



Mary Taylor, CPA
Auditor of State

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellsville, Columbiana County, Ohio (the Village), as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. The Auditor of State served during the year ended December 31, 2004 as the Village's financial supervisor under Ohio Rev. Code §118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to the audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellsville, Columbiana County, Ohio, as of December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General and Fire Levy thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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For the year ended December 31, 2004, the Government revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 1, 2007

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

This discussion and analysis of the Village of Wellsville's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2004 are as follows:

The Financial Planning and Supervision Commission has requested for the release of the Village of Wellsville from Fiscal Emergency.

The Village instituted the Uniform Accounting Network System in January 2004.

Net assets of governmental activities increased \$294,561, or 179 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund due to the sale of timber from Village owned property. The passage of a 1.4 mill fire levy in November 2003 resulted in \$36,000 additional revenue for the operation of the fire department.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 26 and 29 percent of the total cash received for governmental activities during the year. The Village has contracted with the Regional Income Tax Authority for collection of income taxes.

The sewer operation, the Village's lone business-type activity, increased \$151,545 due to the Village receiving a STAG grant for operations.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has one business-type activity, the provision of sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General and Fire Levy Special Revenue Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has one enterprise fund, the sewer fund. When the services are provided to other department of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Assets						
Cash and Cash Equivalents	\$455,311	\$161,845	\$505,886	\$471,507	\$961,197	\$633,352
Cash and Cash Equivalents in Segregated Accounts	<u>3,571</u>	<u>2,476</u>	<u>0</u>	<u>0</u>	<u>3,571</u>	<u>2,476</u>
Total Assets	<u>\$458,882</u>	<u>\$164,321</u>	<u>\$505,886</u>	<u>\$471,507</u>	<u>\$964,768</u>	<u>\$635,828</u>

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Net Assets						
Restricted for:						
Capital Outlay	\$9,681	\$11,000	\$0	\$0	\$9,681	\$11,000
Cemetery						
Nonexpendable	35,398	35,398	0	0	35,398	35,398
Expendable	145	145	0	0	145	145
Other Purposes	204,278	49,390	0	0	204,278	49,390
Unrestricted	209,380	68,388	505,886	471,507	715,266	539,895
Total Net Assets	\$458,882	\$164,321	\$505,886	\$471,507	\$964,768	\$635,828

As mentioned previously, net assets of governmental activities increased \$ 294,561 or 179 percent during 2004. The primary reasons contributing to the increases in cash balances are as follows:

- The sale of timber resulting in \$129,000 in 2004.
- Increases in salaries of 1 percent due to longevity increases.
- A 15 percent increase in cemetery rates resulting in an additional \$19,683.
- The passage of a 1.4 mill fire levy in November 2003 resulting in \$36,000 for the operation of the fire department.
- The retirement of the Village income tax clerk and the Village contracted with the Regional Income Tax Agency. This reduced operating costs of the income tax department by \$40,000 and increased income tax collections \$13,800 due to the collection of delinquencies.

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental	Business Type	Total
	Activities	Activities	
	2004	2004	2004
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$143,110	\$513,150	\$656,260
Operating Grants and Contributions	246,745	151,545	398,290
Total Program Receipts	\$389,855	\$664,695	\$1,054,550

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

(Table 2)
Changes in Net Assets
 (continued)

	Governmental Activities 2004	Business Type Activities 2004	Total 2004
Receipts:			
General Receipts:			
Property and Other Local Taxes	\$373,146	\$0	\$373,146
Income Taxes	424,871	0	424,871
Grants and Entitlements Not Restricted to Specific Programs	181,765	0	181,765
Interest	13,297	0	13,297
OPWC Loan Proceeds	0	19,323	19,323
Miscellaneous	68,600	3,136	71,736
Total General Receipts	<u>1,061,679</u>	<u>22,459</u>	<u>1,084,138</u>
Total Receipts	<u>1,451,534</u>	<u>687,154</u>	<u>2,138,688</u>
Disbursements:			
General Government	348,239	0	348,239
Security of Persons and Property:			
Police	459,345	0	459,345
Fire	195,310	0	195,310
Leisure Time Activities	13,349	0	13,349
Community Environment	42,516	0	42,516
Public Health Services	63,983	0	63,983
Transportation	173,938	0	173,938
Sewer	0	642,101	642,101
Total Disbursements	<u>1,296,680</u>	<u>642,101</u>	<u>1,938,781</u>
Excess Before Transfers and Special Items	154,854	45,053	199,907
Transfers	10,674	(10,674)	0
Special Item - Sale of Timber	129,033	0	129,033
Increase in Net Assets	294,561	34,379	328,940
Net Assets, January 1, 2004	<u>164,321</u>	<u>471,507</u>	<u>635,828</u>
Net Assets, December 31, 2004	<u>\$458,882</u>	<u>\$505,886</u>	<u>\$964,768</u>

