
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

VILLAGE OF WELLSVILLE

COLUMBIANA COUNTY, OHIO

A&A
REGULAR AUDIT

For the Year Ended

December 31, 2017

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Wellsville, Columbiana County, prepared by Alger & Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 11, 2018

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Wellsville, Columbiana, Ohio (the Village) as of and for the year ended December 31, 2017.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017, and the respective changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Wellsville, Columbiana as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.


Emphasis of Matter

As discussed in Note 14, on November 15, 2016, the Auditor of State declared the Village of Wellsville to be in a state of fiscal emergency, in accordance with Section 118.03 of the Ohio Revised Code. The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As described in Note 13 to the financial statements, the Village has been suffering declining general fund balances due to disbursements exceeding receipts, which raises substantial doubt about the Village's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 13. They do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Alger and
Associates Inc



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Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio
February 8, 2018

Village of Wellsville, Ohio
Columbiana County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$90,705	\$334,319	\$0	\$0	\$425,024
Municipal Income Tax	484,883	0	12,000	0	496,883
Intergovernmental	52,008	225,280	0	0	277,288
Charges for Services	46,711	46,236	0	0	92,947
Fines, Licenses and Permits	233,277	4,702	0	0	237,979
Earnings on Investments	2,468	310	0	0	2,778
Miscellaneous	26,467	21,156	0	0	47,623
<i>Total Cash Receipts</i>	<u>936,519</u>	<u>632,003</u>	<u>12,000</u>	<u>0</u>	<u>1,580,522</u>
Cash Disbursements					
Current:					
Security of Persons and Property	561,004	278,936	0	0	839,940
Public Health Services	0	60,508	0	0	60,508
Leisure Time Activities	4,170	0	0	0	4,170
Community Environment	0	12,468	0	0	12,468
Transportation	0	146,829	0	0	146,829
General Government	443,967	2,500	0	0	446,467
Capital Outlay	0	1,500	26,122	0	27,622
Debt Service:					
Principal Retirement	0	1,400	0	0	1,400
Interest and Fiscal Charges	0	550	0	0	550
<i>Total Cash Disbursements</i>	<u>1,009,141</u>	<u>504,691</u>	<u>26,122</u>	<u>0</u>	<u>1,539,954</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(72,622)</u>	<u>127,312</u>	<u>(14,122)</u>	<u>0</u>	<u>40,568</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	0	0	75,569	0	75,569
<i>Net Change in Fund Cash Balances</i>	<u>(72,622)</u>	<u>127,312</u>	<u>61,447</u>	<u>0</u>	<u>116,137</u>
<i>Fund Cash Balances, January 1</i>					
- Restated (See Note 3)	<u>(159,289)</u>	<u>36,884</u>	<u>79,339</u>	<u>40,105</u>	<u>(2,961)</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	40,105	40,105
Restricted	0	184,421	140,786	0	325,207
Unassigned (Deficit)	<u>(231,911)</u>	<u>(20,225)</u>	<u>0</u>	<u>0</u>	<u>(252,136)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$231,911)</u>	<u>\$164,196</u>	<u>\$140,786</u>	<u>\$40,105</u>	<u>\$113,176</u>

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Columbiana County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Type	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$659,739	\$0	\$659,739
Fines, Licenses and Permits	0	48,964	48,964
<i>Total Operating Cash Receipts</i>	<u>659,739</u>	<u>48,964</u>	<u>708,703</u>
Operating Cash Disbursements			
Personal Services	34,430	0	34,430
Employee Fringe Benefits	9,370	0	9,370
Contractual Services	430,347	0	430,347
Supplies and Materials	41,421	0	41,421
Other	3,107	55,293	58,400
<i>Total Operating Cash Disbursements</i>	<u>518,675</u>	<u>55,293</u>	<u>573,968</u>
<i>Operating Income (Loss)</i>	<u>141,064</u>	<u>(6,329)</u>	<u>134,735</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	192	0	192
Miscellaneous Receipts	898	8,330	9,228
Capital Outlay	0	0	0
Principal Retirement	(84,763)	0	(84,763)
Interest and Other Fiscal Charges	(2,669)	0	(2,669)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(86,342)</u>	<u>8,330</u>	<u>(78,012)</u>
<i>Net Change in Fund Cash Balances</i>	54,722	2,001	56,723
<i>Fund Cash Balances, January 1</i>	<u>455,897</u>	<u>6,744</u>	<u>462,641</u>
<i>Fund Cash Balances, December 31</i>	<u>\$510,619</u>	<u>\$8,745</u>	<u>\$519,364</u>

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

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

On November 15, 2016, the Auditor of State's office declared the Village of Wellsville to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the Village, Council President, three financial consultants from various corporations and/or organizations within the Village and two representatives from the State of Ohio. The Village has 120 days after the first meeting of the Commission to approve a financial recovery plan. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

Public Entity Risk Pool

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Fund Accounting *(continued)*

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

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

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

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

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

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

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

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 5.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village had no investments during the year or at year-end.

