



Dave Yost • Auditor of State



VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

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# Dave Yost • Auditor of State

Village of Wellsville  
Columbiana County  
1200 Main Street  
Wellsville, Ohio 43968

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

March 14, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Wellsville  
Columbiana County  
1200 Main Street  
Wellsville, Ohio 43968

To the Village Council:

We have audited the accompanying financial statements of the Village of Wellsville, Columbiana County, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as noted below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

Sewer billings are processed by a service organization independent of the Village. The Village was not able to provide us with information we requested regarding the design or proper operation of the service organization's internal controls or with certain information regarding charges for services. We were therefore unable to satisfy ourselves as to the proper processing of sewer billing revenues. Those revenues represent 100% of the receipts reported within the enterprise fund.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, except for the effects adjustments, if any, that might have been required had we been able to examine sufficient appropriate evidence regarding sewer billing receipts reported in the enterprise fund as described in paragraph three above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Enterprise Fund of the Village of Wellsville, Columbiana County, as of December 31, 2011 and 2010 and their combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund balances of the General, Special Revenue, Capital Projects, Permanent and Agency Funds of the Village of Wellsville, Columbiana County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Wellsville adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

March 14, 2012



VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$82,920	\$261,495			\$344,415
Municipal Income Tax	358,850		\$12,000		370,850
Intergovernmental	135,398	315,730	53,956		505,084
Charges for Service	6,459	44,876			51,335
Fines, Licenses and Permits	104,614	2,600			107,214
Earnings on Investments	2,803	64		\$19	2,886
Miscellaneous	25,263	4,755	12,400		42,418
<b>Total Cash Receipts</b>	<u>716,307</u>	<u>629,520</u>	<u>78,356</u>	<u>19</u>	<u>1,424,202</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	441,742	428,822			870,564
Public Health Services		74,081			74,081
Leisure Time Activities	5,410				5,410
Community Environment		12,881			12,881
Transportation		171,720			171,720
General Government	269,572	1,900			271,472
Capital Outlay		10,491	55,189		65,680
<b>Total Cash Disbursements</b>	<u>716,724</u>	<u>699,895</u>	<u>55,189</u>	<u>0</u>	<u>1,471,808</u>
Total Receipts Over/(Under) Disbursements	<u>(417)</u>	<u>(70,375)</u>	<u>23,167</u>	<u>19</u>	<u>(47,606)</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Other Financing Sources			13,492		13,492
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>0</u>	<u>0</u>	<u>13,492</u>	<u>0</u>	<u>13,492</u>
Net Change in Fund Cash Balances	(417)	(70,375)	36,659	19	(34,114)
Fund Cash Balances, January 1 as restated (See note 9)	<u>(6,629)</u>	<u>212,088</u>	<u>12,926</u>	<u>40,076</u>	<u>258,461</u>
<b>Fund Cash Balance, December 31</b>					
Restricted		141,713	49,585	40,096	231,394
Unassigned (Deficit)	(7,046)				(7,046)
<b>Fund Cash Balances, December 31</b>	<u><b>(\$7,046)</b></u>	<u><b>\$141,713</b></u>	<u><b>\$49,585</b></u>	<u><b>\$40,095</b></u>	<u><b>\$224,347</b></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$525,266		\$525,266
Total Operating Cash Receipts	<u>525,266</u>	<u>0</u>	<u>525,266</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	33,960		33,960
Employee Fringe Benefits	10,968		10,968
Contractual Services	558,834		558,834
Supplies and Materials	3,975		3,975
Other	2,677		2,677
Total Operating Cash Disbursements	<u>610,414</u>	<u>0</u>	<u>610,414</u>
Operating Income/(Loss)	<u>(85,148)</u>	<u>0</u>	<u>(85,148)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental	1,725		1,725
Other Debt Proceeds	151,142		151,142
Other Non-Operating Cash Receipts		60,834	60,834
Total Non-Operating Cash Receipts	<u>152,867</u>	<u>60,834</u>	<u>213,701</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	210,608		210,608
Redemption of Principal	36,206		36,206
Interest and Other Fiscal Charges	4,739		4,739
Other Non-Operating Cash Disbursements		67,132	67,132
Total Non-Operating Cash Disbursements	<u>251,553</u>	<u>67,132</u>	<u>318,685</u>
Net Receipts Over/(Under) Disbursements	(183,834)	(6,298)	(190,132)
Fund Cash Balances, January 1	<u>267,999</u>	<u>6,733</u>	<u>274,732</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$84,165</u></b>	<b><u>\$435</u></b>	<b><u>\$84,600</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*The notes to the financial statements are an integral part of this statement.*

