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*ALGER & ASSOCIATES, Inc.*



*PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES*

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VILLAGE OF WELLSVILLE

COLUMBIANA COUNTY, OHIO

**A&A**  
*REGULAR AUDIT*

For the Years Ended

December 31, 2015 and 2014

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# Dave Yost • Auditor of State

Village Council  
Village of Wellsville  
1200 Main Street  
Wellsville, Ohio 43968

We have reviewed the *Independent Auditor's Report* of the Village of Wellsville, Columbiana County, prepared by Alger & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Finding for Recovery Rudder Withholding Penalties:**

Donna Rudder, as the former fiscal officer of the Village of Wellsville, failed to properly and timely submit and pay retirement and tax contributions and information to the Ohio Public Employee Retirement System (OPERS), Ohio Police and Fire Retirement System (OP&F) and the IRS; therefore, incurring penalty and interest charges in the following amounts: OPERS \$213; OP&F \$6,100 and IRS \$2,754 for a total of \$9,067.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Donna Rudder, in the amount of \$9,067, in favor of the Village of Wellsville's General and Police and Fire Funds, in the amounts of \$2,967 and \$6,100, respectively.

## **Finding for Recovery Bloor Withholding Penalties:**

Cassandra Bloor, as the fiscal officer of the Village of Wellsville, failed to properly and timely submit and pay retirement and tax contributions and information to the Ohio Public Employee Retirement System (OPERS), Ohio Police and Fire Retirement System (OP&F) and the IRS; therefore, incurring penalty and interest charges in the following amounts: OPERS \$1,661; OP&F \$1,175 and IRS \$7,164 for a total of \$10,000.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Cassandra Bloor in the amount of \$10,000, and in favor of the Village of Wellsville's General and Police and Fire Funds, in the amounts of \$8,825 and \$1,175, respectively.

**Finding for Recovery Alcohol Purchases:**

The Village of Wellsville held an employee Christmas dinner at Abdalla's Steak House on December 19, 2014. The total spent by the Village was \$695.84, which included alcohol purchases totaling \$109.50.

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Auditor of State Bulletin 2003-005 indicates governmental entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding For Recovery for public monies illegally expended is hereby issued against former Village Fiscal Officer Cassandra M. Bloor in the amount of \$109, and in favor of the Village of Wellsville General Fund in the amount of \$109.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Wellsville is responsible for compliance with these laws and regulations.



Dave Yost  
Auditor of State

August 10, 2017

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

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# **ALGER & ASSOCIATES, Inc.**

**Certified Public Accountants**

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## **INDEPENDENT AUDITOR'S REPORT**

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Wellsville, Columbiana County, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Wellsville, Columbiana County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 12, on November 15, 2016, the Auditor of State declared the Village of Wellsville to be in a state of fiscal emergency, in accordance with Section 118.03 of the Ohio Revised Code. The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As described in Note 12 to the financial statements, the Village has been suffering declining general fund balances due to disbursements exceeding receipts, which raises substantial doubt about the Village's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. They do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Alger and  
Associates  
Inc

Digitally signed by Alger and Associates Inc  
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Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, Ohio  
March 24, 2017

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**Village of Wellsville**  
**Columbiana County**  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2015*

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$81,617	\$300,725	\$0	\$0	\$382,342
Municipal Income Tax	434,082	0	12,000	0	446,082
Intergovernmental	64,812	251,216	0	0	316,028
Charges for Services	48,248	49,960	0	0	98,208
Fines, Licenses and Permits	70,671	1,520	0	0	72,191
Earnings on Investments	2,055	20	0	0	2,075
Miscellaneous	3,178	7,858	0	0	11,036
<i>Total Cash Receipts</i>	<u>704,663</u>	<u>611,299</u>	<u>12,000</u>	<u>0</u>	<u>1,327,962</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	582,982	396,499	0	0	979,481
Public Health Services	0	88,335	0	0	88,335
Leisure Time Activities	8,700	0	0	0	8,700
Community Environment	0	10,847	0	0	10,847
Transportation	4,066	179,947	0	0	184,013
General Government	420,351	2,200	0	0	422,551
Capital Outlay	5,911	500	53,590	0	60,001
Debt Service:					
Principal Retirement	39,912	0	6,435	0	46,347
Interest and Fiscal Charges	778	0	1,058	0	1,836
<i>Total Cash Disbursements</i>	<u>1,062,700</u>	<u>678,328</u>	<u>61,083</u>	<u>0</u>	<u>1,802,111</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(358,037)</u>	<u>(67,029)</u>	<u>(49,083)</u>	<u>0</u>	<u>(474,149)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets	4,792	0	358,964	0	363,756
Advances In	50,000	0	0	0	50,000
Advances Out	0	(50,000)	0	0	(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>54,792</u>	<u>(50,000)</u>	<u>358,964</u>	<u>0</u>	<u>363,756</u>
<i>Net Change in Fund Cash Balances</i>	<u>(303,245)</u>	<u>(117,029)</u>	<u>309,881</u>	<u>0</u>	<u>(110,393)</u>
<i>Fund Cash Balances, January 1</i>	<u>100,952</u>	<u>143,146</u>	<u>(102,978)</u>	<u>40,105</u>	<u>181,225</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	0	0	0	40,105	40,105
Restricted	0	124,511	206,903	0	331,414
Unassigned (Deficit)	(202,293)	(98,394)	0	0	(300,687)
<i>Fund Cash Balances (Deficit), December 31</i>	<u>(\$202,293)</u>	<u>\$26,117</u>	<u>\$206,903</u>	<u>\$40,105</u>	<u>\$70,832</u>

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

**Village of Wellsville**  
**Columbiana County**  
*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2015*

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$717,550	\$0	\$717,550
<b>Operating Cash Disbursements</b>			
Personal Services	22,956	0	22,956
Employee Fringe Benefits	6,839	0	6,839
Contractual Services	412,180	0	412,180
Supplies and Materials	45,537	0	45,537
Other	2,994	0	2,994
<i>Total Operating Cash Disbursements</i>	490,506	0	490,506
<i>Operating Income (Loss)</i>	227,044	0	227,044
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(5,931)	0	(5,931)
Principal Retirement	(76,824)	0	(76,824)
Interest and Other Fiscal Charges	(5,065)	0	(5,065)
Other Non-operating Receipts	0	21,022	21,022
Other Non-operating Disbursements	0	(20,153)	(20,153)
<i>Total Non-Operating Receipts (Disbursements)</i>	(87,820)	869	(86,951)
<i>Net Change in Fund Cash Balances</i>	139,224	869	140,093
<i>Fund Cash Balances, January 1</i>	284,134	1,317	285,451
<i>Fund Cash Balances, December 31</i>	\$423,358	\$2,186	\$425,544

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

**Village of Wellsville  
Columbiana County**

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)*

*All Governmental Fund Types*

*For the Year Ended December 31, 2014*

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$94,066	\$309,370	\$0	\$0	\$403,436
Municipal Income Tax	463,055	0	16,000	0	479,055
Intergovernmental	48,621	208,360	0	0	256,981
Charges for Services	45,213	34,393	0	0	79,606
Fines, Licenses and Permits	93,344	1,630	0	0	94,974
Earnings on Investments	890	28	0	1	919
Miscellaneous	33,254	13,828	13,754	0	60,836
<i>Total Cash Receipts</i>	<u>778,443</u>	<u>567,609</u>	<u>29,754</u>	<u>1</u>	<u>1,375,807</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	684,192	366,996	0	0	1,051,188
Public Health Services	0	74,017	0	0	74,017
Leisure Time Activities	7,757	0	0	0	7,757
Community Environment	0	9,772	0	0	9,772
Transportation	16,917	161,502	0	0	178,419
General Government	413,924	2,788	0	0	416,712
Capital Outlay	28,814	977	157,156	0	186,947
Debt Service:					
Principal Retirement	17,549	1,561	3,121	0	22,231
Interest and Fiscal Charges	1,598	313	624	0	2,535
<i>Total Cash Disbursements</i>	<u>1,170,751</u>	<u>617,926</u>	<u>160,901</u>	<u>0</u>	<u>1,949,578</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(392,308)</u>	<u>(50,317)</u>	<u>(131,147)</u>	<u>1</u>	<u>(573,771)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Other Debt Proceeds	0	40,468	28,500	0	68,968
Transfers In	0	46	0	0	46
Transfers Out	(46)	0	0	0	(46)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(46)</u>	<u>40,514</u>	<u>28,500</u>	<u>0</u>	<u>68,968</u>
<i>Net Change in Fund Cash Balances</i>	<u>(392,354)</u>	<u>(9,803)</u>	<u>(102,647)</u>	<u>1</u>	<u>(504,803)</u>
<i>Fund Cash Balances, January 1</i>					
- Restated (See Note 3)	493,306	152,949	(331)	40,104	686,028
<b>Fund Cash Balances, December 31</b>					
Nonspendable	0	0	0	40,105	40,105
Restricted	0	156,053	0	0	156,053
Unassigned (Deficit)	100,952	(12,907)	(102,978)	0	(14,933)
<i>Fund Cash Balances (Deficit), December 31</i>	<u>\$100,952</u>	<u>\$143,146</u>	<u>(\$102,978)</u>	<u>\$40,105</u>	<u>\$181,225</u>

