



Dave Yost • Auditor of State



VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

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

We have audited the accompanying financial statements and related notes of the Village of Wellsville, Columbiana County, (the Village) as of and for the years ended December 31, 2013 and 2012.

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

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

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

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Basis for Additional Opinion Qualification***

Charges for Services receipts are reported at \$662,973 and \$503,086 for the years ended December 31, 2013 and 2012, respectively, which are 100 percent of total Enterprise Funds operating receipts for each year. The Village contracted with a service organization to provide sewer billing and collection services. The Village did not provide us with evidence we requested regarding the design and proper operation of the service organization's internal controls or with certain information regarding sewer billings receipts. We were therefore unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Enterprise Funds of the Village of Wellsville, Columbiana County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General, Special Revenue, Capital Projects and Permanent fund types of the Village of Wellsville, Columbiana County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 30, 2014

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**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$76,028	\$299,854			\$375,882
Municipal Income Tax	423,632		\$12,000		435,632
Intergovernmental	63,209	248,952	175,138		487,299
Charges for Services	20,780	47,865			68,645
Fines, Licenses and Permits	94,407	3,474			97,881
Earnings on Investments	386	46		\$5	437
Miscellaneous	32,352	15,263	10,133		57,748
<i>Total Cash Receipts</i>	<u>710,794</u>	<u>615,454</u>	<u>197,271</u>	<u>5</u>	<u>1,523,524</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	560,478	474,204			1,034,682
Public Health Services		81,050			81,050
Leisure Time Activities	6,410				6,410
Community Environment		24,952			24,952
Basic Utility Services		201,737			201,737
Transportation		159,086			159,086
General Government	328,912	1,995			330,907
Capital Outlay	35,853	4,284	262,682		302,819
Debt Service:					
Principal Retirement	13,544				13,544
Interest and Fiscal Charges	2,437				2,437
<i>Total Cash Disbursements</i>	<u>947,634</u>	<u>947,308</u>	<u>262,682</u>	<u>0</u>	<u>2,157,624</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(236,840)</u>	<u>(331,854)</u>	<u>(65,411)</u>	<u>5</u>	<u>(634,100)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets	18,500		28,500		47,000
Refund of Prior Year Disbursement	(68,304)				
Transfers In		200,000			200,000
Transfers Out	(200,000)	0			(200,000)
Advances Out	(125,000)	125,000			0
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(374,804)</u>	<u>325,000</u>	<u>28,500</u>	<u>0</u>	<u>47,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(611,644)</u>	<u>(6,854)</u>	<u>(36,911)</u>	<u>5</u>	<u>(655,404)</u>
<i>Fund Cash Balances, January 1</i>	<u>965,354</u>	<u>141,713</u>	<u>49,585</u>	<u>40,099</u>	<u>1,196,751</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	0	0	0	40,104	40,104
Restricted	0	134,905	12,674	0	147,579
Unassigned (Deficit)	353,710	(46)	0	0	353,664
<i>Fund Cash Balances, December 31</i>	<u>\$353,710</u>	<u>\$134,859</u>	<u>\$12,674</u>	<u>\$40,104</u>	<u>\$541,347</u>

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

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$662,973		\$662,973
<i>Total Operating Cash Receipts</i>	<u>662,973</u>	<u>0</u>	<u>662,973</u>
<b>Operating Cash Disbursements</b>			
Personal Services	19,130		19,130
Employee Fringe Benefits	6,519		6,519
Contractual Services	828,017		828,017
Supplies and Materials	20,195		20,195
Other	3,238		3,238
<i>Total Operating Cash Disbursements</i>	<u>877,099</u>	<u>0</u>	<u>877,099</u>
<i>Operating Income (Loss)</i>	<u>(214,126)</u>	<u>0</u>	<u>(214,126)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	621,994		621,994
Other Non-Operating Receipts		\$49,202	49,202
Capital Outlay	(100,904)		(100,904)
Principal Retirement	(74,427)		(74,427)
Interest and Other Fiscal Charges	(7,462)		(7,462)
Other Non-operating Disbursements		(45,548)	(45,548)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>439,201</u>	<u>3,654</u>	<u>442,855</u>
<i>Net Change in Fund Cash Balances</i>	225,075	3,654	228,729
<i>Fund Cash Balances, January 1</i>	<u>33,642</u>	<u>(788)</u>	<u>32,854</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$258,717</u></u>	<u><u>\$2,866</u></u>	<u><u>\$261,583</u></u>