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$95,330	\$262,155			\$357,485
Municipal Income Tax	431,805		\$12,000		443,805
Intergovernmental	134,161	453,661			587,822
Charges for Services	26,398	46,359			72,757
Fines, Licenses and Permits	117,581	4,789			122,370
Earnings on Investments	2,229	150		\$20	2,399
Miscellaneous	36,150	13,920			50,070
<b>Total Cash Receipts</b>	<b>843,654</b>	<b>781,034</b>	<b>12,000</b>	<b>20</b>	<b>1,636,708</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	485,802	423,762			909,564
Public Health Services		75,543			75,543
Leisure Time Activities	12,095				12,095
Community Environment		16,304			16,304
Transportation		201,839			201,839
General Government	343,578	2,033			345,611
Capital Outlay		11,106	21,528		32,634
<b>Total Cash Disbursements</b>	<b>841,475</b>	<b>730,587</b>	<b>21,528</b>	<b>0</b>	<b>1,593,590</b>
Total Receipts Over/(Under) Disbursements	2,179	50,447	(9,528)	20	43,118
Fund Cash Balances, January 1	(8,838)	161,381	22,454	40,056	215,053
<b>Fund Cash Balances, December 31</b>	<b>(\$6,659)</b>	<b>\$211,828</b>	<b>\$12,926</b>	<b>\$40,076</b>	<b>\$258,171</b>
Reserve for Encumbrances, December 31	\$2,807	\$2,909	\$0	\$0	\$5,716

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$530,839		\$530,839
Fines, Licenses and Permits		89,962	89,962
Total Operating Cash Receipts	<u>530,839</u>	<u>89,962</u>	<u>620,801</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	37,397		37,397
Employee Fringe Benefits	6,961		6,961
Contractual Services	581,145		581,145
Supplies and Materials	1,914		1,914
Other	1,865	86,495	88,360
Total Operating Cash Disbursements	<u>629,282</u>	<u>86,495</u>	<u>715,777</u>
Operating Income/(Loss)	<u>(98,443)</u>	<u>3,467</u>	<u>(94,976)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental	201,737		201,737
Special Assessments	731		731
Other Debt Proceeds	3,136		3,136
Total Non-Operating Cash Receipts	<u>205,604</u>	<u>0</u>	<u>205,604</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	180,390		180,390
Redemption of Principal	77,877		77,877
Interest and Other Fiscal Charges	10,483		10,483
Other Non-Operating Cash Disbursements		12,467	12,467
Total Non-Operating Cash Disbursements	<u>268,750</u>	<u>12,467</u>	<u>281,217</u>
Net Receipts Over/(Under) Disbursements	(161,589)	(9,000)	(170,589)
Fund Cash Balances, January 1	<u>429,588</u>	<u>15,733</u>	<u>445,321</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$267,999</u></b>	<b><u>\$6,733</u></b>	<b><u>\$274,732</u></b>
Reserve for Encumbrances, December 31	<u>\$166</u>	<u>\$0</u>	<u>\$166</u>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Wellsville, Columbiana County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, park operations, street maintenance, fire service, police services, recreation and a magistrate court.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

STAR Ohio is recorded at share values the mutual fund reports.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Fire Levy Fund – This fund receives property tax and grants to operate the fire department.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund – This fund receives municipal income tax receipts and donations.

**4. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Sewage Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewage Disposal Fund - This fund receives charges for services from residents to cover sewer service costs.

