be traced to the ledgers or verification that amounts are within the certificate of estimated resources.*

The amounts presented in the appropriation ordinances can be traced to the amounts presented in the expenditure ledgers. The Fiscal Officer compares estimated resources to appropriations by fund. The accounting software produces a report that documents the comparison.

- *The Village does not have a long-term plan or budget for its primary operating funds.*

The Village has prepared a five-year forecast which it uses as its long-term plan for its primary operating funds.

Not Implemented

- *The Village does not have a long-term capital budget identifying anticipated projects and the means of financing them.*

Chart of Fund and Account Codes

Implemented

- *The Village has established funds without proper authorization from the Auditor of State and/or outside of those allowed by State statutes.*

All Village funds are established as required by State statute including written authorization by the Auditor of State when necessary.

- *The Village has not established separate funds to account for the three-tenths mill levy for the police and fire pension funds.*

The police pension and the fire pension funds were established by ordinance in 2001.

- *The Village did not establish the sanitary sewer system mortgage revenue bond and interest sinking fund required by the bond agreement with the U.S. Department of Agriculture Rural Development Agency.*

The Village has established the Sanitary Sewer System Mortgage Revenue Bond fund by resolution in 2002 as required by the bond agreement with the U.S. Department of Agriculture Rural Development Agency.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Chart of Fund and Account Codes

(Continued)

- *The Village does not use revenue and expenditure account titles adequate to classify and summarize receipt and disbursement transactions, and receipt and disbursement account codes that allow the transactions to be summarized by major revenue sources or expenditure programs.*

The Village uses revenue and expenditure account titles established as part of the Uniform Accounting Network system to classify and summarize receipt and disbursement transactions. These account codes allow transactions to be summarized by major revenue sources and expenditure programs.

- *The major object codes for expenditures are not used consistently throughout the various programs and activity accounts in all funds.*

Expenditure object codes are used consistently throughout the various expenditure program/activity accounts in all funds.

- *The Fiscal Officer does not assign or monitor the assignment of account codes.*

The Fiscal Officer monitors the assignment of account codes to ensure they agree with the Uniform Accounting Network Accounting Manual.

- *A manual that documents the account code structure is not maintained and made available to all Village departments.*

The UAN manual that documents the account code structure is made available to all of the Village departments.

Accounting Ledgers

Implemented

- *The use of manual journal and ledgers is not the most efficient and effective means of maintaining the accounting records considering the size of the Village and the number of transactions.*

The Village no longer utilizes a manual cash journal and receipt and appropriation ledgers in maintaining the accounting records. In January 2004, the Village implemented the Uniform Accounting Network accounting and payroll software.

- *The cash journal and the receipt and appropriation ledgers are not updated on a daily basis.*

Transactions are entered, and the cash journal and the receipt and appropriation ledgers are updated on a daily basis.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Accounting Ledgers (Continued)

- *All ledger pages are not properly labeled with the fund, major revenue source or expenditure program/activity, account name and number, and budget amounts are not properly and accurately posted and reduced as transactions are posted.*

The implementation of the Uniform Accounting Network software has corrected the problem of accounts not being properly labeled. Budget amounts are posted to each account and reduced as transactions are posted.

- *The Village does not post principal and interest to separate accounts.*

The Village posts principal and interest expenditures to separate accounts.

Not Implemented

- *The Village does not have written month-end closing procedures which includes a list of reports to be prepared and distributed.*

Receipt Transactions

Implemented

- *Real estate taxes, personal property taxes, manufactured home taxes, and homestead and rollback reimbursements are not posted to the proper fund and account in the correct amounts.*

Real estate taxes, personal property taxes, manufactured home taxes, and homestead and rollback reimbursements are posted to the proper fund and accounts and in the correct amounts.

- *Law enforcement fund revenues are posted to the general fund.*

Law enforcement fund revenues are posted to the law enforcement fund instead of the general fund, and the cash balance of the general fund has been adjusted for the amount of cash that should have been in the law enforcement fund.

- *The Income Tax Department does not have a written policy and procedure manual; the Income Tax Department does not maintain an aggregate balance due for accounts on payment plans; and the Village does not have written policies and procedures to identify individuals and businesses not filing income tax returns or to aggressively collect unpaid income taxes.*

The Village entered into an agreement with the Regional Income Tax Authority (RITA) on February 1, 2004 to administer the Village's income tax operations. RITA maintains accountability for accounts on payment plans and has written policies and procedures for the identification of individuals and businesses that may not be filing income tax returns and paying income taxes.

- *The Mayor's Court Clerk of Court does not have adequate knowledge and training in the accounting and reporting requirements for a Mayor's Court.*

The Mayor's Court Clerk of Court has attended trainings in the accounting and reporting requirements for a Mayor's Court.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Receipt Transactions

(Continued)

In Process of Implementation

- *The Village does not have a comprehensive, written set of procedures for collecting, recording and depositing monies.*

The Village is in the process of documenting procedures for collecting, recording and depositing monies.

Not Implemented

- *The Mayor's Court does not have written policies and procedures in place for identifying and collecting current and delinquent court costs and fines, for tracking the number of unpaid parking tickets, and for distinguishing the total amount due on parking tickets. Furthermore, the Mayor's Court does not utilize available State statutes and BMV procedures to collect on unpaid court fines, costs, and unpaid parking tickets.*
- *The Village Police Department does not have a procedure to account for un-issued and issued traffic and parking tickets.*

Purchasing Process

Implemented

- *Requisitions are approved without a determination of whether there are adequate appropriations available to pay for the order because departments are not including expenditure account codes on the request.*

The Assistant Clerk puts the expenditure account codes on the requisitions to allow determination of available appropriation prior to approval or disapproval of the requisition.

- *Instead of using the requisition form, requisitions are frequently handwritten notes on various types of paper and are often not dated.*

The Village has implemented the use of a requisition form which is completed for materials and supplies, purchased services and capital outlay items under the bid limit. Each requisition form is approved by the department head before being submitted to the Fiscal Officer.

- *Purchase orders are prepared without identifying the fund and appropriation account and account code, the goods and services being purchased, quantities, unit prices, and extended amounts.*

Purchase orders are prepared identifying the fund and appropriation account, the goods or services being purchased, quantities, unit prices, and extended amounts.

- *Purchases orders that exceed the line-item appropriation are processed by verbal management instruction or based upon past practice.*

For purchase orders that exceed the line-item appropriation, the Fiscal Officer reallocates appropriations within the legal level of control set by Council in the appropriation ordinance. If the fiscal officer is unable to reallocate appropriations, a supplemental appropriation request is prepared for approval by Council.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Purchasing Process

(Continued)

- *Purchase orders are frequently adjusted months later for additional items.*

A new purchase order is created for additional items as soon as it is brought to the Fiscal Officer's attention.

- *Purchase orders are stamped by the Assistant Clerk with the Fiscal Officer's signature on the original copy only and purchase orders are frequently not dated.*

Purchase orders are signed and dated by the Fiscal Officer. The Village no longer utilizes a stamp of the Fiscal Officer's signature.

- *The Village does not post encumbrances to the appropriation ledger.*

The Village posts encumbrances to the appropriation ledger upon fiscal officer certification of available funds.

- *Outdated blanket purchase orders are not closed.*

Expired blanket purchase orders are closed once all obligations are paid or once the Fiscal Officer deems that it will no longer be used.

- *The Village does not maintain an up-to-date master list of contracts nor does the Village maintain the original signed contracts in the Fiscal Officer's office.*

The Village maintains an up-to-date master list of contracts and maintains the original signed contracts in the Fiscal Officer's office.

- *The Fiscal Officer and Village Administrator do not attend bid openings, and no minutes of the bid opening meetings exist.*

The Fiscal Officer and Village Administrator attend bid openings and minutes of the bid opening meetings are on file in the Fiscal Officer's office.

- *The original purchase order is not sent to the vendor.*

The original purchase order number is given to the vendor by phone, or the purchase order is faxed as stated in the Village's administrative policy.

- *The dates of contracts and contract provisions are not available with voucher packets and no ordinance number or resolution number is included with the voucher packet.*

The date of the contract and contract provisions are available with the voucher packet, and the ordinance or resolution number is referenced.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Purchasing Process

(Continued)

In Process of Implementation

- *The Village does not have a comprehensive purchasing procedures manual.*

The Village is in the process of completing a comprehensive purchasing procedures manual.

- *Blanket and super blanket purchase orders do not follow statutory requirements.*

The Village has established procedures for the use of blanket and super blanket purchase orders that follow statutory requirements; however, Council has not passed a resolution establishing a dollar limit for blanket purchase orders.

Cash Disbursements

Implemented

- *Disbursements are made from funds without a cash balance sufficient to cover the amount of the payment.*

Disbursements are only made from funds with a cash balance sufficient to cover the amount of the payment. The accounting software does not allow for disbursements to be made from funds with an insufficient cash balance to cover the amount of the check.