Program receipts represent only 27 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 73 percent of the Village's total receipts, and of this amount, over 75 percent are local taxes. State and federal grants and entitlements make up consists of 17 percent of general receipts. Other receipts account for 8 percent and are somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the mayor, magistrate and fiscal officer, as well as internal services such as payroll and purchasing.

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the cemetery; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property, which account for 27 and 50 percent of all governmental disbursements, respectively. Transportation also represents a significant cost, about 13 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
General Government	\$348,239	\$348,239
Security of Persons and Property:		
Police	459,345	333,909
Fire	195,310	188,967
Leisure Time Activities	13,349	13,349
Community Environment	42,516	15,126
Public Health and Welfare	63,983	2,881
Transportation	<u>173,938</u>	<u>4,354</u>
Total Expenses	<u><u>\$1,296,680</u></u>	<u><u>\$906,825</u></u>

The dependence upon property and income tax receipts is apparent as over 62 percent of governmental activities are supported through these general receipts.

Business-type Activities

Net assets at the end of the year of \$505,886 represents an increase of \$34,379 from the prior year. The increase is the result of the Village receiving a STAG grant.

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The Village's Funds

Total governmental funds had receipts of \$1,451,534 and disbursements of \$1,296,680. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$140,992 as the result of the sale of timber.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to conservative estimates in income tax collections. The difference between final budgeted receipts and actual receipts was \$81,265.

Final disbursements were budgeted at \$755,708 while actual disbursements were \$717,226. The result is an increase in fund balance of \$140,992 for 2004.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure. The Village has acquired a software package to accomplish this task and is in the process of entering the necessary information. It is anticipated that this program will be fully functional for 2006 but reductions in staff may delay the implementation.

Debt

At December 31, 2004, the Village's outstanding debt consisted of the following:

(Table 4)
Outstanding Debt at Year End

	Business-Type Activities	
	2003	2004
OWDA Loans	\$989,497	\$875,063
OPWC Loans	232,312	213,476
USDA Loan	140,400	134,300
Total	\$1,362,209	\$1,222,839

The business-type activity debt will be paid from user charges. For further information regarding the Village's debt, refer to Note 9 to the basic financial statements.

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Current Issues

The financial future of the Village is not without its challenge though. These challenges are internal and external in nature. The internal challenges will continue to exist as the Village must rely heavily on local property taxes and income taxes to fund its operations. External challenges continue to evolve due to the State of Ohio's budget problems and the Ohio's legislature's mindset to change the tax structure of the State and thus affecting their payments to local governments. Even with these challenges, the Village of Wellsville has committed itself to financial excellence as witnessed by the fact that the Financial Planning and Supervision Commission has requested to release the Village from fiscal emergency.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to John McClelland, Clerk-Treasurer, Village of Wellsville, 1200 Main Street., Wellsville, Ohio 43968.

Village of Wellsville, Ohio
Statement of Net Assets - Cash Basis
December 31, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$455,311	\$505,886	\$961,197
Equity in Pooled Cash and Cash Equivalents In Segregated Accounts	<u>3,571</u>	<u>0</u>	<u>3,571</u>
Total Assets	<u>458,882</u>	<u>505,886</u>	<u>964,768</u>
Net Assets			
Restricted for:			
Capital Projects	9,681	0	9,681
Cemetery:			
Nonexpendable	35,398	0	35,398
Expendable	145	0	145
Other Purposes	204,278	0	204,278
Unrestricted	<u>209,380</u>	<u>505,886</u>	<u>715,266</u>
<i>Total Net Assets</i>	<u><u>\$458,882</u></u>	<u><u>\$505,886</u></u>	<u><u>\$964,768</u></u>