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

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$81,084	\$301,285			\$382,369
Municipal Income Tax	351,726		\$12,000		363,726
Intergovernmental	71,034	314,935	74,862		460,831
Charges for Services	534	47,591			48,125
Fines, Licenses and Permits	95,943	795			96,738
Earnings on Investments	880	49		\$4	933
Gas and Oil	1,442,176				
Miscellaneous	22,553	9,633			32,186
<i>Total Cash Receipts</i>	<u>2,065,930</u>	<u>674,288</u>	<u>86,862</u>	<u>4</u>	<u>1,384,908</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	479,283	385,586			864,869
Public Health Services		70,335			70,335
Leisure Time Activities	11,971				11,971
Community Environment		27,313			27,313
Transportation		161,511			161,511
General Government	397,374	1,900			399,274
Capital Outlay	44,240	829	208,860		253,929
Debt Service:					
Principal Retirement	485				485
Interest and Fiscal Charges	177				177
<i>Total Cash Disbursements</i>	<u>933,530</u>	<u>647,474</u>	<u>208,860</u>	<u>0</u>	<u>1,789,864</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,132,400</u>	<u>26,814</u>	<u>(121,998)</u>	<u>4</u>	<u>(404,956)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In			100,000		100,000
Transfers Out	(100,000)	0			(100,000)
Advances Out	(60,000)				(60,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(160,000)</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	<u>(60,000)</u>
<i>Net Change in Fund Cash Balances</i>	972,400	26,814	(21,998)	4	977,220
<i>Fund Cash Balances, January 1</i>	<u>(7,046)</u>	<u>141,713</u>	<u>49,585</u>	<u>40,095</u>	<u>224,347</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	0	0	0	40,099	40,099
Restricted	0	168,527	27,587	0	196,114
Unassigned	965,354	0	0	0	965,354
<i>Fund Cash Balances, December 31</i>	<u>\$965,354</u>	<u>\$168,527</u>	<u>\$27,587</u>	<u>\$40,099</u>	<u>\$1,201,567</u>

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

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$503,086		\$503,086
<i>Total Operating Cash Receipts</i>	<u>503,086</u>	<u>0</u>	<u>503,086</u>
<b>Operating Cash Disbursements</b>			
Personal Services	31,645		31,645
Employee Fringe Benefits	9,021		9,021
Contractual Services	485,999		485,999
Supplies and Materials	1,868		1,868
Other	6,479		6,479
<i>Total Operating Cash Disbursements</i>	<u>535,012</u>	<u>0</u>	<u>535,012</u>
<i>Operating Income (Loss)</i>	<u>(31,926)</u>	<u>0</u>	<u>(31,926)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	937		937
Other Debt Proceeds	2,435		2,435
Other Non-Operating Receipts		\$29,027	29,027
Principal Retirement	(73,347)		(73,347)
Interest and Other Fiscal Charges	(8,622)		(8,622)
Other Non-operating Disbursements		(30,250)	(30,250)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(78,597)</u>	<u>(1,223)</u>	<u>(79,820)</u>
<i>Income (Loss) before Advances</i>	<u>(110,523)</u>	<u>(1,223)</u>	<u>(111,746)</u>
Advances In	60,000		60,000
<i>Net Change in Fund Cash Balances</i>	<u>(50,523)</u>	<u>(1,223)</u>	<u>(51,746)</u>
<i>Fund Cash Balances, January 1</i>	<u>84,165</u>	<u>435</u>	<u>84,600</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$33,642</u></u>	<u><u>(\$788)</u></u>	<u><u>\$32,854</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, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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.