- *Disbursements are made for expenditures without the Fiscal Officer certification.*

All disbursements are made with a Fiscal Officer certification attached.

- *Invoices are not recomputed as they are processed for payment and are routinely paid without proper authorization and acknowledgment of receipt of the goods or services.*

Invoices are recomputed to verify mathematical accuracy by the Assistant Clerk as they are processed for payment. Council is given a list of all invoices pending payment, which they approve. Invoices are initialed by department heads to indicate that the goods or services were received.

- *A voucher which reflects the purchase order number, the fund and account, invoice numbers, invoice and/or service date (utility bills) is not used and check numbers are not indicated on the invoice; invoices are not stamped paid with the date paid; and the fund and account line item information is not shown on the check.*

A voucher/check stub that identifies the purchase order number, the fund and account, and invoice numbers is attached to the supporting documentation for the transaction and invoices are stamped with the date paid.

- *The use of the Fiscal Officer's signature stamp is not controlled.*

The Village no longer utilizes a Fiscal Officer's signature stamp.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Cash Disbursements

(Continued)

- *A significant number of disbursements are made utilizing a Then and Now Certificate.*

The Village has sent an interoffice memo to the departments stating that purchase orders will not be issued for any purchases that do not have prior certification in an attempt to reduce the number of disbursements made utilizing Then and Now Certificates. They are now used much more infrequently.

In Process of Implementation

- *Invoices are processed for payment that exceed the purchase order without proper authorization and are processed after the payment terms and discount periods have elapsed.*

If an invoice exceeds an existing purchase order amount, the Fiscal Officer certifies an additional purchase order if the appropriations allow. If available appropriations are inadequate, Council passes an appropriation amendment before an additional purchase order is certified and the invoice is paid. However, many payments of invoices are still not processed within the payment dates.

- *The Village does not maintain a list of all personal service contracts.*

The Village manually created a list of all personal service contracts; however, it is not kept up-to-date.

Not Implemented

- *There are no written policies and procedures for the disbursement of Village funds.*

Payroll Processing

Implemented

- *Supervisors, department heads, or elected officials do not sign and approve employee time sheets/time cards, except in the police and fire departments.*

All department supervisors, department heads, or elected officials sign and approve employee time sheets.

- *The Village has no means of authenticating that employees, other than police and fire employees, actually worked the time indicated on the employee time sheets/time cards.*

The Village has implemented the use of a time clock to document the time worked by employees in all departments. The only exception is for administration and part-time, on-call employees.

- *The Village does not have individual personnel files for all employees containing necessary employment and payroll information in the Fiscal Officer's Office.*

The Fiscal Officer maintains individual personnel files for all Village employees containing employment and payroll information in the Fiscal Officer's office.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Payroll Processing

(Continued)

- *The Village does not have or utilize leave request and usage forms and does not require supervisors to approve leave in writing.*

The Village utilizes leave request and usage forms which are approved by the employee's supervisor.

- *Leave accrual and usage records for individual employees are not maintained in the Fiscal Officer's Office.*

Leave accrual and usage records for individual employees are maintained in the Fiscal Officer's Office.

- *Management has instructed the Assistant Clerk not to recompute the gross payroll of the police and fire department employees. The overpayments that occur are simply approved by Council.*

The Assistant Clerk re-computes the gross payroll of the police and fire department employees. Council has not approved any overpayments.

- *The Village does not have a policy to determine whether a position qualifies for employee status or personal service contract status in accordance with Internal Revenue Service rules and guidelines and State statutes.*

The Village does not currently have any positions which qualify for personal service contracts. The Internal Revenue Service rules and guidelines were used in making this determination.

In Process of Implementation

- *The Village Council has approved the payment of accumulated, unused sick leave, vacation, and personal leave as computed by the employee at retirement rather than the amounts computed in accordance with the union contract and/or Council Ordinances.*

The Assistant Clerk computes the payments of sick leave, vacation, and personal leave. Council is still approving the payment amount even though they have already approved the union contract and/or Council ordinance outlining the payment calculation.

Not Implemented

- *The Village does not have leave accrual and usage policies established and in writing for appointed officials and appointed employees.*
- *The Village does not have written overtime usage and authorization procedures.*

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Debt Administration

Implemented

- *The Village does not notify the County Auditor of the issuance of debt.*

The Village has not issued any new debt, but is aware of the requirement to certify the legislation to the County Auditor.

- *The Village has not been making transfers equal to one-twelfth of the total principal and interest for the next bond maturity date into the sanitary sewer system mortgage revenue bond fund.*

The Village is making monthly transfers equal to one-twelfth of the total principal and interest for the next bond maturity date into the sanitary sewer mortgage revenue bond fund.

- *The Village does not maintain a list of all debt payment due dates with the amount of principal and interest due.*

The Village maintains a list of all debt payment due dates with the amount of principal and interest due.

- *The Village does not maintain a list of all lease agreements.*

The Village only has one lease agreement with Mississippi Lime Company.

- *The Village does not report capital leases as part of the Village's outstanding debt.*

The Village no longer has any outstanding capital leases.

Inventory of Capital Assets

In Process of Implementation

- *The Village does not have policies and procedures established to account for and track capital assets and does not maintain an inventory of capital assets. In addition, the Village cannot determine an adequate amount of insurance coverage, that assets are used in the most efficient manner, whether idle assets exist that could be sold to generate additional revenue, loss or theft of an asset, or the scheduled replacement of assets.*

Although the Village has identified and sold idle assets to generate additional revenue and has started to inventory their capital assets, the Village has not yet begun the process of being able to determine the rest of this information.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Cash Management and Investing

Implemented

- *The Village does not maintain a running balance in the manual cash journal and check register.*

The Village maintains a running balance in the cash journal and check register.

- *The Village does not record the interest earned from the Cemetery Endowment Fund investments into the Cemetery Trust Fund.*

The interest earned from the Cemetery Endowment is received monthly into the Cemetery fund.

- *The Village Fiscal Officer has not attended the statutorily required annual training program provided by the Auditor of State.*

The Village Fiscal Officer attends the statutorily required annual training program provided by the Auditor of State.

- *The Village Fiscal Officer has not attended the statutorily required annual training program provided by the Treasurer of State and required by Ohio Revised Code Section 135.22.*

The Village now limits all investments to those which do not require this annual training.

- *The Mayor's Court does not consistently prepare the monthly reparations rotary report correctly and does not retain a file copy of the monthly reparations rotary report submitted to the Treasurer of State.*

The Mayor's Court consistently prepares the monthly reparations rotary report correctly and retains a file copy of the monthly reparations rotary report submitted to the Treasurer of State.

- *The Village has not established a written investment policy or filed it with the Auditor of State in accordance with Ohio Revised Code Sections 135.14(O)(1).*

The Village now invests only in what State law allows when a government does not have a written investment policy.

In Process of Implementation

- *The Mayor's Court does not reconcile the receipts and disbursements from the cashbook to the court docket.*

The Mayor's Court reconciles the receipts and disbursements from the cashbook to the court docket; however, an open items list, which is part of the reconciliation process, has not been completed since 2003.

Not Implemented

- *The Village does not have written policies and procedures for the use of change funds, designating specific amounts by department or office.*

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Cash Management and Investing

(Continued)

- *The Village does not include the amount of change funds maintained within Village offices on the monthly reconciliations.*

Financial Reporting

Implemented

- *The Village's annual financial reports for 1999 and 2000 were not prepared in the format prescribed by the Auditor of State. The financial reports excluded the appropriate level of detail for proprietary funds, all debt activity and balances, and fund names that are in agreement with the Village's accounting ledgers.*

The Village's annual report for 2004 was prepared in the format prescribed by the Auditor of State. The financial report included the appropriate level of detail for proprietary funds, all debts of the Village and correct balances. Fund names were in agreement with the Village's accounting ledgers.

- *The Village's annual financial report for 2000 was not filed with the Auditor of State.*

The Village's annual financial report for 2004 was filed with the Auditor of State on February 16, 2005.

- *The Village Fiscal Officer does not provide Village Council with a reconciliation of the bank accounts to the fund balances on a monthly basis.*

The Village Fiscal Officer provides bank reconciliations to the Village Council each month.

- *Village Council is not provided reports comparing budgeted and actual information on a monthly or annual basis.*

Village Council is receiving reports comparing budgeted and actual information on a monthly basis.

- *Department heads do not review financial reports.*

The Mayor, Village Administrator, and Police Chief review the Appropriation Status report which is provided to them by the Fiscal Officer.