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended December 31, 2004

	Program Cash Receipts		
Cash Disbursements	Charges for Services	Operating Grants and Contributions	
Governmental Activities			
General Government			
Legislative and Executive	\$348,239	\$0	\$0
Security of Persons and Property:			
Police	459,345	83,127	42,309
Fire	195,310	510	5,833
Leisure Time Activities	13,349	0	0
Community Environment	42,516	0	27,390
Public Health and Welfare	63,983	59,473	1,629
Transportation	173,938	0	169,584
<i>Total Governmental Activities</i>	1,296,680	143,110	246,745
Business-Type Activities			
Sewer	642,101	513,150	151,545
<i>Total</i>	\$1,938,781	\$656,260	\$398,290

General Receipts

Property Taxes Levied for:

General Purposes

Police

Fire

Other Purposes

Income Taxes Levied for:

General Purposes

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

OPWC Loan Proceeds

Miscellaneous

Total General Receipts

Transfers

Special Item - Sale of Timber

Total Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the financial statements

Net (Disbursements) Receipts
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$348,239)	\$0	(\$348,239)
(333,909)	0	(333,909)
(188,967)	0	(188,967)
(13,349)	0	(13,349)
(15,126)	0	(15,126)
(2,881)	0	(2,881)
(4,354)	0	(4,354)
(906,825)	0	(906,825)
0	22,594	22,594
(906,825)	22,594	(884,231)
91,526	0	91,526
41,025	0	41,025
208,683	0	208,683
31,912	0	31,912
414,871	0	414,871
10,000	0	10,000
181,765	0	181,765
13,297	0	13,297
0	19,323	19,323
68,600	3,136	71,736
1,061,679	22,459	1,084,138
10,674	(10,674)	0
129,033	0	129,033
1,201,386	11,785	1,213,171
294,561	34,379	328,940
164,321	471,507	635,828
\$458,882	\$505,886	\$964,768

Village of Wellsville, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$205,809	\$43,680	\$205,822	\$455,311
Equity in Pooled Cash and Cash Equivalents In Segregated Accounts	3,571	0	0	3,571
Total Assets	209,380	43,680	205,822	458,882
Fund Balances				
Reserved for Encumbrances	500	50	8,718	9,268
Unreserved, Undesignated, Reported in:				
General Fund	208,880	0	0	208,880
Special Revenue Funds	0	43,630	151,880	195,510
Capital Projects Funds	0	0	9,681	9,681
Permanent Fund	0	0	35,543	35,543
Total Fund Balances	\$209,380	\$43,680	\$205,822	\$458,882

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2004

	General	Fire Levy	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Taxes	\$91,526	\$135,216	\$146,404	\$373,146
Municipal Income Taxes	414,871	0	10,000	424,871
Charges for Services	550	510	59,473	60,533
Fines, Licenses and Permits	82,153	0	424	82,577
Intergovernmental	140,633	19,758	264,661	425,052
Interest	13,152	0	1,774	14,926
Contributions and Donations	0	0	1,829	1,829
Other	65,624	826	2,150	68,600
<i>Total Receipts</i>	<u>808,509</u>	<u>156,310</u>	<u>486,715</u>	<u>1,451,534</u>
Disbursements				
Current:				
General Government				
Legislative and Executive	336,920	0	11,319	348,239
Security of Persons and Property:				
Police	366,957	0	92,388	459,345
Fire	0	144,366	50,944	195,310
Leisure Time Activities	13,349	0	0	13,349
Community Environment	0	0	42,516	42,516
Public Health and Welfare	0	0	63,983	63,983
Transportation	0	0	173,938	173,938
<i>Total Disbursements</i>	<u>717,226</u>	<u>144,366</u>	<u>435,088</u>	<u>1,296,680</u>
<i>Excess of Receipts Over Disbursements</i>	<u>91,283</u>	<u>11,944</u>	<u>51,627</u>	<u>154,854</u>
Other Financing Sources (Uses)				
Transfer In	50,674	118,062	13,565	182,301
Transfer Out	(129,998)	0	(41,629)	(171,627)
<i>Total Other Financing Sources (Uses)</i>	<u>(79,324)</u>	<u>118,062</u>	<u>(28,064)</u>	<u>10,674</u>
Special Item				
Sale of Timber	129,033	0	0	129,033
<i>Net Change in Fund Balance</i>	140,992	130,006	23,563	294,561
<i>Fund Balances Beginning of Year</i>	<u>68,388</u>	<u>(86,326)</u>	<u>182,259</u>	<u>164,321</u>
<i>Fund Balances End of Year</i>	<u><u>\$209,380</u></u>	<u><u>\$43,680</u></u>	<u><u>\$205,822</u></u>	<u><u>\$458,882</u></u>

