



Mary Taylor, CPA
Auditor of State

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

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

Mary Taylor, CPA
Auditor of State

June 30, 2010

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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 Village of Wellsville, Columbiana County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position or cash flows, where applicable, of the Village as of December 31, 2009 and 2008 for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Wellsville, Columbiana County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2010, 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.



Mary Taylor, CPA
Auditor of State

June 30, 2010

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Local Taxes	\$101,364	\$280,069	\$0	\$0	\$381,433
Municipal Income Tax	352,650	0	10,000	0	362,650
Intergovernmental	128,713	261,856	0	0	390,568
Charges for Services	19,100	45,312	0	0	64,412
Fines, Licenses and Permits	142,202	976	0	0	143,178
Earnings on Investments	16,671	0	0	787	17,458
Miscellaneous	18,043	15,326	0	0	33,369
Total Cash Receipts	778,742	603,538	10,000	787	1,393,068
Cash Disbursements:					
Current:					
Security of Persons & Property	474,545	355,813	0	0	830,358
Public Health Services	0	82,111	0	0	82,111
Leisure Time Activities	7,545	0	0	0	7,545
Community Environment	0	14,245	0	0	14,245
Transportation	0	195,873	0	0	195,873
General Government	344,735	5,009	0	0	349,745
Capital Outlay	0	16,180	28,829	0	45,009
Total Cash Disbursements	826,826	669,230	28,829	0	1,524,885
Total Receipts Over/(Under) Disbursements	(48,084)	(65,693)	(18,829)	787	(131,818)
Other Financing Receipts/(Disbursements):					
Other Financing Sources	0	0	14,000	0	14,000
Total Other Financing Receipts	0	0	14,000	0	14,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(48,084)	(65,693)	(4,829)	787	(117,818)
Fund Cash Balance, January 1	39,245	227,074	27,283	39,269	332,871
Fund Cash Balance, December 31	\$ (8,838)	\$161,381	\$22,454	\$40,056	\$215,053

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

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$534,305	\$0	\$534,305
Fines, Licenses and Permits	0	103,145	103,145
Total Operating Cash Receipts	534,305	103,145	637,451
Operating Cash Disbursements:			
Current:			
Personal Services	36,621	0	36,621
Employee Fringe Benefits	7,555	0	7,555
Contractual Services	348,758	0	348,758
Supplies and Materials	3,621	0	3,621
Other	1,974	103,628	105,601
Total Operating Cash Disbursements	398,528	103,628	502,156
Operating Income/(Loss)	135,777	(482)	135,295
Non-Operating Receipts/Disbursements			
Intergovernmental	586	0	586
Special Assessments	2,365	0	2,365
Other Debt Proceeds	3,136	0	3,136
Miscellaneous Receipts	0	12,467	12,467
Capital Outlay	(166,775)	0	(166,775)
Redemption of Principal	(95,161)	0	(95,161)
Interest and Other Fiscal Charges	(18,051)	0	(18,051)
Total Non-Operating Receipts/Disbursements	(273,899)	12,467	(261,433)
Income/(Loss) Before Interfund Transfers and Advances	(138,122)	11,985	(126,138)
Fund Cash Balance, January 1	567,710	3,748	571,458
Fund Cash Balance, December 31	\$429,588	\$15,733	\$445,320

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

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types				Totals
	General	Special Revenue	Capital Projects	Permanent	(Memorandum Only)
Cash Receipts:					
Property and Local Taxes	\$100,962	\$284,740	\$0	\$0	\$385,703
Municipal Income Tax	379,287	-	14,728	-	394,014
Intergovernmental	118,736	331,296	-	-	450,032
Charges for Services	23,213	50,316	-	-	73,529
Fines, Licenses and Permits	118,917	4,407	-	-	123,324
Earnings on Investments	21,024	-	-	1,039	22,063
Miscellaneous	22,756	15,809	-	-	38,565
Total Cash Receipts	784,895	686,569	14,728	1,039	1,487,230
Cash Disbursements:					
Current:					
Security of Persons & Property	469,243	375,222	-	-	844,465
Public Health Services	-	78,825	-	-	78,825
Leisure Time Activities	9,833	-	-	-	9,833
Community Environment	-	46,633	-	-	46,633
Transportation	-	206,645	-	-	206,645
General Government	390,853	2,030	-	-	392,883
Capital Outlay	-	49,727	191,602	-	241,329
Total Cash Disbursements	869,928	759,082	191,602	-	1,820,612
Total Receipts Over/(Under) Disbursements	(85,033)	(72,513)	(176,874)	1,039	(333,382)
Other Financing Receipts/(Disbursements):					
Transfers-In	-	-	22,000	-	22,000
Transfers-Out	(22,000)	-	-	-	(22,000)
Advances-In	-	25,000	-	-	25,000
Advances-Out	(25,000)	-	-	-	(25,000)
Total Other Financing Receipts/(Disbursements)	(47,000)	25,000	22,000	-	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(132,033)	(47,513)	(154,874)	1,039	(333,382)
Fund Cash Balance, January 1	171,279	274,586	182,158	38,230	666,253
Fund Cash Balance, December 31	\$39,245	\$227,074	\$27,283	\$39,269	\$332,871

