



Dave Yost • Auditor of State

**Village of Wellsville
Columbiana County, Ohio**

**Fiscal Emergency Analysis
As of December 31, 2015 and May 31, 2016**

Local Government Services Section

Village of Wellsville, Columbiana County

Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the Village of Wellsville pursuant to Section 118.03 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the Village of Wellsville as defined in Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Nancy Murray, Mayor and Council President Pro Temp, Randy Allmon of the Village of Wellsville; John Kasich, Governor; Jon Husted, Secretary of State; Josh Mandel, Treasurer of State; Timothy S. Keen, Director of the Office of Budget and Management; and Nancy Milliken, Secretary of the Columbiana County Budget Commission.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

November 15, 2016

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Village of Wellsville, Columbiana County

Fiscal Emergency Analysis

Introduction

As provided by Section 118.04(A) of the Ohio Revised Code, Mayor Nancy Murray requested that a fiscal analysis be performed by the Auditor of State for the Village of Wellsville, Columbiana County (the Village). The purpose of this analysis is to determine if the financial condition of the Village justifies the declaration of a fiscal emergency.

A village is placed in fiscal emergency if any one of the six conditions described in Section 118.03 of the Ohio Revised Code exists. The six conditions are: 1) default on a debt obligation; 2) failure to make payment of all payroll; 3) an increase in the minimum levy of the village which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in village funds; and 6) a sizeable deficiency when the village’s treasury balance is compared to the positive cash balances of the village’s funds.

The year-end conditions described under Conditions four, five, and six of this report at year-end do not constitute a basis for the declaration of fiscal emergency if the Village clearly demonstrates to the satisfaction of the Auditor of State, prior to the time of the Auditor of State’s determination, that the conditions no longer exist at the time of the determination.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2015, and May 31, 2016, the date of determination.

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.

We reviewed the outstanding indebtedness of the Village as of May 31, 2016, which consisted of seven debt issues. A summary of the Village’s outstanding debt is presented below:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>
<i>Ohio Public Works Commission Loans:</i>			
Russel Heights Sewer Improvements	0.00%	2002	\$125,459
Wells Avenue Extended Sewer Improvements	0.00	2002	125,689
Digester Improvements	0.00	2011	151,142
<i>Ohio Water Development Authority Loans:</i>			
Wastewater Treatment Plant Improvements	2.20	1999	862,908
Wastewater Headworks Improvements	2.20	2003	118,906
Wastewater Treatment Plant Improvements	2.20	2000	64,234
<i>Other Liabilities:</i>			
Backhoe Lease	3.09	2014	40,468

We obtained a list of outstanding debt from the 2013 audited financial statements and reviewed the existing minutes for the period of January 1, 2014, through May 31, 2016, to identify any new debt issues. We obtained the vouchers for the payments made before May 31, 2016, and compared the billing statements, invoices, or requests for payment to the amortization schedules and debt proceedings to

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determine if the Village met its debt obligations in a timely manner. We also reviewed the billing statements, invoices, and requests for payment for any delinquent amounts. There were no debt payments more than 30 days past due.

The debt issues, the payment dates, and the amounts due and paid prior to the date of determination are presented below:

Debt Issue	Interest Rate	Principal or Interest Payment Date	Amount Due	Payments 30 Days Past Due May 31, 2016
<i>Ohio Public Works Commission Loans:</i>				
Russel Heights Sewer Improvements	0.00%	1/29/2016	\$3,136	\$0
Wells Avenue Extended Sewer Improvements	0.00	1/29/2016	3,142	0
Digester Improvements	0.00	1/29/2016	2,519	0
<i>Ohio Water Development Authority:</i>				
Wastewater Treatment Plant Improvements	2.20	1/1/2016	25,081	0
Wastewater Headworks Improvements	2.20	1/1/2016	1,945	0
Wastewater Treatment Plant Improvements	2.20	1/1/2016	3,050	0
<i>Other Liabilities:</i>				
Backhoe Lease	3.09	12/20/2015	6,435	0

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1). No default on any debt obligation for more than thirty days existed at May 31, 2016.

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, county, or township in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than thirty days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty 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.

We reviewed the payroll records of the Village as of May 31, 2016. We reviewed the Village Council’s minutes, ordinances and other personnel records to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We reviewed payroll reports to see if payroll checks were issued on the scheduled pay dates. These procedures were performed to ascertain whether Village employees had been paid within the time specified by Section 118.03(A)(2) of the Ohio Revised Code.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of May 31, 2016. All employees have been paid in amounts and at the times required by Village ordinance and negotiated agreements.

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Condition Three – Increase in Minimum 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, county, or township for the current or 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 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 for 2016, 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 Budget Commission indicated that the Budget Commission had not taken any action for 2016 to increase the inside millage of the Village, and no other subdivision's inside millage was reduced.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of May 31, 2016. The Columbiana County Budget Commission has not taken any action to increase the inside millage of the Village, thus reducing another subdivision's millage.

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 for 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, exceeded one-sixth of the general fund budget for that 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, county, or township 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 the 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. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.

We reviewed the accounts payable as of December 31, 2015, that were due from the general fund and from all funds 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, 2015, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. There were no accounts payable due from the general fund and from all funds that were at least thirty days past-due as of December 31, 2015, which exceeded one-sixth of the general fund budget or one-sixth of the available revenues of the respective special funds. An analysis as of the date of determination was not completed because a fiscal emergency condition did not exist at year-end.