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

**Village of Wellsville**  
**Columbiana County**

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Proprietary and Fiduciary Fund Types  
For the Year Ended December 31, 2014*

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$692,868	\$0	\$692,868
Fines, Licenses and Permits	0	0	0
Miscellaneous	285	0	285
<i>Total Operating Cash Receipts</i>	<u>693,153</u>	<u>0</u>	<u>693,153</u>
<b>Operating Cash Disbursements</b>			
Personal Services	19,479	0	19,479
Employee Fringe Benefits	1,388	0	1,388
Contractual Services	565,652	0	565,652
Supplies and Materials	2,164	0	2,164
Other	5,026	0	5,026
<i>Total Operating Cash Disbursements</i>	<u>593,709</u>	<u>0</u>	<u>593,709</u>
<i>Operating Income (Loss)</i>	<u>99,444</u>	<u>0</u>	<u>99,444</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	14,010	0	14,010
Special Assessments	2,698	0	2,698
Other Debt Proceeds	96,444	0	96,444
Capital Outlay	(10,778)	0	(10,778)
Principal Retirement	(173,318)	0	(173,318)
Interest and Other Fiscal Charges	(6,889)	0	(6,889)
Other Non-operating Receipts	0	35,909	35,909
Other Non-operating Disbursements	0	(38,222)	(38,222)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(77,833)</u>	<u>(2,313)</u>	<u>(80,146)</u>
<i>Net Change in Fund Cash Balances</i>	21,611	(2,313)	19,298
<i>Fund Cash Balances, January 1</i> <i>- Restated (See Note 3)</i>	<u>262,523</u>	<u>3,630</u>	<u>266,153</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$284,134</u></u>	<u><u>\$1,317</u></u>	<u><u>\$285,451</u></u>

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

Village of Wellsville  
Columbiana County

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2015

**NOTE 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, and police and fire services

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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.

The Village values U.S. Treasury Notes and common stock at cost. Money market mutual funds are recorded at share values the mutual funds report.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 monies to provide fire protection services.

Village of Wellsville  
Columbiana County

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2015  
(Continued)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting**

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Capital Improvement Fund – This fund receives proceeds of income tax monies to be used for various capital improvement projects throughout the Village.

**4. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). 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:

Sewer 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 account for unclaimed monies and magistrate court activities.



Village of Wellsville  
Columbiana County

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2015  
(Continued)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2014 and 2015 budgetary activity appears in Note 4.

**F. Fund Balance**

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, 2014 AND 2015  
(Continued)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**F. Fund Balance** (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.

**NOTE 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:

	2014	2015
Demand deposits	\$125,199	\$263,752
Certificates of deposit	105,460	105,726
Other time deposits (savings and NOW accounts)	236,017	126,898
Total deposits and investments	<u>\$466,676</u>	<u>\$496,376</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**Investments:** Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**Village of Wellsville  
Columbiana County**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2015  
(Continued)**

**NOTE 3: PRIOR PERIOD ADJUSTMENT**

The prior year's audited fund balances was adjusted to reflect the actual fund balances as reconciled to the bank and investment balances.

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Fund Cash Balance, December 31, 2013	\$353,710	\$134,859	\$12,674	\$40,104	\$541,347
Fund Reclassification Revenue Posted as an Expenditure	0	(8,993)	8,993	0	0
Incorrect Cash Balance Carried Forward	136,608	0	0	0	136,608
Unrecorded Credit Card Revenues	0	26,814	(21,998)	0	4,816
Voided Prior Year Warrants	1,476	0	0	0	1,476
	<u>1,512</u>	<u>269</u>	<u>0</u>	<u>0</u>	<u>1,781</u>
Adjusted Fund Cash Balance, December 31, 2013	<u>\$493,306</u>	<u>\$152,949</u>	<u>(\$331)</u>	<u>\$40,104</u>	<u>\$686,028</u>

	<u>Enterprise</u>	<u>Agency</u>	<u>Total</u>
Fund Cash Balance, December 31, 2013	\$258,717	\$2,866	\$261,583
Unrecorded Credit Card Revenues	2,864	0	2,864
Reconciled Mayor's Court Variance	0	764	764
Voided Prior Year Warrants	<u>942</u>	<u>0</u>	<u>942</u>
Adjusted Fund Cash Balance, December 31, 2013	<u>\$262,523</u>	<u>\$3,630</u>	<u>\$266,153</u>

**Village of Wellsville  
Columbiana County**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2015  
(Continued)**

**NOTE 4: BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31 2014 and 2015 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$812,475	\$778,443	(\$34,032)
Special Revenue	626,302	608,123	(18,179)
Capital Projects	17,000	58,254	41,254
Enterprise	662,976	806,305	143,329
Permanent	5	1	(4)
Fiduciary	0	35,909	35,909
Total	<u>\$2,118,758</u>	<u>\$2,287,035</u>	<u>\$168,277</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$1,170,797	(\$1,170,797)
Special Revenue	0	617,926	(617,926)
Capital Projects	0	160,901	(160,901)
Enterprise	0	784,694	(784,694)
Fiduciary	0	38,222	(38,222)
Total	<u>\$0</u>	<u>\$2,772,540</u>	<u>(\$2,772,540)</u>

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,189,786	\$709,455	(\$480,331)
Special Revenue	809,396	611,299	(198,097)
Capital Projects	72,600	370,964	298,364
Enterprise	754,629	717,550	(37,079)
Permanent	5	0	(5)
Fiduciary	0	21,022	21,022
Total	<u>\$2,826,416</u>	<u>\$2,430,290</u>	<u>(\$396,126)</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$1,062,700	(\$1,062,700)
Special Revenue	0	678,328	(678,328)
Capital Projects	0	61,083	(61,083)
Enterprise	0	578,326	(578,326)
Fiduciary	0	20,153	(20,153)
Total	<u>\$0</u>	<u>\$2,400,590</u>	<u>(\$2,400,590)</u>

**Village of Wellsville  
Columbiana County**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2015  
(Continued)**

**NOTE 5: COMPLIANCE**

The Village had negative cash fund balances in the following funds at December 31, 2014 indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10(H):

Special Revenue Funds:	
State Highway	\$1,728
Cemetery	9,765
Fire Levy 2003	1,416
Capital Projects Fund:	
Capital Improvement	102,978

The following accounts had expenditures plus encumbrances in excess of appropriations, contrary to Ohio Revised Code Section 5705.41(B) at December 31, 2014.

Fund	Appropriations	Expenditures	Variance
General	\$0	\$1,170,797	(\$1,170,797)
Special Revenue Funds:			
Street Construction, Maintenance and Repair	0	113,313	(113,313)
State Highway	0	11,924	(11,924)
Cemetery	0	74,017	(74,017)
CMHA	0	23,325	(23,325)
Permissive Motor Vehicle License	0	38,225	(38,225)
Police Pension	0	21,320	(21,320)
Fire Pension	0	7,381	(7,381)
Mayor's Court Computer	0	2,788	(2,788)
Fire Levy	0	191,229	(191,229)
Floodwall	0	9,772	(9,772)
Police Salary Levy	0	29,344	(29,344)
Fire Levy 2003	0	53,130	(53,130)
Police Donations	0	3,150	(3,150)
Police Levy	0	39,008	(39,008)
Capital Projects Funds:			
Capital Improvement	0	147,147	(147,147)
Sidewalk Donations	0	13,754	(13,754)
Enterprise Funds:			
Sewage Disposal	0	371,527	(371,527)
Sewage Update	0	413,167	(413,167)

**Village of Wellsville  
Columbiana County**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2015  
(Continued)**

**NOTE 5: COMPLIANCE (Continued)**

The Village had negative cash fund balances in the following funds at December 31, 2015 indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10(H):

General	\$202,293
Special Revenue Funds:	
Street Construction, Maintenance and Repair	5,030
State Highway	3,006
Cemetery	20,011
Fire Levy	58,486
Police Salary Levy	5,655
Fire Levy 2003	6,208

The following accounts had expenditures plus encumbrances in excess of appropriations, contrary to Ohio Revised Code Section 5705.41 (B) at December 31, 2015.