In Process of Implementation

- *The Mayor and Village department heads do not receive financial data on a regular, recurring basis.*

The Mayor and Village department heads receive financial data (monthly fund balances) on a regular, recurring basis. The detail is available to the Mayor and Village department heads upon request. Detailed reports should be distributed to the Mayor and all department heads.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Financial Reporting

(Continued)

Not Implemented

- *Village Council has not defined the monthly reports that members are to receive.*

Recording Official Proceedings

Implemented

- *The Village does not maintain an index of ordinances and resolutions.*

The Village now maintains an index of ordinances and resolutions.

- *The Village Council's minutes do not reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions.*

The Village Council's minutes reflects full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions.

- *Copies of reports, handouts, and packets provided to Council are not referenced in, or incorporated as an attachment to, the minutes.*

Copies of reports, handouts, and packets provided to Council are referenced in, or incorporated as an attachment to, the minutes.

- *Minutes do not reflect discussions of each report, document, or handout provided or discussed.*

Minutes reflect discussions of each report, document, or handout provided or discussed.

- *Ordinances are not prepared according to Ohio Revised Code Sections 731.18 through 731.20.*

Ordinances are prepared according to Sections 731.18 and 731.20 of the Ohio Revised Code, which addresses style, subject, authentication and recording.

- *Resolutions and ordinances are not maintained in the Village's Resolution and Ordinance Book.*

Resolutions and ordinances are maintained on file in designated resolution and ordinance books in the office of the Fiscal Officer.

- *The Village does not have written procedures for bid openings and the process of opening, reviewing and making a determination of bid acceptance.*

The Village follows the procedures for bid openings and the process of opening, reviewing and making a determination of bid acceptance as described in State statute. The Mayor and Administrator are responsible for this process.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Recording Official Proceedings

(Continued)

In Process of Implementation

- *Council minutes are not always signed by the Council President and the Clerk of Council timely and placed in the minute book.*

Council minutes are signed by the Mayor and the Clerk of Council after they are approved by Council at the following Council meeting and placed in the minute book; however, the Mayor uses a rubber stamp for his signature, and according to the Ohio Revised Code, the use of a rubber stamp signature is not an authorized method.

In our review, we found that the Village is not consistent in passing legislation (resolutions and ordinances) dealing with appropriations. All legislation should be reviewed by the Village's legal counsel.

- *The Village has not established a records commission required by Ohio Revised Code Section 149.39*

On May 17, 2005, the Village established a records commission required by Ohio Revised Code Section 149.39. However, the records commission has not yet met.

Audit Report and Management Letters

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The letters that accompanied the December 31, 2003 audit included several noncompliance issues and recommendations. The noncompliance issues included the Mayor not signing and affixing his seal to all writs, processes, transcripts and the court docket; the court docket not including all required information; and violations of Ohio budgetary law. The management comments covered areas such as not properly maintaining minutes in a permanent book; not maintaining a perpetual inventory of plots for the cemetery; not properly completing all required information on the back of issued tickets; not properly signing or initialing payroll time sheets; and not signing monthly bank reconciliation and payroll summary reports upon the Fiscal Officer's review. The Village has addressed or is in the process of addressing the items concerning properly maintaining minutes in a permanent book, properly completing all required information on the back of issued tickets; and properly signing or initialing payroll time sheets. All other items are not currently being addressed by the Village.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

SECTION 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Condition One – Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the Village’s outstanding debt is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>
<u>Loans Payable</u>			
USDA Sewer Improvements	4.75%	2000	\$162,000
OWDA Sewer Improvements	2.20%	1999	64,234
OWDA Sewer Improvements	2.20%	1998	861,207
OWDA Sewer Improvements	0.00%	2003	118,906
OWDA Sewer Improvements	5.89%	2001	20,529
OWDA Sewer Improvements	7.00%	1981	1,806,059
OWDA Sewer Improvements	7.00%	1987	43,941
OWDA Sewer Improvements	0.00%	1999	122,800
OPWC Sewer Improvements	0.00%	2002	125,689
OPWC Sewer Improvements	0.00%	2002	125,459

We reviewed the outstanding indebtedness of the Village as of May 31, 2005. The Village has \$1,216,538 in outstanding debt at May 31, 2005 and has made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(1) of the Ohio Revised Code, as of May 31, 2005. The Village has not defaulted on any debt obligations.

Condition Two – Payment of All Payroll

Section 118.03(A)(2) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than 30 days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of 90 days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than 30 days by the written consent of at least two thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

We obtained the Village's payroll registers, resolutions/ordinances and payroll charge register to identify gross salary amounts, deductions, and net payments made to the employees of the Village. The payroll registers and charge register were analyzed to verify payroll payments. We also obtained time sheets and bank statements to verify hours paid and that checks cleared the bank.

Conclusion: A fiscal emergency condition does exist under section 118.03(A)(2) of the Ohio Revised Code as of May 31, 2005. All employees have been paid in amounts and at the times required by ordinance.

Condition Three – Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Ohio Revised Code, defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current of next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Columbiana County Auditor, Chairman of the County Budget Commission, whether there had been an increase, pursuant to division (D) of section 5705.31 of the Ohio Revised Code, in the minimum levy of the Village of Wellsville for the year which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Columbiana County Auditor indicated that no action had been taken by the Columbiana County Budget Commission to increase the inside millage of the Village and, therefore, no other subdivision's millage was reduced for 2004 or 2005.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(3), Ohio Revised Code as of May 31, 2005.

Condition Four – Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeding one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable as of December 31, 2004, that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2004, including, but not limited to, final judgments, fringe

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

benefit payments due and payable, and amounts due and payable to persons and other governmental entities including any interest penalties. From this amount, we subtracted the year-end fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund budget for that year.

Schedule I

General Fund Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2004

	Payables Over 30 Days Past Due	Fund Balance Available	Balance Available In Excess of Payables
General Fund	\$8,352	\$205,309	\$196,957

From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2004. From this amount we subtracted the year-end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2005, excluding non-recurring receipts of the general fund and of all special funds from which such accounts are lawfully payable.

Schedule II

Accounts Payable From All Funds Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2004

	Payables Over 30 Days Past Due	Fund Balance Available	Balance Available In Excess of Payables
General Fund	\$8,352	\$205,309	\$196,957
SCMR Fund	249	7,429	7,180
Cemetery Fund	867	28,304	27,437
CMHA Fund	505	6,088	5,583
Fire Levy Fund	4,637	43,630	38,993
Sewage Update Fund	5,510	412,855	407,345
Total	\$20,120	\$703,615	\$683,495

Conclusion: Schedules I and II indicate that as of December 31, 2004, a fiscal emergency condition does not exist under section 118.03(A)(4) of the Ohio Revised Code. The general fund accounts payable which were at least thirty days past-due at the end of the year did not exceed the general fund balance and the accounts payable which were over thirty days past-due from all funds, less the year-end balance in the general fund and the respective special funds did not exceed their available balances.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Condition Five – Deficit Fund Balances

Section 118.03(A)(5) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the fund balance of each deficit fund as of December 31, 2004, by subtracting all accounts payable and encumbrances from the year-end cash balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts of those deficit funds. Since the unprovided portion of the aggregate deficit was zero, it was unnecessary to subtract funds that may be transferred as provided in Section 5705.14 of the Revised Code, to meet such deficits.

Schedule III

Deficit Fund Balances					
Ohio Revised Code Section 118.03(A)(5)					
As of December 31, 2004					
	Cash	Less	Adjusted	Less 1/6th of	Unprovided
Fund	Balance	Accounts	Sum of	Receipts	Portion of
		Payable and	Funds With		Aggregate
		Encumbrances	Deficit		Deficit
			Balances		
Fire 03 Fund	(\$40)	\$288	(\$328)	\$3,078	\$0

Conclusion: Schedule III indicates that a fiscal emergency condition does not exist under Section 118.03(A)(5) of the Ohio Revised Code. The aggregate deficit of the fire 03 fund did not exceed one-sixth of the receipts.