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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 adjusted aggregate sum of all deficit funds as of December 31, 2015, by subtracting all accounts payable and encumbrances from the year-end cash fund 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. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule I

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2015

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds With Deficit Balances	One-Sixth General Fund Budget/ Fund Receipts	Unprovided Portion of Aggregate (Deficit)
General	(\$202,293)	\$4,977	(\$207,270)	\$151,576	(\$55,694)
Street Construction					
Maintenance and Repair	(5,030)	260	(5,290)	18,204	0
State Highway	(3,006)	36	(3,042)	1,464	(1,578)
Cemetery	(20,010)	12	(20,022)	13,015	(7,007)
Fire Levy	(58,486)	1,093	(59,579)	31,994	(27,585)
Police Salary Levy	(5,655)	693	(6,348)	5,626	(722)
Fire '03	(6,207)	0	(6,207)	5,772	(435)
	<u>(\$300,687)</u>	<u>\$7,071</u>	<u>(\$307,758)</u>	<u>\$227,651</u>	<u>(93,021)</u>
Funds available for transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u><u>(\$93,021)</u></u>

Section 118.03(B), Ohio Revised Code, provides in part:

Any year-end condition described in division (A)(5) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State’s determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account all deficit amounts of deficit funds, as at the time of such demonstration, rather than at the end of the fiscal year, and there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(5) of this section, held for the general fund or any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, provided that changes from the year-end condition resulting from transfers not authorized pursuant to Chapter 5705 of the Revised Code, borrowings or advances between funds, shall not be taken into account to demonstrate improvement in any fiscal emergency condition.

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We computed the adjusted aggregate sum of all deficit funds as of May 31, 2016, by subtracting all accounts payable and encumbrances from the May 31, 2016 cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts available to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits, to arrive at the unprovided portion of the aggregate deficit.

Schedule II

Deficit Fund Balances
Ohio Revised Code Section 118.03(B)
As of May 31, 2016

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds With Deficit Balances	One-Sixth General Fund Budget/ Fund Receipts	Unprovided Portion of Aggregate (Deficit)
General	(\$177,806)	\$8,845	(\$186,651)	\$162,293	(\$24,358)
State Highway	(846)	339	(1,185)	1,464	0
Cemetery	(16,365)	604	(16,969)	12,617	(4,352)
	<u>(\$195,017)</u>	<u>\$9,788</u>	<u>(\$204,805)</u>	<u>\$176,374</u>	<u>(28,710)</u>
Funds available for transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u><u>(\$28,710)</u></u>

Conclusion: Schedules I and II indicate that a fiscal emergency condition exists under Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as of December 31, 2015, and May 31, 2016. The total unprovided portion of aggregate deficit funds as of December 31, 2015, and May 31, 2016, are \$93,021 and \$28,710, respectively.

Condition Six – Treasury Deficiency

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, county, or township, 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 deficiency 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, 2015. From the treasury balance we subtracted the aggregate sum of all positive fund balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. We then subtracted from the treasury deficit one-sixth of the amount received into the treasury during 2015 to determine if a treasury deficiency exists.

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Schedule III

Treasury Balances
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2015

	Amounts at December 31, 2015
Bank Cash Balance	
Huntington General Account	\$189,825
Huntington Mayor's Court Account	3,218
Huntington Cemetery Savings Account	5,049
Huntington Cemetery Certificate of Deposit	35,398
CF Bank Checking Accounts	120,148
CF Bank Savings Certificates of Deposit	171,117
CF Bank Money Market Savings Account	21,060
<i>Total Bank Cash</i>	<u>545,815</u>
<i>Adjustments for:</i>	
Deposits in Transit	1,835
Outstanding Checks	(51,278)
<i>Total Adjustments</i>	<u>(49,443)</u>
<i>Total Treasury Balance</i>	<u>496,372</u>
Less: Positive Cash Fund Balances	
Broadway Park	8,993
Columbiana Metropolitan Housing Authority	19,579
Federal Emergency Management Agency	1,099
Justice Assistance Grant	55
DARE	1,128
Traffic Grant	1,056
Clean Ohio Revitalization	377
Law Enforcement	1,802
Cemetery Trust	715
Permissive Motor Vehicle License	8,072
Police Pension	18,390
Fire Pension	50,872
Enforcement and Education	993
Mayor's Court Computer	1,853
Floodwall	3,857
Police Donation	14,112
Police Operating Levy 2011	551
Capital Improvements	197,910
Cemetery Endowment	40,105
Sewage Disposal	75,613
Sewage Update	347,745
Unclaimed Monies	185
Magistrate Court Fees	2,000
<i>Total Positive Cash Fund Balances</i>	<u>797,062</u>
Treasury Deficit	(300,690)
One-Sixth Treasury Receipts	405,048
Treasury Surplus	<u>\$104,358</u>

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Conclusion: Schedule III indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code. The treasury balance less the positive fund balances as of December 31, 2015, did not exceed one-sixth of the receipts for the year.

Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency exists at the Village of Wellsville as defined in Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as presented in Schedules I and II above as of December 31, 2015, and May 31, 2016.

Because the above 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 to you.

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VILLAGE OF WELLSVILLE

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 15, 2016