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

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$549,480	\$0	\$549,480
Fines, Licenses and Permits	0	56,208	56,208
Miscellaneous	780	0	780
	<u>550,260</u>	<u>56,208</u>	<u>606,468</u>
Operating Cash Disbursements:			
Current:			
Personal Services	23,775	0	23,775
Employee Fringe Benefits	4,091	0	4,091
Contractual Services	366,716	0	366,716
Supplies and Materials	3,013	0	3,013
Other	4,013	55,135	59,148
	<u>401,608</u>	<u>55,135</u>	<u>456,743</u>
Total Operating Cash Disbursements	<u>401,608</u>	<u>55,135</u>	<u>456,743</u>
Operating Income	<u>148,652</u>	<u>1,073</u>	<u>149,725</u>
Non-Operating Receipts/Disbursements			
Special Assessments	569	0	569
Other Debt Proceeds	3,136	0	3,136
Capital Outlay	(126,249)	0	(126,249)
Redemption of Principal	(33,198)	0	(33,198)
Interest and Other Fiscal Charges	(6,600)	0	(6,600)
	<u>(162,342)</u>	<u>0</u>	<u>(162,342)</u>
Total Non-Operating Receipts/Disbursements	<u>(162,342)</u>	<u>0</u>	<u>(162,342)</u>
Income/(Loss)			
Before Interfund Transfers and Advances	<u>(13,690)</u>	<u>1,073</u>	<u>(12,617)</u>
Fund Cash Balance, January 1	<u>581,400</u>	<u>2,675</u>	<u>584,075</u>
Fund Cash Balance, December 31	<u><u>\$567,710</u></u>	<u><u>\$3,748</u></u>	<u><u>\$571,458</u></u>

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

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

STAR Ohio is recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

3. Capital Project Funds

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

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

4. Permanent Funds

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

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

5. Enterprise Funds

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

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

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

6. Fiduciary Funds

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

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

E. Budgetary Process

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

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2009	2008
Demand deposits	\$50,040	\$54,909
Certificates of deposit	365,000	365,000
Total deposits	415,040	419,909
STAR Ohio	245,334	484,420
Total investments	245,334	484,420
Total deposits and investments	\$660,374	\$904,329

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS – (Continued)

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$837,514	\$778,742	(\$58,772)
Special Revenue	707,029	603,538	(103,491)
Capital Projects	26,000	24,000	(2,000)
Enterprise	1,150,000	540,393	(609,607)
Permanent	1,854	787	(1,067)
Total	\$2,722,397	\$1,947,460	(\$774,937)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$896,990	\$826,826	\$70,164
Special Revenue	769,412	669,230	100,182
Capital Projects	31,000	28,829	2,171
Enterprise	933,150	678,515	254,635
Permanent	1,800	0	1,800
Total	\$2,632,352	\$2,203,400	\$428,952

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$819,162	\$784,895	(\$34,267)
Special Revenue	696,909	686,569	(10,340)
Capital Projects	27,000	36,728	9,728
Enterprise	540,000	553,965	13,965
Permanent	1,800	1,039	(761)
Total	\$2,084,871	\$2,063,196	(\$21,675)

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$979,734	\$891,928	\$87,806
Special Revenue	905,340	759,082	146,258
Capital Projects	190,000	191,602	(1,602)
Enterprise	933,258	567,656	365,602
Permanent	1,800	0	1,800
Total	\$3,010,132	\$2,410,268	\$599,864

Contrary to Ohio law, the Village had a negative general fund fund balance at the end of 2009.

4. PROPERTY TAX

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

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

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

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$156,967	0%
Ohio Water Development Authority Loan	527,834	2.2% & 5.89%
Total	\$684,801	

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. DEBT – (Continued)

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

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

Year ending December 31:	OWDA Loan	OPWC Loan
2010	\$56,608	\$12,557
2011	55,100	12,557
2012	56,249	12,557
2013	58,619	12,557
2014	59,843	12,557
2015-2019	241,415	62,787
2020-2024		31,394
Total	\$527,834	\$156,966

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 24% of full-time police members’ wages and 24% of full-time fire fighters’ wages, respectively. For 2009 and 2008, OPERS members contributed 10% and 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 14%, respectively, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2009.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



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 Village of Wellsville (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 30, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted 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 of Wellsville. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated June 30, 2010.

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

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

Mary Taylor, CPA
Auditor of State

June 30, 2010

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Noncompliance Citation/Material Weakness

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

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

As noted throughout 2008 and 2009, the Village fiscal officer was inconsistent in posting transactions to the UAN accounting system. This resulted in audit adjustments to Village fund balances which affected thirteen funds. The audit adjustments were the result of posting revenue to incorrect funds and having to post a transfer that had been approved by Council but was not previously posted on the Village's accounting system. The funds affected and the audit adjustment amounts are as follows:

Fund Name and Number	Audit Adjustment Amount
General Fund (1000)	\$ -33,235.51
Street, Construction & Maintenance (2011)	\$ -5,000.00
Cemetery (2031)	\$ -106.47
Broadway Park (2041)	\$ 8,993.00
Police Pension (2131)	\$ 762.84
Fire Pension (2141)	\$ 95.72
Fire Levy (2901)	\$ -6379.90
Floodwall Fund (2902)	\$ 2,305.91
Police Salary (2903)	\$ 8,653.59
Fire Salary (2905)	\$ 1,380.04
Capital Improvement (4901)	\$ 22,000.00
Cemetery Endowment (4951)	\$ 530.78
Magistrate (9901)	\$ 900.00

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

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

FINDING NUMBER 2009-002

Noncompliance Citation

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

As a result of the fund balance audit adjustments noted in Finding 2009-001, the General Fund had a negative fund balance of \$8,126.28 as of December 31, 2009.

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

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

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Finding for Recovery on Police Uniform Allowance	No	Money has not been collected



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
AUGUST 19, 2010