Condition Six – Treasury Balances

Section 118.03(A)(6) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficit exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village’s reconciled bank balances to its fund cash balances as of December 31, 2004. We then subtracted the adjusted aggregate sum of positive balances of the special funds as of December 31, 2004, to determine if there was a deficiency.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

Schedule IV

	Amounts at December 31, 2004
Treasury Balance Ohio Revised Code Section 118.03(A)(6) As of December 31, 2004	
Bank Cash Balances:	
Perpetual Savings	\$960,978
Sky Bank	543
Certificate of Deposit	35,000
Total Bank Balance	996,521
Less Outstanding Checks	(35,138)
Total Treasury Balance	961,383
Less: Total Positive Cash Balances	
General	205,809
SCMR	7,620
State Highway	23,518
Cemetary	28,304
CMHA	6,088
FEMA	5,833
DARE	684
Traffic Grant	1,286
Law Enforcement	1,175
Permissive Motor Vehicle	42,864
Police Pension	4,725
Fire Pension	5,901
Enforcement and Education	3,125
Fire Levy	43,680
Floodwall	2,307
Police Salary Levy	8,464
Fire Truck Levy	16,200
Other Police	1,829
Sanitary Sewer Sinking	25,075
Capital Improvements	9,681
Sewage Disposal	61,957
Sewage Update	418,855
Cemetary Trust	715
Cemetary Endowment	35,543
Unclaimed Monies	185
Total Positive Cash Balances	961,423
Treasury Balances Less Positive Cash Balances	(40)
1/6 Treasury Receipts	377,375
Treasury Surplus	\$377,335

Conclusion: Schedule IV indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2004. The treasury balance less the positive fund balances did not exceed one-sixth of the treasury receipts as of December 31, 2004.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

SECTION 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all obligations;
- 3) Change renewal levies to replacement levies:
 - a) Pass a 6.0 mill fire replacement levy;
 - b) Pass a 2.0 mill cemetery replacement levy;
 - c) Pass a 2.0 mill police replacement levy;
- 4) Pass an ordinance setting new rates and certain charges for cemetery;
- 5) Do not replace the three police officers retiring during 2001;
- 6) Update the CHMA agreement to support the cost of an officer;
- 7) Repeal Ordinance 96-13 so as to cut insurance coverage, saving \$10,000 annually;
- 8) Pass an Ordinance establishing the starting salary of new full-time police officers;
- 9) Pass an Ordinance establishing Magistrate Court;
- 10) Pass an Ordinance establishing the starting salary of new full-time fireman;
- 11) Decrease the uniform allowance for City workers saving an estimated \$3,000 annually;
- 12) Pay only village's employer share for Police and Fire pension plans saving an estimated \$4,000 annually;
- 13) Authorize the sale of timber from cemetery land generating \$252,000;
- 14) Aggressively pursue delinquent income taxes generating \$27,000;
- 15) Increase operational efficiency by putting in place the Uniform Accounting System;
- 16) Contract with RITA for income tax collections (estimated savings based on \$400,000 collections is \$38,000 annually);
- 17) Developed a balanced budget for 2004;
- 18) Pass a new 1.4 mill fire levy increasing revenue \$36,000 annually;
- 19) Reappointing a zoning administration creating additional fee revenue;
- 20) Transfer general fund monies and make advances to certain funds to eliminate deficit funds;
- 21) Close unutilized funds that are no longer needed;
- 22) Institute a Safety Traffic Enforcement Program (STEP) for police protection;
- 23) Auction old used equipment;
- 24) Monitor consumable inventories;
- 25) Create a central purchasing program;
- 26) Reduce bank charges by transferring all Village monies to just one interest bearing account;
- 27) Aggressively pursue delinquent Mayor's Court fines;
- 28) Offer \$200 per month to employees in lieu of health insurance;
- 29) Eliminate Sunday premium pay for the Fire Department;
- 30) Replace the Fire Department's fire chief who retired with the assistant fire chief while not replacing the assistant fire chief to create a savings of \$12,000 per year;
- 31) Eliminate hazard duty pay;
- 32) Conform to statutes with respect to tax budgets and appropriation measures; and
- 33) Establish monthly levels for expenditures and encumbrances.

All objectives of the financial plan have been met.

Village of Wellsville, Columbiana County

Fiscal Emergency Termination Analysis

SECTION 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding fiscal crises in the future. A five-year forecast is required under 118.27(A)(4) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

Disclaimer

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

Appendix A

**Village of Wellsville
Columbiana County, Ohio**

**Financial Forecast
For the Years Ending December 31, 2005 through 2009**

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Village of Wellsville
Financial Forecast

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**Auditor of State
Betty Montgomery**

Members of Council
Village of Wellsville
Wellsville, Ohio

Based upon the requirement set forth in Section 118.27 (A)(4) of the Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures and changes in fund balances for those funds identified in Note 2 of the Summary of Significant Accounting Policies and Forecast Assumptions of the Village of Wellsville, which encompass the five years ending December 31, 2009. These statements are presented on the cash basis of accounting used by the Village of Wellsville rather than on generally accepted accounting principles. The Village of Wellsville's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitable will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

This report is intended solely for the use of the Village of Wellsville and the Financial Planning and Supervision Commission of Wellsville and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report

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

BETTY MONTGOMERY
Auditor of State

October 20, 2005

Village of Wellsville
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2002 through 2004, Actual
and Ending December 31, 2005 Through 2009, Forecasted

General Fund

	2002 Actual	2003 Actual	2004 Actual
Revenues			
Property Taxes	\$83,000	\$92,000	\$124,000
Municipal Income Taxes	491,000	412,000	415,000
Intergovernmental Revenue	107,000	142,000	141,000
Fines and Fees	37,000	65,000	41,000
Interest	0	2,000	13,000
Licenses and Permits	12,000	10,000	5,000
Rentals	20,000	17,000	25,000
Miscellaneous	24,000	132,000	170,000
Total Revenues	774,000	872,000	934,000
Expenditures			
<i>General Government</i>			
Mayor's Office			
Personal Services	26,000	32,000	36,000
Fringe Benefits	15,000	27,000	20,000
Contractual Services	2,000	1,000	3,000
Materials and Supplies	2,000	1,000	1,000
Capital Outlay	0	0	0
Total Mayor's Office	45,000	61,000	60,000
Council			
Personal Services	14,000	14,000	14,000
Fringe Benefits	2,000	2,000	2,000
Total Council	16,000	16,000	16,000
Administrator			
Personal Services	5,000	5,000	5,000
Fringe Benefits	1,000	1,000	2,000
Contractual Services	1,000	0	1,000
Materials and Supplies	0	0	0
Total Administrator	7,000	6,000	8,000
Legal Counsel			
Personal Services	17,000	17,000	17,000
Fringe Benefits	2,000	3,000	2,000
Total Legal Counsel	19,000	20,000	19,000
Treasurer-Clerk			
Personal Services	30,000	31,000	33,000
Fringe Benefits	8,000	10,000	21,000
Contractual Services	16,000	4,000	8,000
Materials and Supplies	2,000	2,000	2,000
Capital Outlay	0	0	0
Miscellaneous	6,000	23,000	0
Total Treasurer-Clerk	62,000	70,000	64,000
Zoning and Planning			
Personal Services	1,000	0	3,000
Lands and Buildings			
Personal Services	0	0	1,000
Contractual Services	64,000	111,000	97,000
Materials and Supplies	2,000	7,000	6,000
Miscellaneous	0	0	0
Total Lands and Buildings	\$66,000	\$118,000	\$104,000

2005 Forecasted	2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted
\$131,000	\$129,000	\$126,000	\$124,000	\$121,000
418,000	420,000	423,000	426,000	428,000
112,000	114,000	117,000	119,000	122,000
48,000	48,000	48,000	48,000	48,000
13,000	13,000	13,000	13,000	13,000
5,000	5,000	5,000	5,000	5,000
21,000	0	0	0	0
47,000	42,000	42,000	42,000	42,000
<u>795,000</u>	<u>771,000</u>	<u>774,000</u>	<u>777,000</u>	<u>779,000</u>
34,000	35,000	35,000	36,000	36,000
17,000	19,000	21,000	24,000	27,000
5,000	5,000	5,000	5,000	5,000
0	0	0	0	0
6,000	0	0	0	0
<u>62,000</u>	<u>59,000</u>	<u>61,000</u>	<u>65,000</u>	<u>68,000</u>
12,000	12,000	12,000	12,000	12,000
2,000	2,000	2,000	2,000	2,000
<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>
8,000	10,000	10,000	10,000	10,000
1,000	2,000	2,000	2,000	2,000
1,000	1,000	1,000	1,000	1,000
19,000	19,000	19,000	19,000	19,000
<u>29,000</u>	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>
17,000	17,000	17,000	17,000	17,000
3,000	3,000	3,000	3,000	3,000
<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
38,000	46,000	47,000	48,000	49,000
53,000	58,000	60,000	63,000	66,000
8,000	8,000	8,000	8,000	8,000
0	0	0	0	0
2,000	0	0	0	0
0	0	0	0	0
<u>101,000</u>	<u>112,000</u>	<u>115,000</u>	<u>119,000</u>	<u>123,000</u>
3,000	3,000	3,000	3,000	3,000
0	0	0	0	0
97,000	97,000	97,000	97,000	97,000
0	0	0	0	0
15,000	0	0	0	0
<u>\$112,000</u>	<u>\$97,000</u>	<u>\$97,000</u>	<u>\$97,000</u>	<u>\$97,000</u>

(continued)

Village of Wellsville
Statement of Revenues, Expenditures, and Changes in Fund Balance - Cash Basis
For the Years Ended December 31, 2002 through 2004, Actual
and Ending December 31, 2005 Through 2009, Forecasted