Fund	Appropriations	Expenditures	Variance
General	\$0	\$1,062,700	(\$1,062,700)
Special Revenue Funds:			
Street Construction, Maintenance and Repair	0	122,316	(122,316)
State Highway	0	10,060	(10,060)
Cemetery	0	88,335	(88,335)
CMHA	0	41,132	(41,132)
FEMA	0	201	(201)
DARE	0	1,806	(1,806)
Permissive Motor Vehicle License	0	48,071	(48,071)
Police Pension	0	200	(200)
Fire Pension	0	200	(200)
Mayor's Court Computer	0	2,200	(2,200)
Fire Levy	0	216,985	(216,985)
Floodwall	0	10,646	(10,646)
Police Salary Levy	0	46,710	(46,710)
Fire Levy 2003	0	39,423	(39,423)
Police Donations	0	2,007	(2,007)
Police Levy	0	48,036	(48,036)
Capital Projects Fund:			
Capital Improvement	0	61,083	(61,083)
Enterprise Funds:			
Sewage Disposal	0	364,800	(364,800)
Sewage Update	0	213,526	(213,526)

**Village of Wellsville  
Columbiana County**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2015  
(Continued)**

**NOTE 5: COMPLIANCE (Continued)**

The legal level of control has been established by Council at the fund level for all funds contrary to Ohio Revised Code Section 5705.38.

The Village did not properly certify prior to incurring the obligation and there was no evidence of a “then and now” certificate being used by the Fiscal Officer contrary to Ohio Revised Code Section 5705.41(D).

The Village did not establish, by resolution or ordinance, setting the amount of blanket purchase orders as required by Ohio Revised Code Section 5705.41(D).

**NOTE 6: 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.

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

**NOTE 7: 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.

**NOTE 8: DEBT**

Changes in debt during the year ended December 31, 2014, consisted of the following:

	Adjusted Beginning Balance	Issued	Payments	Ending Balance
Ohio Public Works				
Commission Loans	\$245,285	\$96,444	(\$114,040)	\$227,689
ALLY Bank	28,961	0	(14,864)	14,097
CF Bank	0	28,500	(2,685)	25,815
Kansas State Bank	0	40,468	(6,242)	34,226
Ohio Water Development Authority Loan	331,317	0	(57,718)	273,599
Totals	<u>\$605,563</u>	<u>\$165,412</u>	<u>(\$195,549)</u>	<u>\$575,426</u>

**Village of Wellsville  
Columbiana County**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2015  
(Continued)**

**NOTE 8: DEBT (Continued)**

Changes in debt during the year ended December 31, 2015, consisted of the following:

	Beginning Balance	Issued	Payments	Ending Balance
Ohio Public Works				
Commission Loans	\$227,689	\$0	(\$17,596)	\$210,093
ALLY Bank	14,097	0	(14,097)	0
CF Bank	25,815	0	(25,815)	0
Kansas State Bank	34,226	0	(6,435)	27,791
Ohio Water Development Authority Loan	<u>273,599</u>	<u>0</u>	<u>(59,228)</u>	<u>214,371</u>
Totals	<u>\$575,426</u>	<u>\$0</u>	<u>(\$123,171)</u>	<u>\$452,255</u>

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,411,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$64,293, including interest, over 20 years. The scheduled payment amount below assumes that \$1,411,000 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village issued general obligation bonds to finance the purchase of a new dump truck and plowing equipment for Village road maintenance.

The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	OPWC Loans	OWDA Loan	Kansas State Bank
2016	\$17,595	\$60,465	\$6,634
2017	17,595	61,729	6,839
2018	17,595	63,019	7,050
2019	17,595	6,302	7,268
2020	17,595	6,365	0
2021-2025	44,026	16,491	0
2026-2030	25,191	0	0
2031-2035	25,191	0	0
2036-2041	27,710	0	0
Total	<u>\$210,093</u>	<u>\$214,371</u>	<u>\$27,791</u>



**Village of Wellsville  
Columbiana County**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2015  
(Continued)**

**NOTE 9: 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 2014 and 2015, OP&F participants contributed 11.5% and 12.25% of their wages. For 2014 and 2015, 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 2014 and 2015, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**NOTE 10: RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**NOTE 11: GOING CONCERN**

As of December 31, 2015, the Village had negative fund balances in the General Fund of (\$202,293), Street Construction, Maintenance and Repair Fund (\$5,030), State Highway Fund (\$3,006), Cemetery Fund (\$20,011), Fire Levy Fund (\$58,486), Police Salary Levy Fund (\$5,655) and the Fire Levy Fund (\$6,208).

These conditions raise substantial doubt about the Village's ability to continue as a going concern. Management is in the process of reviewing delinquent taxpayers to alleviate the negative fund balances. In addition, Council is considering placing a levy on the May 2017 ballot asking the voters to approve an increase in the income tax by ½ % for street paving and safety forces. Management is also considering Village property sales, reducing insurance coverage for the employees, and a reduction in staff along with the sale of Village timber.

**NOTE 12: SUBSEQUENT EVENT**

On November 15, 2016, 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 of the Village, Council President, three financial consultants from various corporations and/or organizations within the Village and two representatives from the State of Ohio. The Village has 120 days after the first meeting of the Commission to approve a financial recovery plan. 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.

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# ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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## INDEPENDENT AUDITOR'S 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, OH 43968

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Wellsville, Columbiana County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. As disclosed in Note 12, on November 15, 2016, the Village of Wellsville was declared by the Auditor of State to be in a state of fiscal emergency.

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

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2015-010 through 2015-016 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-017 described in the accompanying schedule of findings to be a significant deficiency.

### ***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, opining 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 2015-001 through 2015-011.

### ***Village's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

### ***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alger and  
Associates Inc

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Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, Ohio  
March 24, 2017

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Noncompliance

Ohio Rev. Code Section 5705.10 (H), states money paid into a fund shall be used only for the purposes for which such fund is established. A negative fund cash balances indicates that money from one fund was used to cover the expenses of another fund. The Village had negative fund balances at December 31, 2015 and 2014, respectively in the following funds.

	2015
Fund	Balance
General	\$ (202,293)
Street Construction	
Maintenance & Repair	(5,030)
State Highway	(3,006)
Cemetery	(20,011)
Fire Levy	(58,486)
Police Salary Levy	(5,655)
Fire Levy 2003	(6,208)

  

	2014
Fund	Balance
State Highway	\$ (1,728)
Cemetery	(9,765)
Fire Levy 2003	(1,416)
Capital Improvement	(102,978)

These negative funds balances are in part the direct result of the Finance Committee and Council not reviewing any budgetary and financial information of the Village. Council was approving expenditures even though the funds had negative fund balances. Council should ensure their Finance Committee is reviewing the necessary financial information in order for the Committee to provide Council with more informed decisions over all financial activity as this will help to ensure that fund balances do not run into the negative.

By incurring negative fund balances, the Village was unable to meet all obligations for those funds. The Village incorrectly used funds from specific sources to cover these obligations. Also, these fund balances had a negative effect on the budgetary compliance requirements that were to be followed by the Village.

A negative cash fund balance is an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored by the Fiscal Officer/Finance Committee to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

We recommend the Village monitor their fund balances to ensure that money from various funds is not used to pay obligations of other funds.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

FINDING NUMBER 2015-002

**Noncompliance**

As repeated in the prior year management letter, **Ohio Rev. Code, § 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or 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 that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 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 Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certifications 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. 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 Certificates – 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.

During fiscal year 2015 and 2014, 52 out of the 76 (68%) of the expenditure transactions tested were not properly certified prior to incurring the obligation and there was no evidence of a "then and now" certificate being used by the Fiscal Officer. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, Village Trustees did not establish, by resolution or ordinance, a blanket certificate limit.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

**FINDING NUMBER 2015-002 (continued)**

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification in the form of purchase orders or "blanket" purchase orders is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over the disbursement process and 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 a commitment of an 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 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. In addition, Council should establish a blanket limit by resolution or ordinance.