See accompanying notes to the financial statements

Village of Wellsville, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$63,220	\$82,692	\$91,526	\$8,834
Municipal Income Taxes	286,565	374,826	414,871	40,045
Charges for Services	380	497	550	53
Fees, Licenses and Permits	54,279	70,997	82,153	11,156
Intergovernmental	97,140	127,059	140,633	13,574
Interest	9,085	11,883	13,152	1,269
Other	45,329	59,290	65,624	6,334
<i>Total Receipts</i>	555,998	727,244	808,509	81,265
Disbursements				
Current:				
General Government	336,078	354,997	336,920	18,077
Security of Persons and Property:				
Police	366,040	386,646	366,957	19,689
Leisure Time Activities	13,316	14,065	13,349	716
<i>Total Disbursements</i>	715,434	755,708	717,226	38,482
<i>Excess of Receipts Over Disbursements</i>	(159,436)	(28,464)	91,283	119,747
Other Financing Sources (Uses)				
Transfers In	35,002	45,783	50,674	4,891
Transfers Out	(129,673)	(136,973)	(129,998)	6,975
<i>Total Other Financing Sources (Uses)</i>	(94,671)	(91,190)	(79,324)	11,866
Special Item				
Sale of Timber	89,127	116,578	129,033	12,455
<i>Net Change in Fund Balance</i>	(164,980)	(3,076)	140,992	144,068
<i>Fund Balance Beginning of Year</i>	54,634	54,634	54,634	0
Prior Year Encumbrances Appropriated	13,754	13,754	13,754	0
<i>Fund Balance (Deficit) End of Year</i>	(\$96,592)	\$65,312	\$209,380	\$144,068

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Levy Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$70,978	\$131,211	\$135,216	\$4,005
Charges for Services	268	495	510	15
Intergovernmental	10,371	19,173	19,758	585
Other	434	802	826	24
<i>Total Receipts</i>	82,051	151,681	156,310	4,629
Disbursements				
Current:				
Security of Persons and Property:				
Fire	140,706	140,706	144,366	(3,660)
<i>Excess of Receipts Over (Under) Disbursements</i>	(58,655)	10,975	11,944	969
Other Financing Sources (Uses)				
Advances In	3,937	7,278	7,500	222
Advances Out	(7,500)	(7,500)	(7,500)	0
Transfers In	61,974	114,565	118,062	3,497
<i>Total Other Financing Sources (Uses)</i>	58,411	114,343	118,062	3,719
<i>Net Change in Fund Balance</i>	(244)	125,318	130,006	4,688
<i>Fund Balance (Deficit) Beginning of Year</i>	(86,326)	(86,326)	(86,326)	0
<i>Fund Balance (Deficit) End of Year</i>	(\$86,570)	\$38,992	\$43,680	\$4,688

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Fund Net Assets - Cash Basis
Enterprise Fund
December 31, 2004

	<u>Sewer</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$505,886</u>
Net Assets	
Unrestricted	<u><u>\$505,886</u></u>

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Cash Receipts, Cash
Disbursements and Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Fiscal Year Ended December 31, 2004