General Fund (continued)

	2002 Actual	2003 Actual	2004 Actual
Income Tax			
Personal Services	\$26,000	\$27,000	\$14,000
Fringe Benefits	14,000	15,000	4,000
Contractual Services	2,000	2,000	10,000
Materials and Supplies	1,000	1,000	0
Miscellaneous	9,000	6,000	0
Total Income Tax	<u>52,000</u>	<u>51,000</u>	<u>28,000</u>
Security of Persons and Property			
Police Department			
Personal Services	155,000	176,000	199,000
Fringe Benefits	88,000	99,000	108,000
Contractual Services	30,000	22,000	22,000
Materials and Supplies	16,000	25,000	20,000
Capital Outlay	1,000	0	18,000
Total Police Department	<u>290,000</u>	<u>322,000</u>	<u>367,000</u>
Leisure-time Activities			
Parks			
Personal Services	10,000	13,000	6,000
Fringe Benefits	14,000	7,000	2,000
Contractual Services	1,000	0	3,000
Materials and Supplies	1,000	2,000	2,000
Capital Outlay	0	7,000	0
Total Parks	<u>26,000</u>	<u>29,000</u>	<u>13,000</u>
Miscellaneous			
Other Expenditures			
Auditor and Treasurer Fees	2,000	2,000	2,000
County Health Department	4,000	5,000	5,000
Election Fees	1,000	0	4,000
State Audit	0	25,000	22,000
Dog Warden	1,000	1,000	0
UAN Fees	0	0	2,000
Unemployment	3,000	0	0
Total Other Expenditures	<u>11,000</u>	<u>33,000</u>	<u>35,000</u>
Total Expenditures	<u>595,000</u>	<u>726,000</u>	<u>717,000</u>
Excess of Revenues Over Expenditures	<u>179,000</u>	<u>146,000</u>	<u>217,000</u>
Other Financing Sources (Uses)			
Transfers In	2,000	7,000	51,000
Transfers Out	(154,000)	(151,000)	(130,000)
Advances In	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	<u>(152,000)</u>	<u>(144,000)</u>	<u>(79,000)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	27,000	2,000	138,000
Beginning Cash Balance	<u>40,000</u>	<u>65,000</u>	<u>53,000</u>
Ending Cash Balance	67,000	67,000	191,000
Less Encumbrances:			
Actual/Estimated Encumbrances	<u>2,000</u>	<u>14,000</u>	<u>1,000</u>
Unencumbered Fund Balance	<u>\$65,000</u>	<u>\$53,000</u>	<u>\$190,000</u>

2005 Forecasted	2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted
\$0	\$0	\$0	\$0	\$0
0	0	0	0	0
13,000	13,000	13,000	13,000	13,000
0	0	0	0	0
0	0	0	0	0
<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>
204,000	210,000	217,000	223,000	230,000
103,000	113,000	124,000	136,000	150,000
22,000	22,000	22,000	22,000	22,000
12,000	12,000	12,000	12,000	12,000
21,000	6,000	6,000	6,000	6,000
<u>362,000</u>	<u>363,000</u>	<u>381,000</u>	<u>399,000</u>	<u>420,000</u>
10,000	11,000	12,000	12,000	13,000
6,000	7,000	8,000	9,000	10,000
5,000	5,000	5,000	5,000	5,000
0	0	0	0	0
6,000	0	0	0	0
<u>27,000</u>	<u>23,000</u>	<u>25,000</u>	<u>26,000</u>	<u>28,000</u>
2,000	2,000	2,000	2,000	2,000
5,000	5,000	5,000	5,000	5,000
3,000	3,000	3,000	3,000	3,000
13,000	22,000	1,000	19,000	0
2,000	3,000	3,000	3,000	3,000
3,000	3,000	3,000	3,000	3,000
0	0	0	0	0
<u>28,000</u>	<u>38,000</u>	<u>17,000</u>	<u>35,000</u>	<u>16,000</u>
<u>771,000</u>	<u>774,000</u>	<u>778,000</u>	<u>823,000</u>	<u>834,000</u>
<u>24,000</u>	<u>(3,000)</u>	<u>(4,000)</u>	<u>(46,000)</u>	<u>(55,000)</u>
0	0	0	0	0
0	0	0	0	0
5,000	0	0	0	0
<u>(7,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(2,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
22,000	(3,000)	(4,000)	(46,000)	(55,000)
<u>190,000</u>	<u>207,000</u>	<u>199,000</u>	<u>190,000</u>	<u>139,000</u>
212,000	204,000	195,000	144,000	84,000
5,000	5,000	5,000	5,000	5,000
<u>\$207,000</u>	<u>\$199,000</u>	<u>\$190,000</u>	<u>\$139,000</u>	<u>\$79,000</u>

Village of Wellsville

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
 For the Years Ended December 31, 2002 through 2004, Actual
 and Ending December 31, 2005 Through 2009, Forecasted

Street Construction, Maintenance and Repair Fund

	2002 Actual	2003 Actual	2004 Actual
Revenues			
Intergovernmental Revenue	\$90,000	\$96,000	\$99,000
Miscellaneous	2,000	0	0
Total Revenues	<u>92,000</u>	<u>96,000</u>	<u>99,000</u>
Expenditures			
<i>Transportation</i>			
Street Construction, Maintenance and Repair			
Personal Services	57,000	43,000	42,000
Fringe Benefits	35,000	30,000	40,000
Contractual Services	3,000	2,000	4,000
Materials and Supplies	5,000	6,000	8,000
Total Expenditures	<u>100,000</u>	<u>81,000</u>	<u>94,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(8,000)	15,000	5,000
Other Financing Sources			
Transfers In	40,000	89,000	0
<i>Excess of Revenues and Other Financing Sources Over Expenditures</i>	32,000	104,000	5,000
<i>Beginning Cash (Deficit) Balance</i>	<u>(134,000)</u>	<u>(102,000)</u>	<u>2,000</u>
<i>Ending Cash (Deficit) Balance</i>	(102,000)	2,000	7,000
Less Encumbrances:			
Actual/Estimated Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Fund Balance (Deficit)	<u><u>(\$102,000)</u></u>	<u><u>\$2,000</u></u>	<u><u>\$7,000</u></u>

2005 Forecasted	2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted
\$104,000	\$109,000	\$114,000	\$120,000	\$126,000
15,000	1,000	1,000	1,000	1,000
119,000	110,000	115,000	121,000	127,000
25,000	29,000	30,000	31,000	32,000
22,000	18,000	20,000	22,000	25,000
6,000	6,000	6,000	6,000	6,000
8,000	8,000	8,000	8,000	8,000
61,000	61,000	64,000	67,000	71,000
58,000	49,000	51,000	54,000	56,000
0	0	0	0	0
58,000	49,000	51,000	54,000	56,000
7,000	65,000	114,000	165,000	219,000
65,000	114,000	165,000	219,000	275,000
0	0	0	0	0
\$65,000	\$114,000	\$165,000	\$219,000	\$275,000

Village of Wellsville
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2002 through 2004, Actual
and Ending December 31, 2005 Through 2009, Forecasted

Fire Levy Fund

	2002 Actual	2003 Actual	2004 Actual
Revenues			
Property Taxes	\$124,000	\$136,000	\$135,000
Intergovernmental Revenue	32,000	21,000	20,000
Miscellaneous	4,000	3,000	1,000
Total Revenues	160,000	160,000	156,000
Expenditures			
<i>Security of Persons and Property</i>			
Fire Protection			
Personal Services	132,000	119,000	93,000
Fringe Benefits	45,000	55,000	41,000
Contractual Services	5,000	5,000	3,000
Materials and Supplies	3,000	2,000	3,000
Miscellaneous	3,000	4,000	4,000
Total Expenditures	188,000	185,000	144,000
<i>Excess of Revenues Over (Under) Expenditures</i>	(28,000)	(25,000)	12,000
Other Financing Sources			
Transfers In	95,000	40,000	118,000
<i>Excess of Revenues and Other Financing Sources Over Expenditures</i>	67,000	15,000	130,000
<i>Beginning Cash (Deficit) Balance</i>	(168,000)	(101,000)	(89,000)
<i>Ending Cash (Deficit) Balance</i>	(101,000)	(86,000)	41,000
Less Encumbrances:			
Actual/Estimated Encumbrances	0	3,000	0
Unencumbered Fund Balance (Deficit)	(\$101,000)	(\$89,000)	\$41,000

