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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 Year Ended

December 31, 2016

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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, 2016 through December 31, 2016. 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.

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.

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

Dave Yost  
Auditor of State

June 12, 2017

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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 year ended December 31, 2016.

### ***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, 2016, or changes in financial position or cash flows thereof for the year 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, 2016, and its combined cash receipts and disbursements for the year 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 14, 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 13 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 13. 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 April 19, 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.  
DN: cn=Alger and Associates Inc, o, ou, email=ksalger46@att.net, c=US  
Date: 2017.05.22 11:23:05 -04'00'

Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, Ohio  
April 19, 2017

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**Village of Wellsville, Ohio**  
**Columbiana County**  
*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$85,186	\$315,009	\$0	\$0	\$400,195
Municipal Income Tax	511,700	0	12,000	0	523,700
Intergovernmental	54,101	228,811	0	0	282,912
Charges for Services	44,268	41,160	0	0	85,428
Fines, Licenses and Permits	94,022	4,148	0	0	98,170
Earnings on Investments	1,695	48	0	0	1,743
Miscellaneous	28,004	5,438	0	0	33,442
<i>Total Cash Receipts</i>	<u>818,976</u>	<u>594,614</u>	<u>12,000</u>	<u>0</u>	<u>1,425,590</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	475,039	346,723	0	0	821,762
Public Health Services	0	72,806	0	0	72,806
Leisure Time Activities	4,245	0	0	0	4,245
Community Environment	0	9,826	0	0	9,826
Transportation	0	147,878	0	0	147,878
General Government	427,940	2,200	0	0	430,140
Capital Outlay	21,186	6,968	45,769	0	73,923
Debt Service:					
Principal Retirement	0	2,206	0	0	2,206
Interest and Fiscal Charges	0	286	0	0	286
<i>Total Cash Disbursements</i>	<u>928,410</u>	<u>588,893</u>	<u>45,769</u>	<u>0</u>	<u>1,563,072</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(109,434)</u>	<u>5,721</u>	<u>(33,769)</u>	<u>0</u>	<u>(137,482)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets	0	0	65,169	0	65,169
Transfers In	158,964	0	0	0	158,964
Transfers Out	0	0	(158,964)	0	(158,964)
Advances In	0	5,100	0	0	5,100
Advances Out	(5,100)	0	0	0	(5,100)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>153,864</u>	<u>5,100</u>	<u>(93,795)</u>	<u>0</u>	<u>65,169</u>
<i>Net Change in Fund Cash Balances</i>	44,430	10,821	(127,564)	0	(72,313)
<i>Fund Cash Balances, January 1</i>					
<i>- Restated (See Note 3)</i>	<u>(202,125)</u>	<u>26,117</u>	<u>206,903</u>	<u>40,105</u>	<u>71,000</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	0	0	0	40,105	40,105
Restricted	0	89,701	79,339	0	169,040
Unassigned (Deficit)	<u>(157,695)</u>	<u>(52,763)</u>	<u>0</u>	<u>0</u>	<u>(210,458)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$157,695)</u>	<u>\$36,938</u>	<u>\$79,339</u>	<u>\$40,105</u>	<u>(\$1,313)</u>

See accompanying notes to the basic financial statements

**Village of Wellsville, Ohio**  
**Columbiana County**  
*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2016*

	Proprietary Fund Type	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$682,235	\$0	\$682,235
Fines, Licenses and Permits	0	72,938	72,938
<i>Total Operating Cash Receipts</i>	<u>682,235</u>	<u>72,938</u>	<u>755,173</u>
<b>Operating Cash Disbursements</b>			
Personal Services	24,373	0	24,373
Employee Fringe Benefits	11,420	0	11,420
Contractual Services	589,090	0	589,090
Supplies and Materials	52,395	0	52,395
Other	3,328	70,214	73,542
<i>Total Operating Cash Disbursements</i>	<u>680,606</u>	<u>70,214</u>	<u>750,820</u>
<i>Operating Income (Loss)</i>	<u>1,629</u>	<u>2,724</u>	<u>4,353</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	118,000	0	118,000
Capital Outlay	(202)	0	(202)
Principal Retirement	(82,487)	0	(82,487)
Interest and Other Fiscal Charges	(4,401)	0	(4,401)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>30,910</u>	<u>0</u>	<u>30,910</u>
<i>Net Change in Fund Cash Balances</i>	32,539	2,724	35,263
<i>Fund Cash Balances, January 1</i>	<u>423,358</u>	<u>2,186</u>	<u>425,544</u>
<i>Fund Cash Balances, December 31</i>	<u>\$455,897</u>	<u>\$4,910</u>	<u>\$460,807</u>