	Sewer	Utilities	Total
Operating Receipts			
Charges for Services	\$151,545	\$0	\$151,545
Miscellaneous	3,136	0	3,136
<i>Total Operating Receipts</i>	<u>154,681</u>	<u>0</u>	<u>154,681</u>
Operating Disbursements			
Personal Services	9,310	0	9,310
Fringe Benefits	8,573	0	8,573
Contractual Services	430,904	0	430,904
Materials and Supplies	6,754	0	6,754
Miscellaneous	672	0	672
<i>Total Operating Disbursements</i>	<u>456,213</u>	<u>0</u>	<u>456,213</u>
<i>Excess of Receipts Over Disbursements</i>	(301,532)	0	(301,532)
Non-Operating Receipts (Disbursements)			
Operating Grants	513,150	0	513,150
OPWC Loan Proceeds	19,323	0	19,323
Debt Service	(185,888)	0	(185,888)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>346,585</u>	<u>0</u>	<u>346,585</u>
<i>Excess of Receipts Over Disbursements</i> <i>Before Transfers</i>	45,053	0	45,053
Transfer Out	0	(10,674)	(10,674)
<i>Change in Net Assets</i>	45,053	(10,674)	34,379
<i>Net Assets Beginning of Year</i>	<u>460,833</u>	<u>10,674</u>	<u>471,507</u>
<i>Net Assets End of Year</i>	<u>\$505,886</u>	<u>\$0</u>	<u>\$505,886</u>

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2004

	<u>Sewer</u>	<u>Utilities</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$151,545	\$0	\$151,545
Other Cash Receipts	3,136	0	3,136
Cash Payments to Employees for Services	(17,883)	0	(17,883)
Cash Payments for Goods and Services	(437,658)	0	(437,658)
Other Cash Payments	(672)	0	(672)
	<u>(301,532)</u>	<u>0</u>	<u>(301,532)</u>
Net Cash Used in Operating Activities			
Cash Flows from Noncapital Financing Activities			
Operating Grants Received	513,150	0	513,150
Transfers Out	0	(10,674)	(10,674)
	<u>513,150</u>	<u>(10,674)</u>	<u>502,476</u>
Net Cash Provided by (Used in) Noncapital Financing Activities			
Cash Flows from Capital and Related Financing Activities			
Proceeds from OPWC Loans	19,323	0	19,323
Principal Paid on USDA Loan	(6,100)	0	(6,100)
Interest Paid on USDA Loan	(13,675)	0	(13,675)
Principal Paid on OWDA Loans	(123,423)	0	(123,423)
Interest Paid on OWDA Loans	(30,133)	0	(30,133)
Principal Paid on OPWC Loans	(12,557)	0	(12,557)
	<u>(166,565)</u>	<u>0</u>	<u>(166,565)</u>
Net Cash Used in Capital and Related Financing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents			
	45,053	(10,674)	34,379
Cash and Cash Equivalents Beginning of Year	<u>460,833</u>	<u>10,674</u>	<u>471,507</u>
Cash and Cash Equivalents End of Year	<u><u>\$505,886</u></u>	<u><u>\$0</u></u>	<u><u>\$505,886</u></u>

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Cash Basis Assets and Liabilities
Agency Fund
December 31, 2004

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$750</u></u>
Liabilities	
Due to Others	<u><u>\$750</u></u>

See accompanying notes to the basic financial statements

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Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 1 - Reporting Entity

Wellsville Village is a home rule corporation formed under the laws of the State of Ohio. The decision making process is directed by an elected Village council and Mayor.

The Mayor, elected by the voters for a four-year term, is the head of the government for ceremonial, administrative, and executive purposes, performs the judicial functions of the Village and presides at Council meetings. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also appoints all department heads and executes all contracts, conveyances, and evidences of indebtedness of the City.

On August 22, 2001, the Auditor of State's office declared the Village of Wellsville to be in the 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 and two representatives from the State of Ohio. This Commission approved a financial recovery plan which had adopted by the Village and the plan must be updated annually. Once the plan has been adopted, the City's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

Legislative authority is vested in a five member council elected at large and serves a term of four years. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money, and accepts bids for materials and services and other village purposes.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Village consists of all funds, agencies, departments and offices that are not legally separate from the Village. For Wellsville Village this includes the departments and agencies that provide the following services: police and fire protection, parks, recreation, street maintenance and mayor's court.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt or the levying of taxes. The Village has no component units.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

The Village's basic financial statements consist of government-wide statement of net assets and a statement of activities and fund financial statements providing a more detailed level of financial information.

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 2 - Summary of Significant Accounting Policies – (Continued)

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the Village's governmental activities and for the business-type activities of the Village. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the Village's general receipts.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. 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. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Village's major governmental funds:

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fire Levy Fund The fire levy special revenue fund accounts for the property tax revenue collected for firefighting services.