2005 Forecasted	2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted
\$147,000	\$145,000	\$142,000	\$139,000	\$137,000
22,000	24,000	27,000	30,000	32,000
26,000	1,000	1,000	1,000	1,000
195,000	170,000	170,000	170,000	170,000
93,000	95,000	98,000	100,000	103,000
43,000	47,000	51,000	56,000	61,000
3,000	3,000	3,000	3,000	3,000
3,000	3,000	3,000	3,000	3,000
4,000	4,000	4,000	4,000	4,000
146,000	152,000	159,000	166,000	174,000
49,000	18,000	11,000	4,000	(4,000)
0	0	0	0	0
49,000	18,000	11,000	4,000	(4,000)
41,000	89,000	106,000	116,000	119,000
90,000	107,000	117,000	120,000	115,000
1,000	1,000	1,000	1,000	1,000
<u>\$89,000</u>	<u>\$106,000</u>	<u>\$116,000</u>	<u>\$119,000</u>	<u>\$114,000</u>

Village of Wellsville
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2002 through 2004, Actual
and Ending December 31, 2005 Through 2009, Forecasted

Cemetery Fund

	2002 Actual	2003 Actual	2004 Actual
Revenues			
Property Taxes	\$21,000	\$23,000	\$23,000
Intergovernmental Revenue	6,000	3,000	3,000
Interest	0	2,000	0
Charges for Services	38,000	51,000	58,000
Miscellaneous	1,000	0	1,000
Total Revenues	66,000	79,000	85,000
Expenditures			
<i>Public Health and Welfare</i>			
Cemetery			
Personal Services	39,000	34,000	37,000
Fringe Benefits	18,000	18,000	18,000
Contractual Services	6,000	6,000	4,000
Materials and Supplies	1,000	2,000	5,000
Capital Outlay	0	0	0
Miscellaneous	1,000	1,000	0
Total Expenditures	65,000	61,000	64,000
<i>Excess of Revenues Over Expenditures</i>	1,000	18,000	21,000
Other Financing Sources			
Transfers In	33,000	16,000	2,000
<i>Excess of Revenues and Other Financing Sources Over Expenditures</i>	34,000	34,000	23,000
<i>Beginning Cash (Deficit) Balance</i>	(66,000)	(32,000)	2,000
<i>Ending Cash (Deficit) Balance</i>	(32,000)	2,000	25,000
Less Encumbrances:			
Actual/Estimated Encumbrances	0	0	0
Unencumbered Fund Balance (Deficit)	(\$32,000)	\$2,000	\$25,000

2005 Forecasted	2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted
\$25,000	\$24,000	\$23,000	\$23,000	\$22,000
4,000	4,000	5,000	5,000	6,000
2,000	2,000	2,000	2,000	2,000
59,000	59,000	59,000	59,000	59,000
0	0	0	0	0
<u>90,000</u>	<u>89,000</u>	<u>89,000</u>	<u>89,000</u>	<u>89,000</u>
32,000	33,000	34,000	35,000	36,000
16,000	18,000	20,000	23,000	26,000
4,000	4,000	4,000	4,000	4,000
2,000	2,000	2,000	2,000	2,000
3,000	0	0	0	0
0	0	0	0	0
<u>57,000</u>	<u>57,000</u>	<u>60,000</u>	<u>64,000</u>	<u>68,000</u>
33,000	32,000	29,000	25,000	21,000
0	0	0	0	0
33,000	32,000	29,000	25,000	21,000
<u>25,000</u>	<u>58,000</u>	<u>90,000</u>	<u>119,000</u>	<u>144,000</u>
58,000	90,000	119,000	144,000	165,000
0	0	0	0	0
<u>\$58,000</u>	<u>\$90,000</u>	<u>\$119,000</u>	<u>\$144,000</u>	<u>\$165,000</u>

Village of Wellsville

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2002 through 2004, Actual
and Ending December 31, 2005 Through 2009, Forecasted

Police Salary Levy Fund

	2002 Actual	2003 Actual	2004 Actual
Revenues			
Property Taxes	\$31,000	\$34,000	\$34,000
Intergovernmental Revenue	7,000	5,000	5,000
Total Revenues	<u>38,000</u>	<u>39,000</u>	<u>39,000</u>
Expenditures			
<i>Security of Persons and Property</i>			
Police Department			
Personal Services	35,000	37,000	39,000
Miscellaneous	1,000	1,000	1,000
Total Expenditures	<u>36,000</u>	<u>38,000</u>	<u>40,000</u>
Excess of Revenues Over (Under) Expenditures	2,000	1,000	(1,000)
Beginning Cash Balance	<u>6,000</u>	<u>8,000</u>	<u>9,000</u>
Ending Cash Balance	8,000	9,000	8,000
Less Encumbrances:			
Actual/Estimated Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Fund Balance	<u><u>\$8,000</u></u>	<u><u>\$9,000</u></u>	<u><u>\$8,000</u></u>

2005 Forecasted	2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted
\$37,000	\$36,000	\$35,000	\$34,000	\$33,000
5,000	6,000	7,000	8,000	9,000
42,000	42,000	42,000	42,000	42,000
42,000	42,000	42,000	42,000	42,000
1,000	1,000	1,000	1,000	1,000
43,000	43,000	43,000	43,000	43,000
(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
8,000	7,000	6,000	5,000	4,000
7,000	6,000	5,000	4,000	3,000
0	0	0	0	0
\$7,000	\$6,000	\$5,000	\$4,000	\$3,000

Village of Wellsville

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
 For the Years Ended December 31, 2002 through 2004, Actual
 and Ending December 31, 2005 Through 2009, Forecasted

Columbiana Metropolitan Housing Authority Fund

	2002 Actual	2003 Actual	2004 Actual
Revenues			
Intergovernmental Revenue	\$38,000	\$35,000	\$39,000
 Expenditures			
<i>Security of Persons and Property</i>			
Columbiana Metropolitan Housing Authority			
Personal Services	28,000	29,000	30,000
Fringe Benefits	9,000	13,000	14,000
<i>Total Expenditures</i>	<u>37,000</u>	<u>42,000</u>	<u>44,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,000	(7,000)	(5,000)
 Other Financing Sources			
Transfers In	<u>0</u>	<u>6,000</u>	<u>9,000</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures</i>	1,000	(1,000)	4,000
<i>Beginning Cash Balance</i>	<u>3,000</u>	<u>4,000</u>	<u>2,000</u>
<i>Ending Cash Balance</i>	4,000	3,000	6,000
 Less Encumbrances:			
Actual/Estimated Encumbrances	<u>0</u>	<u>1,000</u>	<u>0</u>
 <i>Unencumbered Fund Balance</i>	<u><u>\$4,000</u></u>	<u><u>\$2,000</u></u>	<u><u>\$6,000</u></u>

<u>2005</u> <u>Forecasted</u>	<u>2006</u> <u>Forecasted</u>	<u>2007</u> <u>Forecasted</u>	<u>2008</u> <u>Forecasted</u>	<u>2009</u> <u>Forecasted</u>
\$41,000	\$43,000	\$46,000	\$49,000	\$51,000
29,000	31,000	32,000	33,000	34,000
11,000	13,000	14,000	16,000	17,000
40,000	44,000	46,000	49,000	51,000
1,000	(1,000)	0	0	0
0	0	0	0	0
1,000	(1,000)	0	0	0
6,000	7,000	6,000	6,000	6,000
7,000	6,000	6,000	6,000	6,000
0	0	0	0	0
<u>\$7,000</u>	<u>\$6,000</u>	<u>\$6,000</u>	<u>\$6,000</u>	<u>\$6,000</u>

Village of Wellsville, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2005 through 2009

Note 1 – The Village

The Village of Wellsville (the “Village”) is located in Columbiana County, Ohio, approximately 50 miles south of the City of Youngstown and has a population of approximately 4,300. The Village was incorporated on February 6, 1833, and began operating as a City in 1890; however, after the 1990 census, the City reverted to a Village on January 2, 1992. The City operates as a statutory village with the decision making process being directed by an elected City Council (Council) and Mayor.

On August 22, 2001, the Auditor of State’s office declared the Village of Wellsville to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor, Council President Pro Tempore, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer’s Office and the Office of Budget Management. This Commission is required to adopt a financial recovery plan for the Village. Once the plan has been adopted, the Village’s discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Wellsville provides general governmental services, sewer services, park operations (leisure time activities), fire and police protection and community development. The Village’s departments include administration, cemetery, dog warden, fire, maintenance, police, street, zoning, and sewer. The administration includes the mayor, clerk-treasurer, administrator, solicitor, income tax officer, Council, parks, and land and buildings. The operation of each of these activities is directly controlled by the Village Council through the budgetary process.

Note 2 – Nature of Presentation

This financial forecast presents, to the best of the Village’s knowledge and belief, the expected revenues and expenditures and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village’s judgment, as of June 20, 2005, the date of the forecast, the expected conditions, and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. These funds include the general fund, street construction, maintenance and repair fund, fire levy fund, cemetery fund, police salary fund, and Columbiana Metropolitan Housing Authority fund.