**FINDING NUMBER 2015-003**

**Noncompliance**

**Fraud Reporting System**

1. As repeated in the prior year management letter, **Ohio Rev. Code §117.103(B)(1)** requires a public office to provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Effective May 4, 2012, each new employee shall confirm receipt of this information within thirty days after beginning employment.

The Village did not implement procedures to communicate the fraud reporting system to new hires. Failure to communicate the fraud-reporting system to existing and new employees could result in fraud being unreported.

The Village should provide a copy of the fraud reporting information in the Village's new hire packets, along with a verification form for new and current employees to sign as proof of receipt of information. To help ensure compliance, all employees should sign a verification form which should be placed in their personnel file.

2. We inquired with Elected Officials the procedures they have in place to assess the risk of material noncompliance due to fraud, the Village process for identifying and responding to risks of noncompliance due to fraud and, if management communicates with employees and others within the Village their views on operating practices and ethical behavior?

Council members were provided with a Fraud, Conflict of Interest and an Abuse questionnaires in order to determine what procedures are used by Council to help detect fraud, insure there are no conflicts of interest and/or abuse. After three requests, Mr. Cataldo, Council Member (Chairperson of the Finance Committee) refused to complete the questionnaires.

We also noted the Village does not have any policy and/or procedures in place to help prevent and/or detect fraud. The Village Officials does not have a process for identifying and responding to risks of noncompliance due to fraud and, if management communicates with employees their views on operating practices and ethical behavior.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

**FINDING NUMBER 2015-003 (continued)**

Because Mr. Cataldo failed to complete the questionnaires, we were unable to determine if he had any knowledge if fraud, conflict of interest and/or abuse occurred during the audit period.

We recommend Council develop procedures and controls to help prevent fraud from occurring. These procedures should be provided to each employee for their review, signature and included in their personnel file they have read and understood the Village policy regarding fraud. This may help to prevent any errors or irregularities from occurring.

Because Mr. Cataldo, Chairperson of the Finance Committee, refused to provide the required information as noted on the questionnaires for the audit, Council may want to review this matter in their selection of the Council Members for the Finance Committee.

Council should also develop a policy regarding abuse which involves behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary business practice given the facts and circumstances which also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate and is warranted in situations in which there is no violation of law or unethical beneficial conduct, which involve conduct so capricious and irresponsible that some response is required.

**FINDING NUMBER 2015-004**

**Noncompliance**

**Annual Appropriation Measure**

As repeated in the prior year management letter, **Ohio Rev. Code §5705.38 (A)** requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Documentation could not be provided to reflect Council approved the annual appropriation measure by April 1 for 2014. In addition, we did not identify a temporary measure being approved by Council for 2014. The annual appropriation measure 2014 was passed by Council on April 15, 2014 through Ordinance 14-15.

For calendar year 2015, a temporary budget was approved by Council on December 23, 2014 through ordinance 14-26 however, Council did not pass an annual appropriation for remainder of calendar year 2015 file. In addition, the prior Fiscal Officer failed to file either 2014 or 2015 annual appropriation measure with the county budget commission.

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

Due to Village Council not passing an appropriation measure as indicated above nor properly filing with the budget commission, expenditures in all funds exceeded appropriations.

We recommend the Village comply with the Ohio Revised Code and implement controls to ensure that council passes an annual appropriation measure by the required date and filed with the County Auditor.



**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)**

**FINDING NUMBER 2015-005**

**Noncompliance**

**Ohio Revised Code §5705.38(C)** requires the following minimum level of budgetary control for Villages: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services." The Village's appropriations for the year ended December 31, 2014 were passed at the fund and department level for the General Fund and the fund level for all other funds but did not appropriately state the amount appropriated for each department and for personal services within each department.

Council should ensure that appropriations are set at the amounts as set forth in this section.

**FINDING NUMBER 2015-006**

**Noncompliance**

**1099's**

26.C.F.R. Section 1.6041-1 requires governments to report on Form 1099, "salaries, wages, commissions, fees, and other forms of compensation for services rendered aggregating \$600 or more." The Village did not prepare a Form 1099-MISC for one contractor for various projects whose compensation exceeded the \$600 threshold totaling \$80,140 in 2014 and \$85,313 in 2015.

The Village should review all disbursements at year end and determine if they paid any independent contractors more than \$600 and prepare Form 1099-MISCs as applicable.

This matter will be referred to the Internal Revenue Service for further review.

**FINDING NUMBER 2015-007**

**Noncompliance / Annual Financial Report**

**Ohio Rev. Code §117.38** states entities filing on a cash-basis must file annual reports with the Auditor of State within 60 days of the fiscal year-end. For the year ending December 31, 2015, the Village did not file their 2015 annual report within 60 days of the fiscal year-end.

Also the financial statements filed in 2015 and 2014 were incorrect. Noted below are examples of the fund balances as provided by the Fiscal Officer and the corrected fund balances after the reconstruction:

<b>Fund Balances 2014</b>	<b>Fund Balances per the Financial Statements</b>	<b>Corrected Fund Balances</b>	<b>Difference</b>
General	\$48,077	\$100,952	\$52,875
State Highway Fund	\$4,527	(\$1,727)	(\$6,254)
Cemetery	\$2,055	(\$9,765)	(\$11,820)
Broadway Park Fund	\$8,993	\$26,045	\$17,052
Total Special Revenue Fund	\$138,116	\$143,146	\$5,030
Capital Improvement Fund	\$184	(\$102,978)	(\$102,794)
Enterprise Fund	\$220,661	\$284,134	\$63,473
Permanent Fund	\$40,105	\$40,105	\$0
Agency Fund	\$434	\$1,317	\$883

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)**

**FINDING NUMBER 2015-007 (continued)**

**Noncompliance / Annual Financial Report**

<b>Funds 2015</b>	<b>Fund Balances per the Financial Statements</b>	<b>Corrected Fund Balances</b>	<b>Difference</b>
General Fund	(\$14,938)	(\$202,293)	\$187,355
Street Construction Fund	\$3,072	(\$5,030)	(\$8,102)
State Highway	\$3,072	(\$3,006)	(\$6,078)
Cemetery	(\$1,677)	(\$20,011)	(\$21,688)
Fire Levy Fund	(\$35,767)	(\$58,486)	(\$22,711)
Police Salary Fund	(\$4,890)	(\$5,655)	(\$765)
Fire Levy 2003	(\$14,112)	(\$6,208)	(\$7,904)
Total Special Revenue Fund	\$59,332	\$26,117	\$33,215
Capital Improvement Fund	\$160,290	\$206,903	\$46,613
Enterprise Fund	\$364,554	\$423,358	\$58,804
Permanent Fund	\$40,105	\$40,105	0
Agency Fund	\$435	\$2,186	\$1,751

Sound financial reporting is the responsibility of the Village Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements are complete and accurate. To insure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend Village implement sufficient control procedures over the financial reporting process in order to enable management to detect and prevent potential misstatements in the financial statements and footnotes.

The Village Fiscal Officer should review the Village Manual for guidance on the correct line item to post various receipts and expenditures. Also the Fiscal Officer should ensure the financial statements properly reflect the financial position of the Village.

**FINDING NUMBER 2015-008**

**Noncompliance / Zoning Receipts**

Section 151.37 of the Village Ordinances states the following:

- (A) No person, firm or corporation, either as a contractor or a subcontractor, shall perform any of the services set forth in § 151.36 of this subchapter without first obtaining a license from the Zoning Administrator to perform such work within the village.
- (B) No license shall be issued by the Zoning Administrator until the contractor or subcontractor has first complied with the following requirements:
  - (1) Submission of a written application, on forms provided by the village;
  - (2) Payment of a fee in the amount of \$50 per year, which years commence on the day the license issued;
  - (3) Certification from the Village Income Tax Department that such person, firm or corporation, either as a contractor or a subcontractor, is registered with such department, including the partners, employees, agents or servants of such contractor or subcontractor performing work or labor within the village.
  - (4) Submission of a current certificate of liability insurance, with minimum coverage of \$100,000 and proof of compliance with the Ohio Workers' Compensation laws, if applicable. (Ord. 96-21, passed 7-2-96; Am. Ord. 2004-14, passed 5-4-04)

VILLAGE OF WELLSVILLE  
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SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

**FINDING NUMBER 2015-008 (continued)**

Also section 151.38 states the following:

- Failure of any person, firm or corporation, either as a contractor or subcontractor, to meet any of the requirements set forth in this subchapter shall be cause for the Zoning Administrator to refuse the issuance of a license for the performance of any work by such contractor or subcontractor within the village. Should a contractor or subcontractor be found by the Zoning Administrator to be performing work without a valid and proper license, said Zoning Administrator shall cause all work to cease immediately until all of the above requirements are satisfied. The license fee hereunder shall be doubled if work has begun on a job site before said license is obtained.