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

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

Fire Levy Fund – This fund receives property tax monies to provide fire protection services.

**3. Capital Project Fund**

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

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

**4. Permanent Fund**

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

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

**5. Enterprise Fund**

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

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

**6. Fiduciary Funds**

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

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

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

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

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

**H. Accumulated Leave**

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

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

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



**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

	2013	2012
Demand deposits	\$156,423	\$136
Other time deposits	5,004	188,125
Certificate of deposit	35,398	35,398
Total deposits	<u>161,427</u>	<u>188,261</u>
STAR Ohio	641,503	1,046,160
Total investments	<u>641,503</u>	<u>1,046,160</u>
Total deposits and investments	<u><u>\$802,930</u></u>	<u><u>\$1,234,421</u></u>

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

**Investments:** Investment 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, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$719,913	\$729,294	\$9,381
Special Revenue	882,544	940,454	57,910
Capital Projects	12,000	225,771	213,771
Enterprise	1,150,000	1,284,967	134,967
Permanent	1,854	5	(1,849)
Total	<u><u>\$2,766,311</u></u>	<u><u>\$3,180,491</u></u>	<u><u>\$414,180</u></u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$1,219,127	\$1,340,938	(\$121,811)
Special Revenue	1,063,212	947,308	115,904
Capital Projects	87,686	262,682	(174,996)
Enterprise	1,168,850	1,059,892	108,958
Permanent	1,854	0	1,854
Total	<u><u>\$3,540,729</u></u>	<u><u>\$3,610,820</u></u>	<u><u>(\$70,091)</u></u>

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,224,408	\$2,065,930	(\$158,478)
Special Revenue	404,913	674,288	269,375
Capital Projects	112,000	186,862	74,862
Enterprise	1,150,000	566,458	(583,542)
Permanent	1,854	4	(1,850)
Total	\$3,893,175	\$3,493,542	(\$399,633)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,044,431	\$1,093,530	(\$49,099)
Special Revenue	784,104	647,474	136,630
Capital Projects	160,131	208,860	(48,729)
Enterprise	935,209	616,981	318,228
Permanent	1,800	0	1,800
Total	\$2,925,675	\$2,566,845	\$358,830

**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.

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.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$245,285	0%
Ohio Water Development Authority Loans	331,317	2.20%
Police Cruisers	28,961	6.54%
Total	\$576,602	

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

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

On September 18, 2012, the Village purchased two new 2010 Dodge Charger Police Cruisers and entered in to a lease agreement with Ally Bank in the amount of \$42,990. The Village will repay the loan over the next three years.

The Village's taxing authority collateralized the bonds.

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

	OPWC Loans	OWDA Loans	Police Cruisers
Year ending December 31:			
2014	\$17,595	\$58,018	\$16,118
2015	17,596	59,228	12,843
2016	17,595	60,465	
2017	17,596	61,729	
2018	17,595	63,019	
2019-2023	157,308	28,858	
Total	\$245,285	\$331,317	\$28,961

**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.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. RETIREMENT SYSTEMS – (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10% of their wages from January 1, 2012 through June 30, 2013 and 10.75% of their wages through December 31, 2013. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**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.



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Wellsville, Columbiana County, (the "Village") as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 30, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence regarding the design and operation of the service organization's internal controls regarding the amounts recorded as charges for services receipts in the enterprise funds.

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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 through 2013-004 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 30, 2014

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.14** provides that no transfer can be made from one fund of a subdivision to any other fund, by order of the court or otherwise, with certain limited exceptions. The transfers permitted under Ohio Revised Code § 5705.14 require a resolution passed by a two-thirds vote of the members of the taxing authority, except transfers from the general fund, which require a resolution passed by a simple majority. In addition to the transfers permitted under Ohio Revised Code § 5705.14, **Ohio Rev. Code § 5705.15 and 5705.16** provide that the taxing authority, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to another.