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 2 - Summary of Significant Accounting Policies – (Continued)

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service funds. The following is a description of the Village's enterprise funds.

Sewer Fund The sewer fund accounts for the provision of sewer service to the residents and commercial users located within the Village.

Utilities Fund The utility fund accounts for deposits from residents in regards to utility users in the Village. The Village has closed this fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village only utilizes the agency fund type. The agency fund accounts for unclaimed monies.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "equity in pooled cash and cash equivalents". The Village has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$13,152, all of which \$6,342 was assigned from other Village funds.

The District values investments and cash equivalents at cost. For presentation on the financial statements, the District classifies investments of the cash management pool as cash equivalents.

The Village has segregated bank accounts for monies held separate from the Village's central bank account. These depository accounts are presented on the balance sheet as "cash and cash equivalents in segregated accounts."

F. Inventory and Prepaid Items

On the cash-basis of accounting, inventories of supplies are reported as disbursements when purchased.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 2 - Summary of Significant Accounting Policies – (Continued)

H. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

I. Long-term Obligations

These cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

J. Fund Balance Reserves

The Village reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances.

K. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws, or regulations of other governments have imposed limitations on their use.

The Village first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

L. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses; proprietary funds report transfers after nonoperating receipts and disbursements. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

M. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate. The appropriations ordinance is the Village Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established by the Village Council at the department level for the general fund and the fund level for all remaining funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 2 - Summary of Significant Accounting Policies – (Continued)

The certificate of estimated resources may be amended during the year if the Village Fiscal Officer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Village Council adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Village Council may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Village Council passed during the year.

Note 3 – Change in Accounting Principle and Restatement of Prior Year’s Balances

For 2004, the City has implemented the GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” format. The implementation of GASB Statement No. 34 requires additional note disclosure.

Note 4 – Compliance and Accountability

A. Compliance

The general, fire special levy revenue funds and the Clean Ohio Fund had total appropriations in excess of estimated resources as of the fiscal year end contrary to Section 5705.39, Revised Code. The law enforcement, permissive motor vehicle license tax, and the fire truck fund had expenditures which exceeded their respective appropriations contrary to Section 5705.41(B), Revised Code. Contrary to Section 5705.41(D) expenditures were not properly certified in advance.

Note 5 - Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 5 - Deposits and Investments – (Continued)

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies can be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

The Village may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the Village.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 5 - Deposits and Investments- (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the qualified trustee or, custodian.

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, requires disclosures to help assess actual and potential future deposit and investment market and credit risks". The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

Deposits At year-end, the carrying amount of the Village's deposits was \$964,768 and the bank balance was \$1,000,092. Of the bank balance:

1. \$135,543 was covered by federal depository insurance.
2. \$864,549 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the Village's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

Note 6 – Receivables

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Property tax revenue received during 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 22 percent of true value for inventories.

The full tax rate for all Village operations for the year ended December 31, 2004 was \$15.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 6 – Receivables – (Continued)

Real Property	
Residential/Agricultural	\$17,271,970
Other Real Estate	4,594,270
Public Utility Personal Property	2,489,970
Tangible Personal Property	2,820,100
Total	<u><u>\$27,176,310</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-Village taxpayers are due September 20. Single Village taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property tax on behalf of all taxing districts within the Village. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

B. Income Tax

The Village levies and collects an income tax of 1.0 percent on all income earned within the Village as well as on income of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. In 2004, the proceeds were allocated to the capital improvement capital projects fund up to \$12,000 the remaining proceeds go to the general fund.

Note 7 - Contingencies

A. Grants

The Village receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Village at December 31, 2004.

B. Litigation

The Village of Wellsville is not currently party to any legal proceedings.

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 8 - Risk Management

The Village is exposed to various risks of loss to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disaster. During 2004, the Village contracted with various insurance companies for various types of insurance as follows:

Company	Type	Coverage
State Auto Insurance Company	Property	\$1,810,940
Westfield Insurance Company	Inland Marine	
	Contractor's Equipment	23,500
	General	
	Aggregate	2,000,000
	Per occurrence	1,000,000
	Fleet Vehicle	1,000,000

Settled claims have not exceeded this coverage in any of the last three years. There has not been significant reduction in coverage from the prior year.