During our review of the zoning permits we noted the following:

- We noted the Zoning Officer did not always complete the permits as to whether the permit holder met the requirements as noted in section 151.37.
- New construction fees are based on certain measurements of the construction. In reviewing these permits we found all the construction permits did not contain the required information to properly determine if the fees collected were in compliance with the fees authorized by Council.
- We noted the Zoning Officer would issue a license for construction, however, no permit was issued resulting in a loss of revenues for the Village.
- The zoning permits and licenses are not pre-numbered, thus, we are unable to determine if all permits and licenses issued are properly accounted for.
- The Zoning Officer issues a receipt for the monies collected, however, the receipts are not reconciled with the permits issued. Also the amounts received by the Zoning Officer are not reconciled to the deposits made to the Fiscal Officer.
- We noted the Zoning Officer did not issue any permits to one contractor who performed work for the Village for a total of \$80,140 in 2014 and \$85,313 in 2015. The Village was unable to provide any exception for obtaining the license and permits when performing business for the Village.

We recommend Council implement procedures to ensure the zoning officer is in compliance with the zoning regulations as adopted by Council. As part of those procedures the Zoning Officer should ensure all requirements are met prior to issuing the license and/or permits. The permits and license should be pre-numbered and contain the relevant information as required by the ordinance. The revenues collected should be reconciled with the permits/licenses issued to the deposits. The Zoning Officer should insure all monies due are properly collected. Council should determine if a contractor is performing work for the Village is the contractor exempt from the requirements of this ordinance.

By implementing these controls this will help to prevent errors and irregularities from occurring.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

FINDING NUMBER 2015-009

**Noncompliance**

**Federal Withholding Tax/OPERS/OP&F**

For the audit period 1/1/2014 – 12/31/2015 the Village had two Fiscal Officers, Cassandra Bloor - 01/01/2014 to 01/31/2015 and Donna Rudder - 02/01/2015 to 12/31/2015.

During the course of the audit we noted the following:

26 CFR 31.6011(a)-4(a)(2001) requires that income tax withheld pursuant to 26 U.S.C. Section 3402 must be remitted to the IRS on a quarterly basis. Also **Internal Revenue Code Chapter 26, U.S.C. Sections 3401 – 3406, and Publication 15 (Circular E)** requires that each quarter, all employers who Security and Medicare taxes must file Form 941, Employer's Quarterly Federal Tax Return, by the last day of the month that follows the end of the quarter. For each whole or part month that a return is not filed when required, there is a penalty of 5% of the unpaid tax due with that return. Additionally, for each whole or part month that the tax due is paid late, a penalty of 5% per month of the amount of tax generally applies. In addition to any penalties, interest accrues from the due date of the tax on any unpaid balance. Publication 15 (Circular E) also requires that all employers are to furnish each employee a completed W-2, Wage and Tax Settlement. Furthermore, employers are required to report payments of \$600 or more to persons not treated as employees, which included independent contractors.

- The Village did not always file their quarterly Form 941s on time for all quarters in 2014 and 2015.
- The Village was unable to provide documentation that 1099s for 2014 and 2015 were prepared and provided to all independent contractors.
- The Village failed to remit federal withholding tax on a quarterly basis. Failure to adhere to this section of the Internal Revenue Code caused the Village to incur penalties and interest charges of \$7,164 and \$2,755 for 2014 and 2015 respectively for a total of \$9,919.
- For tax periods December 31, 2013 thru September 30, 2014 the Village was assessed a potential penalty because the prior Fiscal Officers failed to file the information required to resolve the discrepancy between the statements filed with the Social Security Administration and the tax returns filed with the IRS. However, the current Fiscal Officer and Mayor in 2016 was able to resolve this matter thus saving the Village \$67,702.

Ohio Rev. Code Section 145.47 requires that the fiscal officer transmit promptly to the Public Employees Retirement System (PERS) a report of contributions showing employee deductions for PERS, along with warrants and checks covering the deductions. This Section also provides for late-filing penalties. The Village did not make timely deposits of employee and employer contributions, as required. Failure to adhere to this section of the Ohio Rev. Code caused the Village to incur penalties on employee and employer contributions.

We reviewed payroll payments to certain Village employees, to determine whether they were made in compliance with applicable authority (e.g., Village policy) and were accurately reported on year-end Form W-2.

The Village paid penalties and interest to OPERS pension fund in the amount of \$1,661 and \$213 for 2014 and 2015 respectively for a total of \$1,874.

VILLAGE OF WELLSVILLE  
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SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

**FINDING NUMBER 2015-009 (continued)**

**Federal Withholding Tax/OPERS/OP&F (continued)**

Ohio Revised Code Section 742.301 states in part; each employer shall promptly pay the amount due on the accrued liability on the dates fixed by the board of trustees of the Ohio police and fire pension fund. Upon certification by the board that payment of an employer's accrued liability has not been paid within thirty days following the date a payment is due, a penalty of five per cent of the amount due shall be assessed against such employer.

If the payment and penalty have not been paid within ninety days following the date a payment is due, annual interest at six per cent shall be assessed against the payment and penalty from the date that the payment is due.

The Village paid penalties and interest to OP&F pension fund in the amount of \$1,176 and \$6,100 for 2014 and 2015 respectively for a total of \$7,276.

The total penalties paid was \$19,068. To avoid further penalties and interest charges, we recommend the Village remit the required Federal and State Pension withholdings in a timely manner.

**FINDING NUMBER 2015-010**

**Noncompliance and Material Weakness**

The legislative authority of the village rests in its council. Most powers and duties of the village council are set forth in Ohio Revised Code Chapters 705, 731, and 733.

**Ohio Rev. Code §705.55** states the powers conferred upon municipal corporations by the Ohio Constitution and any additional powers conferred upon municipal corporations by the general assembly, shall be exercised by the council, unless the exercise of such powers is expressly conferred upon some other authority of the municipal corporation or reserved to the people thereof.

**Ohio Rev. Code §733.30** states the mayor shall perform all the duties prescribed by the bylaws and ordinances of the municipal corporation. He shall see that all ordinances, bylaws, and resolutions of the legislative authority are faithfully obeyed and enforced. He shall sign all commissions, licenses, and permits granted by such legislative authority, or authorized by Title VII [7] of the Revised Code, and such other instruments as by law or ordinances require his certificate.

**Ohio Rev. Code §735.271** states the legislative authority of the village may establish the position of village administrator by ordinance. The village administrator established under this section shall have those powers provided by section 735.273 of the Revised Code. The village administrator shall be appointed by the mayor, but shall not take office unless his appointment has been approved by a majority vote of the members elected to the legislative authority of the village. Ohio Revised Code Section 735.273 states in part "The village administrator shall be under the general supervision and control of the mayor, and shall have such other powers and duties as are prescribed by ordinance or by law and which are not inconsistent herewith.

The following issues may have been caused by a lack of clear and concise policies and procedures applied and followed up through a pre-determined chain of command, as set forth by the Ohio Revised Code and amended by local authorities as allowable, and in line with the various duties and responsibilities of each party:

VILLAGE OF WELLSVILLE  
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SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

FINDING NUMBER 2015-010 (continued)

**Noncompliance and Material Weakness**

1. On October 15, 2015, Council, in conjunction with the Village Administrator, hired R&R paving for \$34,500 to pave the 20<sup>th</sup> Street project. There was no breakdown of the costs associated with the project nor was there any indication the Officials requested any other quotes to help lower the cost for the project.
2. Section 731.141 states in part “the village administrator shall make contracts, purchase supplies and materials, and provide labor for any work under the administrator's supervision involving not more than fifty thousand dollars”,

During the audit period 1/1/2-14-12/31/2015 the Village employed two Administrators, Tom Edgell (resigned May 15, 2015) and Rick Williams (appointed June 2015). The Administrators entered into several contracts with Larry Martin/L&M Construction to perform various projects for the Village for a total of \$165,453, however, there was no indication the Administrators requested any additional quotes and/or considered obtaining bids for these projects.

Also there was no indication of any oversight from the prior Mayor regarding the projects. According to the current Mayor, several of these projects were not brought to the attention of Council as evidence on the list of expenditures provided to Council for approval throughout the two years under audit.. The Village was unable to provide any support that Council was made aware of the Village contracts from either the prior Mayor, the prior Administrators and/or the prior Fiscal Officers with Larry Martin/L&M Construction, however, we noted one Councilman (Chairman of the Finance Committee) was aware of these projects as he delivered payments to Mr. Martin.