Note 3 – Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements and encumbrances, which is consistent with the budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Village of Wellsville, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2005 through 2009

B. Fund Accounting

The Village maintains its accounting in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund

The general fund is the operating fund of the Village and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio Law.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

Capital Project Funds

Capital projects funds are to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Enterprise Funds

Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trusts funds, investment trust funds, private-purpose trust funds and agency funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required

Village of Wellsville, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2005 through 2009

to be budgeted and appropriated. The primary level of budgetary control adopted by Village Council is established at the object level within each department and fund. Any budgetary modifications at these levels may only be made by resolution of Council. The Finance Officer has been given the ability to allocate appropriations beyond the levels adopted by Council.

Budget – A budget of estimated cash receipts and disbursements is submitted to the Columbiana County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the succeeding year.

Estimated Resources – The county budget commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances – The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditures of resources, not costs.

Note 4 – General Revenue Assumptions – All Funds

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property, manufactured home and tangible personal property taxes. The Village may request advances from the Columbiana County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue. The Village uses property tax levies to finance police and fire protection, cemetery operations, floodwall functions, and general fund operations.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”. Beginning in 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. This change will increase real property taxes collected against commercial and industrial property.

Village of Wellsville, Ohio
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2005 through 2009

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2004. The next triennial update will take place in 2007. Based on past years, the Village anticipates consistent increases in real property assessed valuation. The Village's assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	2002	2003	2004	2005
Real Property				
Residential and Agriculture	\$15,291,410	\$17,133,780	\$17,271,970	\$19,276,140
Commercial and Industrial	4,071,370	4,307,970	4,594,270	4,862,010
Public Utility Personal Property	2,979,900	2,411,560	2,489,970	2,563,220
Tangible Personal Property	2,998,460	3,133,950	2,820,100	2,811,000
Total Assessed Value	<u>\$25,341,140</u>	<u>\$26,987,260</u>	<u>\$27,176,310</u>	<u>\$29,512,370</u>

The property tax revenues are generated from several levies. The levy type, the fund in which the proceeds are received, the original year approved, the latest renewal year, the first and last year of collection, and the full tax rate are as follows:

Levy Type	Fund	Original Year Approved	Latest Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
Inside Millage	General	n/a	n/a	n/a	n/a	2.6
Operating	General	1976	2001	2002	2006	1.0
Operating	General	1986	2001	2002	2006	1.0
Operating	Fire Levy	2001	2001	2002	2006	6.0
Operating	Cemetery	1999	2004	2005	2009	1.0
Operating	Police Salary Levy	2001	2001	2002	Continuing	1.5
Total						<u>13.1</u>

The general, fire, and cemetery levies will expire after 2006. It is the Village's intention to request voter approval to renew the levies in the last year of collection. In the past the voters have renewed existing levies.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of property taxes as in the year in which the levy was originally approved. Increases to voted levy revenues, other than bond levies, are restricted to assessments for new construction. The reduction factors are computed annually and applied separately for residential and agricultural property and commercial and industrial property. Rates applied to tangible personal property are not reduced. The effective residential and agricultural rates and the effective commercial and industrial rates per \$1,000 of assessed valuation for collection years 2003, 2004, and 2005 are as follows:

Village of Wellsville, Ohio
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2005 through 2009

Levy Type	Full Tax Rate	Effective Rates for Collection Years					
		Residential and Agricultural			Commercial and Industrial		
		2003	2004	2005	2003	2004	2005
Inside Millage							
General	2.6000	2.6000	2.6000	2.6000	2.6000	2.6000	2.6000
Police Pension	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
Firemen Pension	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
Outside Millage							
Operating	1.0000	0.2965	0.2964	0.2673	0.6026	0.6033	0.5671
Operating	1.0000	0.5433	0.5433	0.4898	0.8030	0.8039	0.7557
Fire Operating	6.0000	5.3626	5.3623	4.8343	6.0000	6.0000	5.6405
Cemetery Operating	1.0000	0.8938	0.8937	0.8057	1.0000	1.0000	0.9401
Police Salary	1.5000	1.3406	1.3406	1.2086	1.5000	1.5000	1.4101
Floodwall	0.5000	0.3284	0.3284	0.2960	0.4555	0.4560	0.4287
Total	<u>14.2000</u>	<u>11.9652</u>	<u>11.9647</u>	<u>11.1017</u>	<u>13.5611</u>	<u>13.5632</u>	<u>12.9422</u>

Property taxes received in the police pension fund, firemen pension fund, and floodwall fund are not part of the forecast.

Tangible Personal Property: Tangible personal property taxes have had several changes in the past several years. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Effective for tax years 2005 and 2006, the assessment rate on inventory, currently at 23 percent, was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, HB 66 will phase out by 25 percent each year tangible personal property (TPP) tax on most businesses inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible person property taxes will be levied or collected in 2009. Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The State of Ohio will reimburse the Village for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Intergovernmental Revenue below).

The State exempted the first \$10,000 in personal property from taxation. The State reimburses the Village for the lost revenue. Beginning with tax year 2004, the State was phasing out the reimbursement by 10 percent each year. *The reimbursement is included in the tangible personal property tax revenues.*

Real Property: Real property taxes have increased each year. These increases are due to new construction within the Village and the reappraisal which occurred in 2004. Also, the change in assessed value from the triennial update scheduled in 2007 is undetermined and, therefore, being reflected as remaining constant.

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B. Intergovernmental Revenue

Intergovernmental revenues include local government monies, local government revenue assistance, and property tax allocations for rollback and homestead and tangible personal property. The local government and local government revenue assistance funds are distributed monthly by the State to the Village and by the County auditor to the Village. The property tax allocations for rollbacks and homestead and tangible personal property are received from the State and are based on information provided by the county auditor.

Beginning in 2006, the State will reimburse the Village for lost revenue due to the phase out of tangible personal property tax. In the first five years, the Village will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. In the next seven years, the reimbursements are phased out. The reimbursement will be made for the base year amount, except that taxing authorities are only reimbursed for inventory property assessment percentage reductions beyond those already in place before the passage of HB 66. This means the Village is only reimbursed for the difference between prior law and its phase-outs and the phase-outs in HB 66.

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs. Beginning in 2006, the State eliminated the ten percent rollback on commercial and industrial real property.

The State exempts the first \$10,000 in personal property from taxation. The State reimburses the Village for the lost revenue. Beginning with tax year 2004, the State will phase out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

Section 503.12(B) of House Bill 66 establishes a Task Force to study potential sources of State funding for the Local Government and the Local Government Revenue Assistance programs that have the capacity for growth in funding levels and to provide stability in funding levels. In addition, the Task Force shall consider changes to the codified funding formula that reflects the reform to the Ohio tax code. By December 1, 2006, the Task Force is to submit a report to the Governor and to the General Assembly setting forth its recommendations for sources of funding for the Local Government and the Local Government Revenue Assistance programs together with suggested legislation to implement the recommendations. The forecast assumes the continuation of the Local Government and the Local Government Revenue programs at the same amount as received in 2005.

Note 5 – Specific Fund Revenue Assumptions

A. General Fund

Municipal Income Tax

The Village levies a municipal income tax of one percent on all income earned within the Village as well as income of residents earned outside of the Village. The entire amount of the tax is voter approved. Employers within the Village are required to withhold the tax from their employees and remit the tax to the Village quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration and return annually.

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All income tax money is receipted into the General fund and used at the Council's discretion. Income tax receipts increased in 2002 due to increased collection of delinquent taxes through an amnesty program implemented by the Village. Income tax receipts between 2003 and 2004 increased slightly and the Village is anticipating the same growth each year throughout the forecast period. Therefore the forecasted amounts for 2005 through 2009 increase slightly each year based on anticipation of the increasing amount of taxable income within the forecast period.

Fines and Fees

Fines and fees represent revenues received from the Mayor's Court. The forecast is based on a three year average of actual revenues collected in 2002, 2003 and 2004. 2003 fines and fees increased due to the combination of the Village's use of a Magistrate to oversee court, the Village's Safety Traffic Enforcement Program (STEP) and the collection of delinquent fines.

Interest

The forecast expects interest receipts to remain at the 2004 level based on the Village's continuing use of their interest-bearing checking account with Perpetual Bank. This interest-bearing checking account was established in the beginning of 2004. In prior years, Village funds were placed in non-interest bearing accounts.

Licenses and Permits

Licenses and permits represent zoning permits. Zoning permits are anticipated to decrease from 2004 receipts and remain consistent throughout the forecast.

Rentals

Rental revenue includes the rental agreement with the Mississippi Lime Company for Village-owned real estate. However, the real estate rented will be sold by the Village in 2005, so no rental revenue will be received after 2005.