Workers' compensation is provided by the State. 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.

Note 9 - Long-Term Obligations

The original issue date, maturity date, interest rate and original issuance amount for each of the Village's loans follows:

	Issue Date	Maturity Date	Interest Rate	Original Issue Amount
Business-Type Activities				
<i>Ohio Water Development Loans</i>				
Wastewater Treatment Plant Improvements	2000	2018	2.20%	\$58,659
Sewer	1988	2006	9.72	19,685
Sewer	1982	2006	9.72	1,498,877
Loan for Unpaid Grant Balances	2001	2010	5.89	19,761
Sanitary Sewer Expansion System Study	2000	2004	2.20	88,561
Wastewater Treatment Plant Improvements	1999	2018	2.20	756,271
Wastewater Treatment Plant Headworks Improvements	2003	n/a	n/a	n/a
<i>Ohio Public Works Commission Loan</i>				
Wells Avenue Extended Sewer Improvement	2001	2022	0.00	125,689
Russell Heights Sewer Improvement	2001	2022	0.00	125,459
<i>US Department of Agriculture Loan</i>	2000	2019	4.75	162,000

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 9 - Long-Term Obligations – (Continued)

The changes in long-term obligations during the year were as follows:

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04	Amounts Due in One Year
<i>Business-Type Activities</i>					
OWDA Loans					
Wastewater Treatment Plant Improvements	\$51,340	\$0	(\$3,042)	\$48,298	\$3,109
Sewer	10,933	0	(4,093)	6,840	4,491
Sewer	120,651	0	(45,175)	75,476	49,566
Loan for Grant Balances	15,566	0	(1,856)	13,710	1,967
Sanitary Sewer Expansion System Study	25,999	0	(25,999)	0	0
Wastewater Treatment Plant Improvements	661,902	0	(39,217)	622,685	40,085
Wastewater Treatment Plant Headworks Improvement	103,106	8,989	(4,041)	108,054	0
<i>Total OWDA Loans</i>	<u>989,497</u>	<u>8,989</u>	<u>(123,423)</u>	<u>875,063</u>	<u>99,218</u>
OPWC Loans					
Wells Avenue Extended Sewer Improvements	113,120	0	(6,284)	106,836	6,284
Russell Heights Sewer Improvement	112,913	0	(6,273)	106,640	6,273
<i>Total OPWC Loans</i>	<u>226,033</u>	<u>0</u>	<u>(12,557)</u>	<u>213,476</u>	<u>12,557</u>
US Department of Agriculture Loan	140,400	0	(6,100)	134,300	6,300
<i>Total Business-Type Activities</i>	<u>\$1,355,930</u>	<u>\$8,989</u>	<u>(\$142,080)</u>	<u>\$1,222,839</u>	<u>\$118,075</u>

The OWDA loans, OPWC loans and the USDA loan will be paid from user charges.

A line of credit has been established with the Ohio Water Development Authority in the amounts of \$118,906 for the wastewater treatment plant headworks improvement, however, since this loan has not been finalized, a repayment schedule is not included in the schedule of debt service requirements.

The Village's overall legal debt margin was \$2,853,513 with an unvoted debt margin of \$1,494,697 at December 31, 2004. Principal and interest requirements to retire long-term obligations outstanding at

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 9 - Long-Term Obligations – (Continued)

December 31, 2004 are as follows:

	USDA Loans		OWDA Loans		OPWC
	Principal	Interest	Principal	Interest	Loan Principal
2005	\$6,300	\$6,380	\$99,218	\$23,305	\$12,557
2006	6,600	6,080	74,490	17,004	12,557
2007	7,000	5,767	47,335	13,130	12,557
2008	7,300	5,434	48,465	12,000	12,557
2009	7,600	5,087	49,625	10,840	12,557
2010 - 2014	44,000	19,641	254,463	36,878	62,787
2015 - 2019	55,500	8,146	193,413	8,623	62,787
2020 - 2022	0	0	0	0	25,117
Total	<u>\$134,300</u>	<u>\$56,535</u>	<u>\$767,009</u>	<u>\$121,780</u>	<u>\$213,476</u>

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Sreet., Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 10 - Defined Benefit Pension Plans – (Continued)

The Village's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2004 were \$301,564, 62.96 percent has been contributed for 2004 and 100 percent for 2003 and 2002. There were no contributions to the member-directed plan for 2004.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The Village's contributions to the Fund for police and firefighters were \$23,727 and \$11,675 for the year ended December 31, 2004. The full amount has been contributed for 2003 and 2002. 73.99 percent for police and 73.92 percent for firefighters has been contributed for 2004.