3. The Village had instituted a purchase order request form for the fiscal office which includes in part the Department Head, Mayor and Fiscal Officer signatures approving various projects. During our limited review of the projects awarded to Larry Martin/L&M Construction, we noted a total of \$32,880 projects where the Administrator, Mayor and Fiscal Officer approvals were not obtained.
4. The quotes received from Larry Martin/L&M Construction did not include a breakdown of costs associated with the project. For example the quotes listed the following: catch basin, pipe, excavation, limestone saw cutting, concrete and labor, however, the quote would only indicate the total. The quote did not break down the cost of any of the components.
5. In addition, the Village has a policy manual, however, there is no indication the Village officials and/or employees has read the manual nor is there any indication the manual has been updated and approved by Council.

The above material weaknesses noted in this report indicate a lack of proper application of duties and responsibilities, lack of controls, compensating controls, or policies and procedures to assure that the various operations of the Village are properly executed in a manner which follows the intended protocol of a Village, with checks and balances to keep all officials and employees in line with their intended jobs.

We recommend Council develop a policy and procedures manual regarding revenues, expenditures and payroll procedures. The procedures and personnel manual should be distributed to employees in hard-copy form. A comprehensive and up-to-date Village manual can help communicate, and encourage adherence to, Village policies; prevent possible confusion or misunderstandings among personnel.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

**FINDING NUMBER 2015-010 (continued)**

The Village Administrator and Council should ensure all contracts include a complete breakdown of costs associated with the projects. All purchase order requests should be approved by the appropriate officials and reviewed by the Finance Committee to ensure they meet the goals of the Village and are within the appropriations as specified by Council. Council and the Finance Committee should review these projects and consider obtaining quotes and/or bids to help reduce the costs.

Also Village Council should re-evaluate the duties and responsibilities of all employees and improve monitoring and oversight of the financial activities of the Village. Council should also be proactive in reviewing and signing off on various financial reports. Lack of proper oversight and monitoring results in inaccurate financial activity and reporting as well as the potential for unauthorized expenditures.

**FINDING NUMBER 2015-011**

**Noncompliance and Material Weakness**

**Financial Reporting**

Ohio Administrative Code Section 117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The prior Mayor, Council and prior Fiscal Officers were responsible to exercise prudence and integrity in the management of funds in their custody and in all financial transactions. Sound financial reporting is the responsibility of the Fiscal Officer, Mayor, and Village Council and is essential to ensure the information provided to the readers of the financial statements are complete and accurate.

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the Village records. This process involves reconciling the bank balance to the cash and investment balance. For the audit period, (24 months), the Village was not properly reconciled as required. For 2015 the Fiscal Officer did not complete any bank reconciliations and Council did not insure the Fiscal Officer was reconciling the bank accounts.

On November 15, 2016 the Village was placed in fiscal emergency. Because the prior two Fiscal Officers failed to properly maintain complete and accurate financial records, reconcile the Village accounts with the bank properly and the prior Mayors and Council's failure to provide the appropriate oversight and monitoring, the Village contracted with Local Government Services (LGS), a division of the Auditor of State's office, to perform a reconstruction of the Village records in order to determine the financial position of the Village. This was a cost to the Village of \$14,000. The additional audit costs incurred was \$12,340 for a total of \$32,340

In order to properly reflect the financial position the current Fiscal Officer had to research and record over 800 adjustments during the audit period. The following reclassifications and adjustment were qualitatively and quantitatively material to the financial statements of the Village and have been recorded to the accompanying December 31, 2015 and 2014 financial statements and Village accounting records.

VILLAGE OF WELLSVILLE  
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SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

FINDING NUMBER 2015-011 (continued)

**Noncompliance and Material Weakness / Financial Reporting (continued)**

Several other immaterial reclassifications and adjustment were made to the financial statements of the Village to properly reflect the receipts and expenditure to the financial statements. This included transactions not posted, transactions posted twice and/or voided transactions. The current Fiscal Officer, Ms. Hoi Wah Black, was incremental in correcting and identifying these 800 adjustments to the Village records not including the numerous adjustments to bank reconciliations required to reconcile the bank balances with the books. Some of the more significant adjustments are noted below:

We noted the following posting errors in **2014**:

- \$67,650 of Anthem (Medical/Hospitalization) expenditures were posted to incorrect funds. The financial statements were adjusted to redistribute the payments to the appropriate funds as follows: increase General Fund by \$22,737, Cemetery Fund by \$3,744 and Fire Levy Fund by \$7,344 and decrease Street Construction Maint. & Repair Fund by \$3,615, CMHA Fund by \$8,551, Permissive Motor Vehicle License Tax Fund by \$5,272, Fire 03 Fund by \$4,248 and Sewage Disposal Fund by \$12,139.
- The Village purchased a building on Main Street for \$54,543 which was incorrectly posted to the General Fund. The financial statements were adjusted to reflect the payment from the Capital Improvement Fund.
- The Village made a down payment of \$40,000 for the backhoe purchased in 2014 which was incorrectly paid from the General Fund. An adjustment to Capital Improvement Fund was made by Local Government Services.
- Westfield (property liability) expenditures for \$365,360 were posted to various incorrect funds. The financial statements were adjusted to redistribute the payments to the appropriate funds as follows: increase General Fund by \$4,852, Street Construction Maint. & Repair Fund by \$5,602, Cemetery Fund by \$5,787 and Fire Levy Fund by \$1,439 and decreased Floodwall Fund by \$430, Sewage Disposal Fund by \$6,722 and Sewage Update Fund by \$10,528.
- The Village borrowed \$28,500 to make roof repairs but did not record the proceeds. The financial statements were adjusted to reflect the loan proceeds in the Capital Improvement Fund. The roof repair was incorrectly posted to the General fund and was adjusted to the Capital Improvement Fund.
- The Village purchased a Kubota tractor for \$15,000 which was incorrectly posted to the General Fund. The financial statements were adjusted to reflect the payment from the Capital Improvement Fund.
- The Village made a down payment for surveillance equipment for \$12,800 which was incorrectly posted to the Sewage Update Fund and was adjusted to the Capital Improvement Fund.
- The Village had principal and interest payments of \$15,951 which were incorrectly posted to Motor Vehicle and Dues & Fees accounts within the General Fund for the loan payment of the Police Cruisers. The financial statements were adjusted as follows; decrease the Motor Vehicle and Dues & Fees accounts by \$15,906 and \$45 respectively and increase the Principle and Interest by \$14,438 and \$1,513 respectively.



VILLAGE OF WELLSVILLE  
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SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

**FINDING NUMBER 2015-011 (continued)**

We noted the following posting errors in **2014**: (continued)

- The Village incurred Principal and Interest payments of \$7,493 which were incorrectly posted as repair & maintenance, capital outlay and equipment expense accounts for the loan payment on a purchase of the 2014 Backhoe. The payment was split between the following three funds: Street Construction Maintenance & Repair, Capital Improvement and the Sewage Update fund. The financial statements reflect the adjustment of the principle and interest payments to the proper accounts distributed between the three aforementioned funds.
- \$13,200 of Property Tax Advance for the Fire Levy Fund was incorrectly posted to the Fire 03 Fund. The financial statements were adjusted to reflect the revenue in the Fire Levy Fund.
- \$8,999 BWC refund received for calendar year 2012 was placed in full to the General Fund. The financial statements were adjusted to reflect the rebate to the proper funds that paid the 2012 premium as follows: increase Street Construction Maint. & Repair Fund by \$1,301, Cemetery Fund by \$827, CMHA Fund by \$1,200, Permissive Motor Vehicle License Tax Fund by \$464, Fire Levy Fund by \$2,436, Floodwall Fund by \$593, Fire 03 Fund by \$1,897 and Sewage Disposal Fund by \$281 decrease General Fund \$8,999.
- \$5,500 IRS penalty and interest was not recorded. The financial statements were adjusted to record the General Fund for \$2,750 and Fire Levy Fund \$2,750.
- \$4,624 of State Cents per Gallon Tax was incorrectly posted to the State Highway Fund instead of the Street Construction Maint. & Repair Fund. The financial statements were adjusted to reflect the revenue in the Street Construction Maint. & Repair Fund.
- \$2,729 of County Vehicle Registration Tax was incorrectly posted to Permissive MVL Fund instead of the Street Construction Maint. & Repair Fund. The financial statements were adjusted to reflect the revenue in the Street Construction Maint. & Repair Fund.