**6. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for unclaimed monies and magistrate court activities.

**E. Budgetary Process**

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

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2011	2010
Demand deposits	\$68,886	\$172,475
Certificates of deposit	194,607	315,000
Total deposits	263,493	487,475
STAR Ohio	45,454	45,428
Total investments	45,454	45,428
Total deposits and investments	\$308,947	\$532,903

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

**Investments:** Investments in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.



**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$716,307	\$716,307
Special Revenue	0	629,520	629,520
Capital Projects	0	91,848	91,848
Enterprise	0	678,133	678,133
Permanent	0	19	19
Total	\$0	\$2,115,827	\$2,115,827

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$820,426	\$716,724	\$103,702
Special Revenue	355,274	699,895	(344,621)
Capital Projects	0	55,189	(55,189)
Enterprise	908,375	861,967	46,408
Permanent	0	0	0
Total	\$2,084,075	\$2,333,775	(\$249,700)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$863,023	\$843,654	(\$19,369)
Special Revenue	534,842	781,034	246,192
Capital Projects	0	12,000	12,000
Enterprise	515,000	736,443	221,443
Permanent	0	20	20
Total	\$1,912,865	\$2,373,151	\$460,286

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$896,740	\$844,282	\$52,458
Special Revenue	515,174	733,496	(218,322)
Capital Projects	0	21,528	(21,528)
Enterprise	908,338	898,198	10,140
Permanent	0	0	0
Total	\$2,320,252	\$2,497,504	(\$177,252)

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. BUDGETARY ACTIVITY**

Contrary to Ohio law, total appropriations exceeded estimated revenue available for expenditure in the General, Permissive Motor Vehicle License and Fire Levy funds in 2010, in the amounts \$41,843, \$11,700 and \$9,961 respectively. In 2011, all funds were found to be in violation of the above law in the amount totaling \$2,569,425. Also contrary to Ohio law, at December 31, 2010, the General and Permissive Motor Vehicle License funds had a cash deficit balance of \$6,659 and \$4,843 respectively. In addition, at December 31, 2011, the General, Permissive Motor Vehicle License and Police Salary funds had a cash deficit balance of \$7,046, \$3,849 and \$1,400 respectively.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Ohio Public Work Commission	\$280,475	0%
Ohio Water Development Authority Loan	443,820	2.20%
Total	\$724,295	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project. The OWDA approved \$953,597 in loans to the Village for this project. The Village will repay the loan in semiannual installments over 10-20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. DEBT – (Continued)**

The Ohio Public Works Commission (OPWC) loan also relates to a sewer plant expansion project. The OPWC has approved several loans to the Village for the projects. The Village will repay the loans over the next 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	OPWC Loan	OWDA Loan
2012	\$17,595	\$64,293
2013	17,595	64,293
2014	17,595	64,293
2015	17,595	64,293
2016	17,595	64,293
2017-2021	87,977	119,451
2022-2026	31,469	6,574
2027-2031	25,190	
2032-2036	25,190	
2037-2041	22,674	
Total	<u>\$280,475</u>	<u>\$447,490</u>

**7. RETIREMENT SYSTEMS**

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2011 and 2010, OPERS members contributed 10 and 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

9. RESTATEMENT OF FUND BALANCES

The prior year report accounted for outstanding checks as a reconciling item. These checks were voided and subsequently added back to the original fund. The restatement had the following effect on fund balance at January 1, 2011.

	<u>General</u>	<u>Special Revenue</u>
Fund Balance, January 1, 2011	(\$6,659)	\$211,828
Outstanding checks added back	\$30	\$260
Fund Balance, January 1, 2011	<u>(\$6,629)</u>	<u>\$212,088</u>



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Wellsville  
Columbiana County  
1200 Main Street  
Wellsville, Ohio 43968

To the Village Council:

We have audited the financial statements of the Village of Wellsville, Columbiana County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 14, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(A) mandates the Auditor of State to audit Ohio governments. We also qualified our opinion on the Sewage Disposal and Sewage Update Funds because of a restriction on the scope of charges for services reported in the enterprise fund. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-04 through 2011-06 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 14, 2012.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

March 14, 2012

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D) (1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the fiscal officer can certify both at the time that the contract or order was made "then" at the time that the fiscal officer is completing the certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 (\$100 for counties) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the County.

2. Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate: The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not always encumber funds at the time of the commitment. We noted 19 out of the 32 expenditures tested were not properly encumbered nor were any of the above mentioned exceptions found. Incurring obligations prior to the fiscal officer's certification could result in the Village spending more than appropriated. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**FINDING NUMBER 2011-01  
(Continued)**

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Implementation of this recommendation may assist the Village in maintaining compliance with Ohio Revised Code.

**FINDING NUMBER 2011-02**

**Finding for Recovery - Repaid Under Audit**

The Village fiscal officer, Dale Davis paid an Ohio Public Works Commission debt payment in the amount of \$2,435.00 for the Village of Washingtonville by the Village of Wellsville.

Mr. Davis was the fiscal officer of both the Village of Wellsville and the Village of Washingtonville.

In accordance with the foregoing facts and pursuant to Ohio Revised Code section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dale Davis, Fiscal Officer for the Village of Washingtonville in the amount of \$2,435.00 and in favor of the Village of Wellsville.

On February 21, 2012, \$2,435 was repaid in full by the Village of Washingtonville and the monies were deposited into the Village's Sewage Update fund. This finding has been completely repaid under audit.

**FINDING NUMBER 2011-03**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10(H) states, in part, that money paid into any fund shall be used only for the purpose for which the fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

We noted on the Villages year-end financial statements that the Village had several funds that had deficit balances as of December 31, 2010 and December 31, 2011. For 2010, they include the General and Permissive Motor Vehicle License Funds in the amounts of \$6,659 and \$4,843 respectively. For 2011, they include the General, Permissive Motor Vehicle License and Police Salary Funds in the amounts of \$7,046, \$3,849 and \$1,400 respectively.

The Village Fiscal Officer should monitor these funds to assure monies are being receipted into the proper funds which were established.



#### FINDING NUMBER 2011-04

##### Noncompliance Citation/Material Weakness

Ohio Revised Code Section 5705.39 provides in part, that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

For 2010, appropriations exceeded estimated resources in the following funds:

Fund:	Estimated Revenue	Appropriations	Variance
General	\$854,897	\$896,740	(\$41,843)
Permissive Motor Vehicle License	\$62,806	\$74,506	(\$11,700)
Fire Levy	\$182,151	\$192,112	(\$9,961)

For 2011, the Village did not obtain a Certificate of Estimated Resources from the county auditor; therefore, the Villages' total appropriations of \$2,569,425 exceeded the total estimated resources of zero in all funds.

For the above mentioned funds, the Village could not have obtained an amended certificate in an amount equal to or greater than total fund appropriations.

This situation may lead to disbursements within said funds exceeding the actual revenue available.

We recommend that Management monitor their budgetary cycle throughout the year to ensure that appropriations do not exceed the amounts on the certificate of estimated resources and any amendments thereto and actual revenue received.

#### FINDING NUMBER 2011-05

##### Noncompliance Citation/Material Weakness

**Ohio Revised Code Section 733.262** provides that a village fiscal officer appointed under this section shall perform the duties provided by law for the village clerk and treasurer and any other duties consistent with the nature of the office. **Ohio Revised Code Section 733.28** requires the village fiscal officer keep the books of the village, exhibit accurate statements of all moneys received and expended, of all property owned by the village and income derived there from, and all taxes and assessments.

The Village utilizes the Uniform Accounting Network (UAN) provided by the Auditor of State (AOS). Specific account codes maintained within the UAN system that are prescribed by the AOS are required to be used by the Village. These account codes are listed within the UAN Manual also provided by the AOS.