See accompanying notes to the basic financial statements

**Village of Wellsville, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

The Village of Wellsville (the Village), Columbiana County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, park operations, and police and fire services. The Village has a property tax levy to support a volunteer fire department.

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.

***Public Entity Risk Pool***

The Village participates in Public Entities Pool of Ohio (PEP), a risk-sharing pool. Note 8 to the financial statements provide additional information for the risk sharing pool. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Fire Levy Fund*** The fire levy fund accounts for and reports property taxes restricted for fire protection.

**Village of Wellsville, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**Fund Accounting (continued)**

**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 fund:

**Capital Improvement Fund** The capital improvement fund accounts for and reports income taxes for various capital improvement projects throughout the Village.

**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** The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

**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 Fund:

**Sewer Fund** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**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 funds accounts for unclaimed monies and magistrate court activities.

**Basis of Accounting**

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.

**Village of Wellsville, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**Budgetary Process**

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

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

**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.

**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.

A summary of 2016 budgetary activity appears in Note 5.

**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 had no investments during the year or at year-end.

**Capital Assets**

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

**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.

**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:

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

**Village of Wellsville, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Fund Balance**

**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.

**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.

**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.

**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.

**Note 3 - Prior Period Adjustments**

During 2016, the Village had to void and reissue a warrant that was issued in 2015. This fund balance adjustment had the following effect:

	General	Special Revenue	Capital Projects	Permanent	Total
Fund Cash Balance (Deficit), December 31, 2015	(\$202,293)	\$26,117	\$206,903	\$40,105	\$70,832
Voided Prior Year Warrants	168	0	0	0	168
Adjusted Fund Cash Balance (Deficit), December 31, 2015	<u>(\$202,125)</u>	<u>\$26,117</u>	<u>\$206,903</u>	<u>\$40,105</u>	<u>\$71,000</u>



**Village of Wellsville, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 4 - Compliance**

The following funds had appropriations in excess of estimated available resources, contrary to Ohio Revised Code Section 5705.39 at December 31, 2016.

Fund	Estimated Available Resources	Appropriations	Excess
General	\$767,975	\$914,415	(\$146,440)
Special Revenue Funds:			
State Highway	6,958	7,973	(1,015)
Cemetery	51,233	73,965	(22,732)
Law Enforcement	91,656	169,291	(77,635)
Permissive Motor Vehicle License	43,624	50,262	(6,638)
Police Salary Levy	22,712	33,900	(11,188)
Fire Levy 2003	22,261	33,551	(11,290)
Police Levy	32,401	35,821	(3,420)

The following funds had expenditures plus encumbrances in excess of appropriations, contrary to Ohio Revised Code Section 5705.41(B) at December 31, 2016.

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Excess
General	\$918,073	\$935,670	(\$17,597)
Special Revenue Funds:			
Cemetery	73,977	74,380	(403)
CMHA	42,230	57,789	(15,559)
Permissive Motor Vehicle License	43,624	50,262	(6,638)
Police Pension	18,190	20,631	(2,441)
Mayor's Court Computer	250	2,200	(1,950)
Fire Levy 2003	33,551	41,583	(8,032)
Police Donations	2,500	5,968	(3,468)
Police Levy	36,056	49,226	(13,170)
Capital Projects Fund:			
Capital Improvement	12,184	204,733	(192,549)
Enterprise Funds:			
Sewage Disposal	380,338	388,875	(8,537)
Sewage Update	300,000	379,224	(79,224)

**Village of Wellsville, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 4 – Compliance** (continued)

The Village had negative cash fund balances in the following funds at December 31, 2016 indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10(H):

General Fund	\$157,695
Special Revenue Funds:	
Cemetery	26,442
CMHA	3,319
Police Salary Levy	2,883
Fire 2003 Levy	11,172
Police Operating Levy	8,937

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 establish, by resolution or ordinance, setting the amount of blanket purchase orders as required by Ohio Revised Code Section 5705.41(D).