We noted the following posting errors in **2015**:

- \$100,000 for the sale of Village property was not posted to the Capital Improvement Fund. The Village sold the poundage area for \$300,000. Per ordinance, the revenue was to be recorded in the Capital Improvement Fund, only \$200,000 of the \$300,000 was transferred from the General Fund to Capital Improvement Fund. The financial statements have been adjusted to reclassify the additional \$100,000.
- \$47,035 for three months Medical/Hospitalization charges were not recorded to the accounting system, although the payments were made to Anthem. The financial statements were adjusted to record the payments in the appropriate funds as follows; General fund by \$31,352, Street Construction Maint. & Repair by \$4,239, Cemetery by \$2,393 and Fire Levy by \$9,051.
- \$45,600 for the sale of Village property was incorrectly posted to the General Fund. The financial statements were adjusted to record the proceeds to the Capital Improvement Fund.

VILLAGE OF WELLSVILLE  
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SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

**FINDING NUMBER 2015-011 (continued)**

We noted the following posting errors in **2015** (continued)

- \$18,804 for three months property liability charges were not recorded to the accounting system, although the payments were made to Westfield. The financial statements were adjusted to record the payments in the appropriate funds as follows; General Fund by \$4,701, Street Construction Maint. & Repair Fund by \$4,701, Cemetery by \$4,701 and Fire Levy Fund by \$4,701.
- \$27,113 of Anthem (Medical/Hospitalization) expenditures were posted to various incorrect funds. The financial statements were adjusted to redistribute the payments to the appropriate funds as follows: increase General Fund by \$7,939; Street Construction Maint. & Repair Fund by \$820; Fire Levy Fund by \$4,797 and decrease Cemetery Fund \$2,494; CMHA Fund by \$1,009, Fire 03 by \$6,035 and Sewage Disposal Fund by \$4,019
- \$14,593 of Principal and Interest payments were incorrectly posted as motor vehicle expenditure for the loan payment of the Police Cruisers. The financial statements were adjusted as follows; in the General fund the motor vehicle account was reduced by \$14,593 and Principle and Interest accounts were increased by \$14,097 and \$496 respectively
- \$9,656 of Westfield (Property Liability) expenditures were posted to various incorrect funds. The financial statements were adjusted to redistribute the payments to the appropriate funds as follows: increase Street Construction Maint. & Repair by \$1,776, Cemetery \$1,776 and Fire Levy by \$1,276 and decrease General by \$3,356; and Sewage Disposal Fund by \$1,472
- \$7,493 of Principal and Interest payments were incorrectly posted as equipment for the loan payment of the Backhoe. The financial statements were adjusted as follows; the Capital Improvement Fund the Equipment account was reduced by \$7,493 and the Principle and Interest accounts were increased by \$6,435 and \$1,058 respectively.

The Village has made all the appropriate adjustments identified.

Because the prior two Fiscal Officers failed to maintain complete and accurate accounting records and perform monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner.

To help ensure the Village's financial records are complete and accurate the Fiscal Officer should complete monthly bank reconciliations in a timely manner. Council should review the reconciliations and any unexplained and unsupported differences should be thoroughly explained and documented. The Village should also refer to the UAN Accounting training manual for additional guidance in recording receipts and expenditures in the UAN System.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

**FINDING NUMBER 2015-012**

**Material Weaknesses**

**Stale Dated Checks**

As repeated in the prior year management letter, there is no policy implemented in regards of outstanding checks. In 2016, the Fiscal officer has contacted Local Government Service in regards of checks that are 4 years outstanding. The prior two Fiscal Officers failed to address these outstanding checks thus making bank reconciliations more cumbersome. The Auditor of State, Management Advisory Services (MAS) Bulletin 91-11 addresses the accounting procedures to follow regarding outstanding, stale dated checks issued by governmental entities. Section 9.39 of the Ohio Rev. Code provides that unclaimed money shall be deposited to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the General fund of the Public Office.

The Village's cash reconciliation as of December 31, 2015 and 2014 included 70 [53%] and 49 [46%] checks, respectively, that were outstanding longer than one year and several of these checks have been outstanding since 2011. This may result in a cumbersome and/or incorrect reconciliation.

We recommend the Village implement policies and procedures which include reviewing the outstanding check list for any stale dated checks and then place these checks in an unclaimed money fund as provided for in MAS Bulletin 91-11.

**FINDING NUMBER 2015-013**

**Material Weaknesses**

**Monitoring Village Financial Activity – Segregation of Duties**

The small size of the Village's staff does not allow for an adequate segregation of duties; the Fiscal Officer must perform all accounting functions. It is therefore important that Council and the Finance Committee monitor financial activity closely.

The Village Council appoints three members for the Finance Committee. The Committee is led by the Chairman. The Chairman's responsibility is to ensure the Committee is in part reviewing all the financial activity and financial position of the Village. The Village was recently placed in fiscal emergency as declared by the Auditor of State's office. Because the Village is in their third fiscal emergency, it is apparent the Chairman is not providing the Committee with the appropriate information which would be relevant to their decision making process which in turn is not providing Council with complete and accurate financial information in order for Council to make the appropriate decisions. Due to the lack of monitoring of the financial and budgetary reports, Council and the Committee was unaware of the financial position of the Village.

To strengthen internal accounting and administrative controls, we recommend that personnel independent of the financial record-keeping process (such as a finance committee) perform the following:

- Meets on a regular basis to review year-to-date income tax receipts, total revenues, expenditures/disbursements and current cash balances
- In conjunction with other Committees, reviews and prioritizes potential projects to be completed in the current and upcoming years

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

□ FINDING NUMBER 2015-013 (continued)

**Monitoring Village Financial Activity – Segregation of Duties (continued)**

- Review and update the Five-Year Capital Improvement Plan with the goal of presenting legislation to Council for approval at the Regular Council Meeting
- Review the upcoming year's preliminary Operating Budget and Capital Budget, which includes departmental purchases and projects, infrastructure projects and maintenance contracts
- Meet with department heads to discuss departmental capital requests Discuss debt service with a commitment to paying down debt (if any)
- Discuss various way to curb Village spending to become more efficient
- The Committee and/or Council-as-a-whole meet to debate and analyze the Capital and Operating budgets
- The Committee and/or Council-as-a-whole meets to firm up each budget document, and reach a consensus on a final budget document with the goal of adopting a budget for the upcoming year
- Review any matters of importance brought forth by the Finance Department and Finance Team
- Review proposed new or revised legislation that requires Committee-level discussion with a goal of making a recommendation to Council-as-a-whole
- Review the monthly bank reconciliations performed by the Fiscal Officer to verify that a reconciliation is performed each month between the bank balances and the fund cash balances, verify that the reconciliation includes all active and invested monies under the control of the Village, and review the following month's bank statement to verify that the prior month's reconciling items, such as deposits-in-transit and outstanding checks, were accurately stated.
- Review billings from retirement systems, payroll withholdings, insurance, and utilities to ensure the obligations of the Village are being paid in a timely manner.
- Review results of audits and develop plans of action in regards to any noncompliance and control weaknesses identified. We recommend Council carefully review the aforementioned information and make appropriate inquiries to help determine the continued integrity of financial information.

This information also provides important data necessary to manage the Village. This information can help answer questions such as the following:

1. Are current receipts sufficient to cover expenditures?
2. Are expenditures in line with prior year costs?
3. If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
4. Are anticipated receipts being timely received?
5. Are the Village records and reports maintained and presented in a manner that provides accurate and meaningful information to Council?
6. Are expenditures being made within the appropriations approved by Council?

When performing such reviews, the officials' signatures or initials and the date should be affixed to the records examined, which should be retained to document such reviews. In addition, the records examined and the conclusions should be noted in the Council minutes each month.

By implementing these recommendations, this may help the Village improve their financial position.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

**FINDING NUMBER 2015-014**

**Material Weaknesses**

**Budgetary Monitoring Controls**

Entities require strong controls over the budgetary Ohio Revised Code compliance requirements. These internal controls should provide monitoring over compliance with applicable Ohio Revised Code Sections. The Village lacks monitoring controls over completing the necessary paperwork annually to be in compliance with the applicable Ohio Revised Code compliance sections.

Lack of such internal controls facilitates the Village's noncompliance with certain rules and regulations and could facilitate over spending of available monies.