During 2012 the Village transferred \$8,993 from the Broadway Park Special Revenue Fund to the Capital Improvement Capital Projects Fund, which is contrary to the specific allowable transfers mentioned in the revised code. In addition, the Village did not obtain approval of the Tax Commissioner nor the Court of Common Pleas for this transaction. An audit adjustment to reverse this transaction is reflected in the accompanying financial statements.

We recommend the Village make only those transfer transactions permitted by the Ohio Revised Code.

**Official's Response:** This was a reimbursement grant of \$8,993 that was transferred to the Broadway Park Fund. When the money was reimbursed, it was put it back into the Capital Improvement Fund.

**FINDING NUMBER 2013-002**

**Material Weakness**

Sound financial reporting is the responsibility of the Village Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Village fiscal officer was inconsistent in posting transactions to the accounting system and failed to post magistrate court activity to the ledgers. The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the Village's accounting records:

**FINDING NUMBER 2013-002**  
**(Continued)**

**2013:**

<b>FUND</b>	<b>ACCOUNT TYPE</b>	<b>AMOUNT</b>	<b>DESCRIPTION</b>
General and Capital Improvement	Municipal Income Tax	\$ 20,123	Village allocated additional income tax monies to the Capital Improvement Capital Projects Fund.
General	Charges for Services and Refund of Prior Year Expenses	68,304	Reclassify a receipt that was improperly posted.
Capital Improvement	Intergovernmental Receipts and Capital Outlay	175,138	To record Ohio Public Works Commission on-behalf payments.
Mayor's Court	Other Non-operating Cash Receipts	49,202	To record Mayor's Court receipts not posted to the Village's accounting system.
Mayor's Court	Other Non-operating Cash Disbursements	45,548	To record Mayor's Court disbursements not posted to the Village's accounting system.
General	General Government, Principal Retirement, and Interest and Fiscal Charges	662	To record lease payments made as principal retirement and interest and fiscal charges.

**2012:**

<b>FUND</b>	<b>ACCOUNT TYPE</b>	<b>AMOUNT</b>	<b>DESCRIPTION</b>
General and Capital Improvement	Municipal Income Tax	\$1,000	Village allocated additional income tax monies to the Capital Improvement Capital Projects Fund.
General	Gas and Oil	1,442,176	Report Gas and Oil lease monies as a separate line item due to significance of amount received.
General	General Governmental, Principal Retirement, and Interest and Fiscal Charges	13,544	To record lease payments made as principal retirement and interest and fiscal charges.
Capital Improvement and Broadway Park	Transfers In and Out	8,993	To reverse an illegal transfer.
Capital Improvement	Intergovernmental Receipts and Capital Outlay	74,862	To record Ohio Public Works Commission on-behalf payments.
Floodwall and Policy Levy	Property and Other Local Taxes	5,818	Property Tax monies posted to the improper fund.
Fire Salary and Fire Levy	Property and Other Local Taxes	4,256	Property Tax monies posted to the improper funds.
Nonexpendable Trust	Nonspendable Fund Balance	40,100	To reclassify fund balance reported as Restricted and should be Nonspendable.
Mayor's Court	Other Non-operating Receipts	29,027	To record Mayor's Court receipts not posted to the Village's accounting system.
Mayor's Court	Other Non-operating Disbursements	30,250	To record Mayor's Court disbursements not posted to the Village's accounting system.



**FINDING NUMBER 2013-002  
(Continued)**

The Fiscal Officer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported.

**Official's Response:** Adjustments will be made to the fiscal offices' routine regarding day-to-day transactions on a timely basis, along with the posting of the magistrate court activity and the reclassifications noted will be corrected and followed.