Miscellaneous

Miscellaneous revenue in 2003 and 2004 was much higher due to the sale of timber. \$123,139 was receipted for timber sales in 2003 and \$129,033 was receipted for timer sales in 2004. The amount forecasted for 2005 includes anticipated FEMA reimbursements for projects completed by the Village. No further revenue is expected to be received for the sale of timber in the forecast period.

B. Street Construction, Maintenance and Repair Fund

Intergovernmental

Intergovernmental revenue consists of gasoline and motor vehicle license tax. Intergovernmental revenue increased by an average of 5 percent each year and is reflected in the forecast at that rate.

Miscellaneous

Miscellaneous revenue for 2005 includes FEMA reimbursements for projects completed by the Village.

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C. Fire Levy Fund

Miscellaneous

Miscellaneous revenue for 2005 includes FEMA reimbursements for projects completed by the Village.

D. Cemetery Fund

Charges for Services

Charges for Services revenue consists of the sale of lots, opening and closing of graves, headstone foundations, and cremations, which are expected to remain consistent to the amount received in 2004.

Interest

Interest revenue is collected on the Villages \$35,000 certificate of deposit which is expected to be held throughout the forecast period.

E. Columbiana Metropolitan Housing Authority Fund

Intergovernmental

Intergovernmental revenues consist solely of reimbursements made from the Columbiana Metropolitan Housing Authority for full-time police services provided by the Village.

Note 6 – General Expenditure Assumptions – All Funds

A. Personal Services

Personal services include the salaries and wages paid to the employees and elected officials of the Village. In addition to regular salaries and wages, it includes longevity. All employees receive their compensation on a bi-weekly basis. Village Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as longevity, for the elected officials and employees, including bargaining unit employees. The mayor, fiscal officer, magistrate, and Solicitor are classified as part-time employees.

The American Federation of State, County, and Municipal Employees represent four employees, one full-time employee in the Fiscal Officer's department and three full-time employees in the street department. The agreement expired March 1, 2005. Negotiations are currently in progress. The Village anticipates a three percent annual raise for all union employees.

The Mayor's office includes a full-time secretary and a Mayor's Court magistrate. The Mayor and Magistrate's annual salary are \$12,000 and \$6,000, respectively, and no increase is anticipated during the forecast period.

The Village Council includes six members. Each council member receives an annual salary of \$2,400. No increase is anticipated during the forecast period.

The Village Administrator receives an annual salary of \$7,500 for 2005. The salary has been increased to \$10,000 for 2006 and thereafter.

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The Legal department includes a solicitor. The solicitor receives an annual salary of \$17,000, which is expected to remain constant throughout the forecast period.

The Fiscal Officer's department includes one full-time employee. The fiscal officer's compensation is \$17,000 in 2005 and will be \$24,000 in 2006 and thereafter.

The Village employs a zoning officer with an annual salary of \$3,000. This amount is anticipated to remain the same throughout the forecast period.

The Income Tax department employed an income tax clerk prior to 2004. In 2004, the Village contracted with Regional Income Tax Authority (RITA) for the administration and collection of the income tax and terminated the position.

The Police Department is staffed by a full-time chief, five full-time police officers, and eleven part-time police officers. All police wages are charged to the general fund and police salary levy fund, except one officer that is charged to the Columbiana Metropolitan Housing Authority fund. The Chief's compensation is \$14.52 per hour. The hourly rates for full-time police officers range from \$8.65 to \$12.86. All part-time police officers are paid \$8.00 per hour.

The Fire Department is staffed by a full-time chief, two full-time firefighters, and twenty-nine part-time firefighters. The Chief's compensation is \$12.34 per hour and the full-time firefighters are compensated at an hourly rate of \$8.65 to \$10.80. All part-time firefighters are paid \$8.00 per hour.

The Street department has three full-time employees. Two full-time employees will retire in 2005. One full-time employee was hired in May 2005 and another will be hired late in 2005 to replace the retired employees. The street department employees are paid out of the Street Construction, Maintenance and Repair fund and the Parks department within the General fund.

The salaries and wages for all employees are anticipated to increase each year due to longevity increases and an annual increase of no more than three percent.

Longevity is earned in one percent increments each year. It is capped at 10 percent for all employees, with the exception of a few employees who had previously earned over 10 percent. These employees were capped at their current rate when the cap took effect.

B. Fringe Benefits

Fringe benefits include employer contributions to the State pension systems, health care benefits, life insurance, workers' compensation, Medicare, and other benefits arising from negotiated agreements.

The Village provides medical, dental, vision, and life insurance benefits to its full-time employees through Anthem Blue Cross and Blue Shield. The Village anticipates the premiums for benefits to increase approximately 15 percent each year based on industry trends. The Village charges the premiums for medical benefits to the same fund and department as the individual's compensation.

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All full-time employees, other than police and firefighters participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 8.50 percent of their annual-covered wages and the Village is required to contribute 13.55 percent of annual-covered wages for 2005. In the years 2006 through 2008, both the employee and employer rates will increase annually. The employee share will be 9.00 percent in 2006, 9.50 percent in 2007 and 10.00 percent in both 2008 and 2009. The employer rate will be 13.7 percent in 2006, 13.85 percent in 2007 and 14.00 percent in both 2008 and 2009.

All full-time police and firefighters contribute to the Ohio Police and Fire Pension Fund (OP&F). OP&F provides retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. Police and firefighters are required to contribute 10 percent of their annual-covered wages and the Village is required to contribute 19.5 percent for police and 24 percent for firefighters of the annual-covered wages. The general fund carries the majority of the expense for police benefits, but the Columbiana Metropolitan Housing Authority fund pays for the benefits of one police officer. The general fund does not pay any benefits for firefighters. These benefits are paid out of the fire levy fund.

Severance will be paid out for the retiring street employees in 2005 from the street construction, maintenance and repair fund.

The Village participates in a group rating pool for workers' compensation. By participating in this pool, the Village is able to receive a discount on their worker's compensation premium.

Note 7 – Specific Fund Expenditure Assumptions

A. General Fund

Contractual Services

Contractual services consist of utilities, liability insurance, and computer and equipment maintenance costs for the City. Contractual services expenditures are anticipated to remain constant with 2004 throughout the forecast period.

Materials and Supplies

Materials and supplies expenditures include office supplies, building supplies and postage. Materials and supplies are anticipated to decrease based on the Village centralizing the majority of materials and supplies expenditures through the Administrator's office.

Capital Outlay

Capital outlay expenditures include equipment, software, and computers. Two computers were purchased in 2005. The Mayor's office also purchased new computer software. Two police cruisers and a lawn mower were also purchased in 2005. The police department is anticipating annual expenditures of approximately \$6,000 which is consistent with previous years. No other capital outlay expenditures are expected from the general fund in the forecasted period.

Miscellaneous

Other expenditures include various miscellaneous items which are being kept to a minimum. In 2005, miscellaneous expenditures consisted primarily of grant repayment required because the Village had not spent the grant money in accordance with the grant agreement.

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Transfers Out

Transfers out in prior years included annual operating subsidies and resources used to eliminate the deficits in other funds. They also included municipal income tax revenue that is transferred to the capital improvement fund. These transfers began in 2003 and amounted to \$12,000 annually. However, the Village stopped these transfers in 2005 only. These transfers will resume in January 2006 and continue throughout the forecast period. The Village does not anticipate the use of any other transfers in the forecasted years.

B. Street Construction, Maintenance and Repair Fund

Contractual Services

Contractual service expenditures include utilities, liability insurance and a new uniform contract with Iron City Uniform Rental. The utility and liability insurance expenditures are anticipated to remain fairly constant at \$2,200 per year.

Materials and Supplies

Material and supplies expenditures include gasoline, various cleaning supplies, salt and slag. They are forecasted to remain fairly consistent with 2004 expenditures.

C. Fire Levy Fund

Contractual Services

Contractual Services are anticipated to remain similar to the actual 2004 amount.

Material and Supplies

Material and supplies expenditures include gasoline and various supplies and are estimated to remain fairly consistent with previous year actual expenditures.

Miscellaneous

Miscellaneous expenditures have been kept to a minimum and are anticipated to stay at that minimum throughout the forecast period.

D. Cemetery Fund

Contractual Services

Contractual Services are anticipated to remain similar to the actual 2004 amount.

Material and Supplies

Material and supplies expenditures are estimated to be around \$2,000 each year for gasoline in oil based on previous year actual expenditures.

Miscellaneous

Miscellaneous expenditures have been kept to a minimum and are anticipated to stay at that minimum throughout the forecast period.

E. Police Salary Levy Fund

Miscellaneous

Miscellaneous expenditures have been kept to a minimum and are anticipated to stay at a minimal level throughout the forecast period.



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VILLAGE OF WELLSVILLE

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 1, 2005**