**Note 5 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$973,758	\$977,940	\$4,182
Special Revenue	1,157,963	594,614	(563,349)
Capital Projects	77,700	77,169	(531)
Enterprise	787,000	800,235	13,235
Total	\$2,996,421	\$2,449,958	(\$546,463)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$918,073	\$935,670	(\$17,597)
Special Revenue	625,486	593,529	31,957
Capital Projects	12,184	204,733	(192,549)
Enterprise	680,338	768,099	(87,761)
Permanent	36,898	5,000	31,898
Total	\$2,272,979	\$2,507,031	(\$234,052)

**Village of Wellsville, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 – 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:

Demand deposits	\$225,314
Certificates of deposit	<u>234,180</u>
Total deposits	<u><u>\$459,494</u></u>

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

**Note 7 – Taxes**

***Property Taxes***

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

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

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

***Income Taxes***

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 - Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Village of Wellsville, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 8 - Risk Management** *(continued)*

During 2016, the Village joined the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

***Casualty and Property Coverage***

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

***Financial Position***

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available)

	2014	2015
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	\$23,038,920	\$25,548,550

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$0.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Village of Wellsville, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 9 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

***Ohio Police and Fire Retirement System***

Some Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. 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. The Village has paid all contributions required through December 31, 2016.

***Social Security***

The Village's volunteer fire department employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 10 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Village of Wellsville, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 11 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Beginning Balance	Issued	Payments	Ending Balance
Ohio Public Works	\$210,093	\$0	(\$17,596)	\$192,497
Kansas State Bank	27,791	0	(6,633)	21,158
Ohio Water Development Authority Loan	214,371	0	(60,464)	153,907
<b>Totals</b>	<b>\$452,255</b>	<b>\$0</b>	<b>(\$84,693)</b>	<b>\$367,562</b>

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 Loans		Kansas State Bank	
	Principal	Principal	Interest	Principal	Interest
2017	\$17,595	\$61,729	\$2,565	\$6,839	\$654
2018	17,595	63,019	1,274	7,050	442
2019	17,595	6,302	273	7,269	224
2020	17,595	6,365	210	0	0
2021	17,595	6,429	146	0	0
2022-2026	31,469	10,063	98	0	0
2027-2031	25,191	0	0	0	0
2032-2036	25,191	0	0	0	0
2037-2042	22,671	0	0	0	0
<b>Total</b>	<b>\$192,497</b>	<b>\$153,907</b>	<b>\$4,566</b>	<b>\$21,158</b>	<b>\$1,320</b>

**Village of Wellsville, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 12 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 13: Going Concern**

As of December 31, 2016, the Village had negative fund balances in the General Fund of (\$157,695), Cemetery Fund (\$26,452), CMHA (3,319), Police Salary Levy Fund (\$2,883) the Fire 2003 Fund (\$11,172) and Police Operating Levy (\$8,937).

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 14: Fiscal Emergency**

In accordance with Section 118.03, Ohio Revised Code, the Village was placed in fiscal emergency by the Auditor of State's office on November 15, 2016. 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 year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 19, 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 14, 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(s) 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-008 through 2016-012 material weaknesses.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2016-001 through 2016-007.

### ***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



Digitally signed by Alger and Associates Inc.  
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Date: 2017.05.22 11:22:43 -04'00'

Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, Ohio  
April 19, 2017

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016

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

FINDING NUMBER 2016-001

**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.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

**FINDING NUMBER 2016-001** *(continued)*

During fiscal year 2016, 16 out of the 24 (67%) 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 Council did not establish, by resolution or ordinance, a blanket certificate limit.

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 2016-002**

**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, 2016 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.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016

FINDING NUMBER 2016-003

Noncompliance

Appropriations Limited By Estimated Revenue

Ohio Revised Code § 5705.39, states that total appropriations from each fund shall not exceed the total estimated resources. An appropriation measure is not effective until the County Auditor certifies that appropriations from each fund do not exceed the total official estimate approved by the County Budget Commission. As of December 31, 2016, the following funds had appropriations in excess of estimated resources.