**FINDING NUMBER 2011-05  
 (Continued)**

As noted throughout 2010 and 2011, the Village fiscal officer was inconsistent in posting transactions to the UAN accounting system. This resulted in audit adjustments to Village fund balances which affected thirteen funds. The audit adjustments were the result of posting revenue to incorrect funds and having posted an illegal transfer that had not been approved by Council to the Village's accounting system. The funds affected and the audit adjustment amounts are as follows:

<b>Fund Name and Number</b>	<b>Audit Adjustment Amount</b>
General Fund (1000)	\$(10,793)
Street, Construction & Maintenance (2011)	\$6,502.11
State Highway (2021)	\$(422.67)
Cemetery (2031)	\$3,085.35
Broadway Park (2041)	\$8,993.00
Permissive MV License Tax (2101)	\$(6,079.44)
Police Pension (2131)	\$(3,085.35)
Mayor's Court Computer Fee (2272)	\$800.00
Fire Levy (2901)	\$(2,335.00)
Police Salary (2903)	\$(2,000.00)
Fire Salary (2905)	\$2,335.00
Capital Improvement (4901)	\$3,000.00
Magistrate (9901)	\$(6,298.00)

The Village has agreed to the fund balance adjustments and has properly posted to them to their accounting system.

Incorrectly posting transactions to the UAN system contributed to the difficulties in the reconciliation of Village accounts and lead to weaknesses in monitoring the financial condition of the Village. We recommend the Village establish control procedures to assure the fiscal officer keep accurate statements of all receipts of the Village.

**FINDING NUMBER 2011-06**

**Material Weakness**

**Sewer Billings and Collections**

The Village has outsourced the processing of sewer billings and collections, which is a significant accounting function, to a third party administrator, Buckeye Water and United Water Services. The following internal control weaknesses were noted with regard to the processing of sewer billings and collections:

- A. Buckeye Water provides monthly water consumption reports. United Water Services provides monthly billing and collection reports to the Village. While these reports are agreed to the remittances by the Village Fiscal Officer, this review is not documented and the accuracy of the report is not verified by any Village personnel to monitor whether sewer usage is being properly billed and collected.
- B. The Village has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that sewer billings and collections have been completely and accurately processed in accordance with the contract between the Village, Buckeye Water and United Water Services.

**FINDING NUMBER 2011-06  
(Continued)**

The Village did not provide us with evidence we requested regarding the design and proper operation of the service organization's internal controls or with certain information regarding sewer billings receipts. United Water Services processed \$525,266 and \$530,839 in 2011 and 2010 in utility receipts for the Village. We were therefore unable to satisfy ourselves as to the proper processing of sewer bills and collections.

These conditions may not assure the completeness and accuracy of sewer billings and collections processed by the third party administrator.

Statement of Standards for Attestation Engagements No. 16 *Reporting on Controls at a Service Organization* (SSAE No. 16), prescribes standards for reporting on service organizations. An unqualified Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with SSAE No. 16 should provide the Village with reasonable assurance that sewer billings and collections conform to the contract.

If alternative procedures cannot be applied to gain assurances over completeness and accuracy, we recommend the Village request a Type Two SSAE 16 SOC 1 report or Agreed Upon Procedures report in its contract with Buckeye Water and United Water Services. The Village should review the SOC 1 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standings with the Accountancy Board of the respective state. In addition, if agreed upon procedures are to be done, the Auditor of State's SAS 70 Coordinator should be consulted prior to entering into a contract for these services.

In addition, we recommend the Village request standing data from the service organization, including the name and address of the people being billed. The Village should assign personnel to review the standing data to ensure residents of the Village that should be charged for sewer usage are being charged. The Village should also request billing information from the service organization to ensure correct rates are being used and are being calculated properly according to usage.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

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**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2005-001	Finding for Recovery on Police Uniform Allowance	No	Money has not been collected
2009-001	Ohio Rev. Code Section 733.262 incorrect posting of receipts and expenditures.	No	Repeat as Finding # 2011-05
2009-002	Ohio Rev. Code Section 5705.10(H), negative fund balances noted at December 31, 2009.	No	Repeat as Finding # 2011-03

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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  
MAY 24, 2012