Note 11 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

Wellsville Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 11 - Postemployment Benefits - (Continued)

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$12,063. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2004 that were used to fund postemployment benefits were \$15,650 for police and \$5,568 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Wellsville (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 1, 2007. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items findings 2004-002 through 2004-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We did not consider reportable conditions 2004-002 through 2004-004 listed above to be material weaknesses. In a separate letter to the Village's management dated October 1, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-004. In a separate letter to the Village's management dated October 1, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 1, 2007

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

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

FINDING NUMBER 2004-001

Finding for Recovery – Police Uniform Allowance

Pursuant to the Village of Wellsville Police Departments uniform allowance policy, reimbursements should only be made for police clothing and equipment and all such reimbursements must be approved by the appointing authority. Ordinance No. 96-12 states that the Chief of Police and First Lieutenant shall be entitled to receive reimbursement for their actual expenses incurred in purchasing uniforms, with a maximum reimbursement of \$175.00 per officer per year. Such uniform reimbursement shall be paid after receipt by the Village Clerk-Treasurer of adequate written documentation of such expenditures.

On December 21, 2004 warrant number 2751 in the amount of \$175.00 was issued to Lieutenant Edward Wilson for uniform allowance reimbursement. Wilson had submitted a receipt dated 12/17/04 in the amount of 179.99 from Dick's Sporting Goods for the purchase of Rocky Retraction Boots when requesting the reimbursement referred above.

It has been determined that the Rocky Retraction Boots are not police clothing or equipment and the request for reimbursement was not properly approved by the appointing authority.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Lieutenant Edward Wilson, John McClelland, Village Fiscal Officer in the amount of \$175.00 and in favor of the Village of Wellsville's General Fund.

FINDING NUMBER 2004-002

Noncompliance/Reportable Condition

Ohio Revised Code Section 5705.39 states that total appropriation from each fund shall not exceed the total estimated revenue certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total official estimate or amended official estimate.

The Village appropriated amounts in excess of total estimated revenues as certified by the county budget commission in the following funds for 2004:

Fund	Appropriations	Total Certified Resources	Excess
General Fund	\$1,112,834	\$944,238	\$168,596
Clean Ohio Fund	475,000	465,000	10,000
Fire Levy 2001	273,768	184,076	89,692
Fire Levy 2003	40,314	36,649	3,665

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

FINDING NUMBER 2004-003

Noncompliance/Reportable Condition

Ohio Revised Code Section 5705.41(B), states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

For the fiscal year ended December 31, 2004, the Village had expenditures that exceeded appropriations in the following:

Fund	Appropriations	Expenditures Plus Encumbrances	Excess
Law Enforcement	0	450	(450)
Permissive Motor Vehicle License Tax	49,873	73,498	(23,625)
Fire Truck	40,959	44,652	(3,693)

We recommend the Village implement policies to provide assurance that the Council approves all appropriation changes prior to posting the appropriation ledger. We also recommend the Fiscal Officer deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

FINDING NUMBER 2004-004

Noncompliance/Reportable Condition

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

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

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) 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 School District.

**FINDING NUMBER 2004-004
(Continued)**

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

The Village did not always encumber funds at the time of the commitment. We noted 33% of the 30 expenditures tested were not properly encumbered. Incurring obligations prior to the fiscal officer's certification could result in the Village spending more than appropriated.

Unless the exceptions noted above are used, prior certification is not only required by statute but is key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

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

Client Response:

In January 2006, the Village hired a new Fiscal Officer who has corrected or is in the process of correcting the conditions identified in Finding Numbers 2004-002 through 2004-004.

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Revised Code § 5705.41(D), failure to encumber funds	No	This finding will be reissued as finding #2004-004.



Mary Taylor, CPA
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
JULY 15, 2008