**FINDING NUMBER 2013-003**

**Material Weakness**

The Village's current system for issuing checks and completing non-payroll expenditure transactions does not provide the framework by which adequate documentation is maintained or by which sufficient information is available to the Village Council.

The following weaknesses were noted:

- The Fiscal Officer was circumventing the computer system and writing manual checks at the beginning of each fiscal year due to the system not being reconciled; and
- Manual nonpayroll checks were not always issued in sequential order.

These weaknesses could result in the misuse of public funds, errors in the reporting of disbursements in the system, and potential fraud.

The Village should establish specific procedures to effectively control each non-payroll disbursement transaction, including but not limited to the following:

- All checks should be issued through the village's computer system;
- All expenditure information (i.e. payee, check number, etc.) on the check issued should agree to the Village UAN Fund ledger; and
- Payments should be consistently reviewed and approved in the minute record with the total amount paid and the Fiscal Officer should provide a detailed check register for Council's approval.

The Village Officials should review the guidelines contained in the Ohio Administrative Code to guide them in establishing expenditure cycle procedures. Implementing the suggested procedures would strengthen control over the expenditure cycle and provide the means to ensure non-payroll expenditures are valid, accurately recorded, and paid in a timely manner.

**Official's Response:** Village will establish guidelines for expenditure cycle procedures for the beginning of the new year, reiteration to departments concerning required procedures for purchases, purchase request showing approval from department heads, administrator, mayor, fiscal officer before any ordering, all in a timely manner, will provide a detailed register for Council to approve and initial before payments.

## FINDING NUMBER 2013-004

### Material Weakness

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

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

The Village did not provide us with evidence we requested regarding the design and proper operation of the service organization's internal controls or with certain information regarding sewer billings receipts. United Water Services processed \$662,973 and \$503,086 in 2013 and 2012, respectively, in utility receipts for the Village. We were therefore unable to satisfy ourselves as to the proper processing of sewer bills and collections.

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

Statement of Standards for Attestation Engagements No. 16 *Reporting on Controls at a Service Organization* (SSAE No. 16), prescribes standards for reporting on service organizations. An unqualified Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with SSAE No. 16 should provide the Village with reasonable assurance that sewer billings and collections conform to the contract. If alternative procedures cannot be applied to gain assurances over completeness and accuracy, we recommend the Village request a Type Two SSAE 16 SOC 1 report or Agreed Upon Procedures report in its contract with Buckeye Water and United Water Services. The Village should review the SOC 1 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standings with the Accountancy Board of the respective state. In addition, if agreed upon procedures are to be done; the Auditor of State's SSAE Coordinator should be consulted prior to entering into a contract for these services.

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

**Official's Response:** Will look into having United Water prepare a SOC-1 report.

**VILLAGE OF WELLSVILLE  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2011-01	Ohio Rev. Code Section 5705.41(D), several expenditures were not properly encumbered.	No	Not Corrected. This comment was repeated in the Management Letter.
2011-02	Ohio Rev. Code Section 117.28, the former fiscal officer made a debt payment from another Village using the Village of Wellsville's funds.	Yes	Finding No Longer Valid.
2011-03	Ohio Rev. Code Section 5705.10(H), the Village had funds with a negative balance at year-end.	No	Not Corrected. This comment was repeated as Verbal.
2011-04	Ohio Rev. Code Section 5705.39, the Village had funds where appropriations exceed estimated resources.	Yes	Finding No Longer Valid.
2011-05	Ohio Rev. Code Section 733.262, the Village made several inconsistent postings which resulted in audit adjustments.	No	Not Corrected. This comment was re-issued as Finding 2013-002.
2011-06	Sewage and Billing Collections, a SOC 1 report is not completed for United Water Services.	No	Not Corrected. This comment was re-issued as Finding 2013-004.

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**VILLAGE OF WELLSVILLE**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 12, 2015**