Fund	Estimated Available Resources	Appropriations	Excess
General	\$767,975	\$914,415	(\$146,440)
Special Revenue Funds:			
State Highway	6,958	7,973	(1,015)
Cemetery	51,233	73,965	(22,732)
Law Enforcement	91,656	169,291	(77,635)
Permissive Motor Vehicle License	43,624	50,262	(6,638)
Police Salary Levy	22,712	33,900	(11,188)
Fire Levy 2003	22,261	33,551	(11,290)
Police Levy	32,401	35,821	(3,420)

We recommend the Fiscal Officer and Council monitor appropriations throughout the year to ensure that they do not exceed the total estimated resources. No expenditures or commitments should be made until the County Auditor certifies that the appropriations from each fund do not exceed the official estimates.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

**FINDING NUMBER 2016-004**

**Noncompliance**

**Expenditures Limited by Appropriations**

**Ohio Rev. Code § 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The following funds had expenditures that exceeded appropriations:

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Excess
General	\$918,073	\$935,670	(\$17,597)
Special Revenue Funds:			
Cemetery	73,977	74,380	(403)
CMHA	42,230	57,789	(15,559)
Permissive Motor Vehicle License	43,624	50,262	(6,638)
Police Pension	18,190	20,631	(2,441)
Mayor's Court Computer	250	2,200	(1,950)
Fire Levy 2003	33,551	41,583	(8,032)
Police Donations	2,500	5,968	(3,468)
Police Levy	36,056	49,226	(13,170)
Capital Projects Fund:			
Capital Improvement	12,184	204,733	(192,549)
Enterprise Funds:			
Sewage Disposal	380,338	388,875	(8,537)
Sewage Update	300,000	379,224	(79,224)

This situation increases the possibility that deficit spending may occur.

We recommend that Management monitor their budgetary accounts throughout the year to ensure that expenditures do not exceed appropriations and prior year carryover encumbrances. Fund appropriations should be amended to correspond with any increase or decrease in fund expenditures.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016

FINDING NUMBER 2016-005

**Noncompliance**

**Negative Fund Balance**

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, 2016 in the following funds.

General Fund	\$157,695
Special Revenue Funds:	
Cemetery	26,452
CMHA	3,319
Police Salary Levy	2,883
Fire 2003 Levy	11,172
Police Operating Levy	8,937

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.

FINDING NUMBER 2016-006

**Noncompliance**

**Fraud Reporting System**

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?

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

**FINDING NUMBER 2016-006** *(continued)*

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.

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 2016-007**

**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;



**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

**FINDING NUMBER 2016-007** *(continued)*

- (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)

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 two receipts were written for \$10, however, the deposits were for \$20. We also noted one receipt for \$50 was not deposited.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

**FINDING NUMBER 2016-007** *(continued)*

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 and remitted to the Fiscal Officer on a timely basis. 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.

**FINDING NUMBER 2016-008**

**Material Weakness**

**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 5 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, 2016 included 90 [70%] 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 2016-009**

**Material Weakness**

**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.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

**FINDING NUMBER 2016-009** *(continued)*

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
- 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.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

**FINDING NUMBER 2016-009** *(continued)*

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.

**FINDING NUMBER 2016-010**

**Material Weakness**

**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.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

**FINDING NUMBER 2016-011**

**Material Weakness**

**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.

**FINDING NUMBER 2016-012**

**Material Weakness**

**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.

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016

FINDING NUMBER 2016-012 *(continued)*

**Material Weakness:**

**Long Term Financial Planning:** *(continued)*

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).

# Village of Wellsville

1200 Main Street, Wellsville, Ohio, 43968

Phone Number: 330-532-2524

Mayor: Nancy Murray

The current Council Members and the current Mayor would like to thank Nita Hendryx, Tisha Turner and their staff, Local Government Services, (LGS) (a division of the Auditor of State's office) for their time, hard work, advices, and their expertise to the Village in helping the Village to continue recovering from our financial difficulties.