We recommend the Village consider implementing a 'due date' system that denotes significant budgetary filing requirements and their respective due dates. We further recommend the Village Council designate a council member to oversee the implementation and compliance with this system. This will help ensure all required documents are properly approved and submitted as required in a timely basis.

**FINDING NUMBER 2015-015**

**Performance Audit:**

Performance audits provide elected officials and government employees with an objective, third-party analysis of their operations to help them improve performance, reduce costs, and make informed, data-driven decisions. The Auditor of State's office conducts performance audits of Ohio's schools, local governments and state agencies.

A performance audit is a non-recurring examination of the economy, efficiency and effectiveness of government programs and functions. The principles guiding performance auditing are often called the "Three Es":

- The principle of ECONOMY is keeping the cost low.
- The principle of EFFICIENCY is getting the most out of available resources.
- The principle of EFFECTIVENESS is meeting the objectives set.

Tailored to each client, Auditor of State performance audits are flexible and may include a range of subject areas. Performance audits can analyze the operations of an entire entity or a particular department. They can also examine a function or service that cuts across the operation or a single issue that involves several departments.

Some examples of areas commonly analyzed are staffing, health insurance, collective bargaining agreements, employee compensation, contract management, transportation systems, and facility and asset utilization. Results may identify cost savings, duplicative or underused services that could be reduced or eliminated, and gaps and overlaps in services. Performance audits are collaborative efforts requiring the participation of the governments being audited during all three phases of the engagement: planning, fieldwork and reporting.

A performance audit can be used by the Village to improve operations, identify cost savings and produce sustainable, balanced budgets.

We recommend the Village consider obtaining a performance audit. This audit can be used by the Village seeking to improve operations, identify cost savings and produce sustainable, balanced budgets.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(continued)

**FINDING NUMBER 2015-016**

**Long Term Financial Planning:**

Long-term financial planning combines financial forecasting with strategizing. It is a highly collaborative process that considers future scenarios and helps governments navigate challenges. Long-term financial planning works best as part of an overall strategic plan. Financial forecasting is the process of projecting revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables.

Long-term financial planning is also the process of aligning financial capacity with long-term service objectives. Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of the government's service objectives and financial challenges.

The Village has not performed any type of long term financial planning. The Village should consider asking the Local Government Services of the Auditor of State's office to perform this forecast. The forecast can then be used to identify potential challenges to fiscal stability. These could be fiscal deficits (e.g., expenditures outpacing revenues), environmental challenges (e.g., unfavorable trends in the environment), or policy weaknesses (e.g., weaknesses in the financial policy structure).

**Significant Deficiency**

**FINDING NUMBER 2015-017**

**Christmas Dinners**

On December 19, 2014 and December 18, 2015 the prior Mayor held a Christmas dinner for the employees at Abdalla's Steak House in Stratton, Ohio. We noted the Mayor purchased liquor in the amount of \$109.50 (total costs \$695.84) for the Christmas dinner in 2014. The cost for the 2015 Christmas dinner was \$650. The cost was charged to the General Fund which as of December 31, 2015 had a deficit balance of (\$202,293). We were unable to locate any prior authorization from Council in the minutes.

As indicated in the Auditor of State's Bulletin 2003-005 "the use of public funds to purchase alcoholic beverages will be considered arbitrary and incorrect and will be cited by the Auditor of State's Office." Accordingly, the Auditor of State since 2003 has consistently applied the policy that the use of public funds for the purchase and individual consumption of alcoholic beverages is improper.

Council should develop and implement a policy regarding the purchase of alcoholic beverages. We also recommend when the Village's General Fund has a deficit any such expenditures should be approved by Council prior to incurring the expenditure as noted in Finding 2015-001.

# Village of Wellsville

1200 Main Street, Wellsville, Ohio, 43968

Mayor: Nancy Murray

Phone Number: 330-532-2524

First and foremost the current Council Members and the current Mayor would like to thank Ms. Hoi Wah Black, current Fiscal Officer, along with Nita Hendryx, Tisha Turner and their staff, Local Government Services, (LGS) (a division of the Auditor of State's office) for all their time, hard work and dedication to the Village in the reconstruction of the Village financial records.

Council and the Mayor realizes the importance of these findings and will ensure policy and procedures are developed in order for the Village to be in compliance with all the findings noted in the audit report.

For all budgetary findings (2015-001, 2015-004, 2015-005 and 2015-014) Council will work closely with the Finance Committee and the Fiscal Officer to ensure the Village will be in compliance. The Chairman of the Finance Committee will work closely with the Fiscal Officer in providing Council with all the appropriate budgetary reports and necessary financial information Council will be able to have accurate and complete information in order for Council to make their decisions regarding financial matters.

For finding 2015-002 Council has instructed the Fiscal Officer to draft a procedure and present to Council for their approval to ensure the Village will be in compliance with this Revised Code Section.

For finding 2015-003 Council takes this finding seriously and wants to ensure the Village has a policy and procedures in place to help prevent and detect fraud from occurring. The Fiscal Officer has already implemented procedures to ensure all employees have completed the receipt of Auditor of State fraud-reporting system. Council will strongly take into consideration their appointment for Chairperson of the Finance Committee. The policies will be provided to each employee and along with the elected officials to sign and are placed in their personnel file.

For finding 2015-006 Council and the Mayor was unaware these 1099's were not appropriately submitted to the IRS. Council has instructed the current Fiscal Officer to submit these 1099's to the IRS for their review.

For Finding 2015-007 Council and the Mayor will be working the Fiscal Officer, Finance Committee and the State Commission Board in developing a financial plan to bring the Village out of fiscal emergency. The Fiscal Officer has been instructed not to certify any expenditures, except in emergencies, unless the expense is within the appropriations and approved by the Mayor and Council. All requests for expenditures should be approved by the department head, certified by the Fiscal Officer and presented to the Finance Committee for approval prior to authorizing such expense. We feel this will help to alleviate any deficit balances and help to ensure the Village operates within their adopted budget.

For Finding 2015-008 Council and the Mayor will review this finding to determine the procedures necessary to ensure the Zoning Officer is in compliance with the Village Ordinance. Council will also review and modify the ordinance to ensure it covers all applicable areas as identified in this finding. The Fiscal Officer will ensure that all appropriate recommendations regarding the financial records are implemented.

For Finding 2015-009, Council and the Mayor wants to thank the current Fiscal Officer for her time and effort in researching the discrepancy between the statements filed with the Social Security Administration and the tax returns saving the Village \$67,702. The Finance Committee along with Council will review to ensure the appropriate pension plans are paid within the time frame allotted.

For Finding 2015-010, 2015-011 and 2015-012 – Again the current Fiscal Officer has ensured the Village is reconciled on a monthly basis and is working with LGS to resolve any issues which occur. Council also recognizes the amount of time and effort it took for the current Fiscal Officer to resolve over 800 adjustments to the Village records.

For Finding 2015-013 – Council and the Mayor takes this recommendation very seriously. We are implementing steps to ensure the Finance Committee is taking into consideration all the points of focus included in this recommendation. Council feels that if they implement this recommendation this will help to ensure the Village will become fiscally sound.

For Finding 2015-015 and 2015-016 – This Fiscal Officer is working with LGS to implement these recommendations.

For Finding 2017-017 – Council will be passing an ordinance with prohibits the purchase of alcohol with tax payers money. Council, Mayor and the Fiscal Officer will review each expenditure to ensure all expenditures are for proper public purpose.

The Village Council, Mayor and Fiscal Officer will work diligently together to strive for the best to correct all of the findings noted in the report and to help the Village improve their financial position.

  
\_\_\_\_\_  
Nancy Murray, Mayor

4/16/17  
Date

  
\_\_\_\_\_  
Randy Allmon, President of Council

4/9/17  
Date

  
\_\_\_\_\_  
Hoi Wah Black, Fiscal Officer

4/16/17  
Date



**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<b>Ohio Revised Code §5705.14</b> Illegal transfers of funds	Yes	Finding No Longer Valid
2013-002	<b>Material Weakness:</b> Maintaining Accurate Financial Statements.	No	Not Corrected. Repeated as 2015-014
2013-003	<b>Material Weakness:</b> Circumvent the computer & wrote manual checks. Manual non-payroll checks not in issued sequential order	Yes	Finding No Longer Valid
2013-004	Sewage and Billing Collections, a <b>SOC 1</b> report is not completed for United Water Services	No	Not Corrected. Repeated in the Management Letter Auditors Performed Alternative Steps

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# Dave Yost • Auditor of State

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  
SEPTEMBER 5, 2017