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 (2016-001, 2016-002, 2016-003, 2016-004 and 2016-005) Council will work closely with the Finance Committee and the Fiscal Officer to ensure the Village will be in compliance. The Fiscal Officer will improve controls over the disbursement process, to certify funds only if it's available and to avoid overspending completely. The Chairman of the Finance Committee will work closely with the Fiscal Officer in monitoring the expenditures throughout the year, to ensure they do not exceed the appropriations. Also the Council and Fiscal officer will work together to ensure the appropriations do not exceed the estimated resources and will not create a larger amount of deficit funds.

For finding 2016-006 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. Council will also develop a policy in regards of abuse, to ensure there is not improper and unethical practice of behavior. 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 2016-007 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 2016-008, the Fiscal Officer is working with LGS to implement these recommendations.

For Finding 2016-009 and 2016-010, Council and the Mayor take 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 2016-011 and 2016-012, the Mayor has been preparing a financial plan to present to Council. Council and the Mayor are also working with the Fiscal Emergency Planning Commission and the

financial supervisors from Local Government Services, to prepare a five year forecast to achieve long term stability and sustainability of the Village's financial status.

The Village Council, Mayor and Fiscal Officer will continue to 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

5/17/17  
\_\_\_\_\_  
Date

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

5/17/17  
\_\_\_\_\_  
Date

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

5/17/17  
\_\_\_\_\_  
Date



**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2015-001	<b>Ohio Revised Code §5705.10 (H)</b> Negative cash fund balances	No	Not Corrected. Repeated as 2016-005
2015-002	<b>Ohio Revised Code §5705.41 (D) (1)</b> Expenditures made without prior certification	No	Not Corrected. Repeated as 2016-001
2015-003	<b>Ohio Revised Code §117.103 (B)(1)</b> Fraud Reporting System	No	Not Corrected. Repeated as 2016-006
2015-004	<b>Ohio Revised Code §5705.38 (A)</b> Adoption of Annual Appropriation Measure <b>ORC §5705.41 (B)</b> Making expenditures unless properly appropriated	No	Not Corrected. Repeated as 2016-004
2015-005	<b>Ohio Revised Code §5705.38 (C)</b> Budget Control at minimum level	No	Not Corrected. Repeated as 2016-002
2015-006	<b>Federal §26.C.F.R. Section 1.6041-1</b> Proper Filing of 1099's	Yes	Finding No Longer Valid
2015-007	<b>Ohio Revised Code §117.38</b> File Accurate Annual Report with the Auditor of State within 60 days	Yes	Finding No Longer Valid
2015-008	<b>Village Ordinance § 151</b> Zoning Rules and Regulations were not being adhered to	No	Not Corrected. Repeated as 2016-007
2015-009	<b>Federal Withholding Tax/OPERS/OP&amp;F</b> Village Failed to Remit Required Federal and State Pension withholdings in a Timely Manner	Yes	Finding No Longer Valid
2015-010	<b>Ohio Revised Code Chapters 705, 731, and 733</b> Powers and duties of the Village Council	Yes	Finding No Longer Valid
2015-011	<b>Ohio Admin Code § 117-2-02(A)</b> Maintain Accurate Financial Statements	Yes	Finding No Longer Valid
2015-012	<b>Material Weakness:</b> Stale Dated Checks.	No	Not Corrected. Repeated as 2016-008

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2015-013	<b>Material Weakness: Segregation of Duties</b>	No	Not Corrected. Repeated as 2016-009
2015-014	<b>Material Weakness:</b> Budgetary Monitoring Controls The Village lacks monitoring controls over completing the necessary paperwork annually to be in compliance with the applicable Ohio Revised Code compliance sections.	No	Not Corrected. Repeated as 2016-010
2015-015	<b>Material Weakness:</b> Performance Audit	No	Not Corrected. Repeated as 2016-011
2015-016	<b>Material Weakness:</b> Long Term Financial Planning	No	Not Corrected. Repeated as 2016-012
2015-017	<b>Significant Deficiency:</b> Public funds used to purchase alcohol	Yes	Finding No Longer Valid



# 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  
JUNE 27, 2017