Capital Assets

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

Accumulated Leave

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

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Fund Balance

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

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

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

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

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

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

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

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Prior Period Adjustments

During 2017, the Village had to adjust for a prior period payment, void and reissue a warrant that was issued in 2016 and void a prior year receipt. The fund balance adjustments had the following effect:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Fund Cash Balance (Deficit), December 31, 2016	(\$157,695)	\$36,938	\$79,339	\$40,105	(\$1,313)
Prior Year Payment Adjustment	24	0	0	0	24
Voided Prior Year Warrants	147	16	0	0	163
Voided Prior Year Receipts	<u>(1,765)</u>	<u>(70)</u>	<u>0</u>	<u>0</u>	<u>(1,835)</u>
Adjusted Fund Cash Balance (Deficit), December 31, 2016	<u>(\$159,289)</u>	<u>\$36,884</u>	<u>\$79,339</u>	<u>\$40,105</u>	<u>(\$2,961)</u>

	<u>Enterprise</u>	<u>Agency</u>	<u>Total</u>
Fund Cash Balance (Deficit), December 31, 2016	\$455,897	\$4,910	\$460,807
Voided Prior Year Warrant	<u>0</u>	<u>1,834</u>	<u>1,834</u>
Adjusted Fund Cash Balance (Deficit), December 31, 2016	<u>\$455,897</u>	<u>\$6,744</u>	<u>\$462,641</u>

Note 4 - Compliance

The following funds had appropriations in excess of estimated available resources, contrary to Ohio Revised Code Section 5705.39 at December 31, 2017.

<u>Fund</u>	<u>Estimated Available Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General	\$912,862	\$1,077,441	(\$164,579)
Special Revenue Funds:			
Cemetery	44,242	68,898	(24,656)
Police Salary Levy	31,815	34,109	(2,294)
Police Levy	30,883	38,525	(7,642)

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Compliance *(continued)*

The Village had negative cash fund balances in the following funds at December 31, 2017 indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10(H):

General Fund	\$231,911
Special Revenue Funds:	
Cemetery	13,307
Police Salary Levy	1,654
Police Operating Levy	5,264

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

Note 5 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,079,411	\$936,519	(\$142,892)
Special Revenue	627,915	632,003	4,088
Capital Projects	87,469	87,569	100
Enterprise	632,582	660,829	28,247
Total	\$2,427,377	\$2,316,920	(\$110,457)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,084,701	\$1,027,485	\$57,216
Special Revenue	560,371	508,418	51,953
Capital Projects	166,760	26,122	140,638
Enterprise	661,720	606,935	54,785
Total	\$2,473,552	\$2,168,960	\$304,592

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Deposits and Investments

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

Demand deposits	\$396,750
Certificates of deposit	<u>235,790</u>
Total deposits	<u><u>\$632,540</u></u>

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village;

Note 7 – Taxes

Property Taxes

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

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

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

Income Taxes

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

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

On November 7, 2017, the voters approved an increase of income taxes of one half of one percent effective January 1, 2018 for police officer personnel and equipment expenses and paving expenses in the Village and permitting a fifty percent credit up to the tax limit of one and one-half percent for those working outside the Village of Wellsville.

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 - Risk Management

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

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

During 2017, the Village participated in the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$23,761.

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 - Risk Management *(continued)*

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership. During 2016, the Village contributed \$37,716.

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2017.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Beginning Balance	Issued	Payments	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Ohio Public Works	\$192,497	\$0	(\$17,595)	\$174,902
Kansas State Bank	21,158	0	(6,839)	14,319
Ohio Water Development Authority Loan	<u>153,907</u>	<u>0</u>	<u>(61,729)</u>	<u>92,178</u>
Totals	<u>\$367,562</u>	<u>\$0</u>	<u>(\$86,163)</u>	<u>\$281,399</u>

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

The Village's taxing authority collateralized the bonds.

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Debt

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

Year ending December 31:	OPWC Loans	OWDA Loans		Kansas State Bank	
	Principal	Principal	Interest	Principal	Interest
2018	\$17,595	\$63,019	\$1,274	\$7,051	\$442
2019	17,595	6,302	273	7,268	225
2020	17,595	6,365	210	0	0
2021	17,595	6,429	146	0	0
2022	11,317	6,493	81	0	0
2023-2027	25,190	3,570	17	0	0
2028-2032	25,191	0	0	0	0
2033-2037	25,191	0	0	0	0
2038-2042	17,633	0	0	0	0
Total	<u>\$174,902</u>	<u>\$92,178</u>	<u>\$2,001</u>	<u>\$14,319</u>	<u>\$667</u>

Note 12 – Contingent Liabilities

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

Note 13: Going Concern

As of December 31, 2017, the Village had negative fund balances in the General Fund of (\$231,911), Cemetery Fund (\$13,307), Police Salary Levy Fund (\$1,654) and Police Operating Levy (\$5,264).

The ½% increase of income tax were approved by the voters in November of 2017. The Village will realized the full amount of ibncrease by 2020. It’s estimated by the Regional Income Tax Agency that the Village will receive approximately \$168,000 more each year from this increase. Mayor and Council are looking into reducing the full-time employees’ insurance coverage, going from family and dependents coverages, to covering the employees only. That is estimated to save approximately \$80,000 per year. Council is reviewing their options regarding the sale of the Reservoir and the Old Sky Bank building and has passed an ordinance regarding the collection bulk material transportation fees. Council and the Mayor has also been working with the various departments on limiting the overtime hours.

Village of Wellsville, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 14 – Fiscal Emergency

The Auditor of State's office placed the Village in fiscal emergency on November 15, 2016 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 a representative of the Office of Budget and Management, a representative of the Treasurer of State, the Village Mayor, the President of Village Council, and three individuals appointed by the Governor who are residents of the Village and meet certain criteria.

In accordance with Section 118.06 of the Ohio Revised Code, the Village is required to submit to the Commission a financial recovery plan for the Village which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Village adopted its initial financial recovery plan on August 30, 2017.

A Village is placed into fiscal emergency when any one of six conditions is present. For the Village of Wellsville, one of the six conditions was present at the date of the Auditor of State's determination. The condition present in the Village was deficit fund balances. Under Section 118.03(A)(5) of the Revised Code, the aggregate sum of all deficit funds at the end of the preceding fiscal year, less any transferable balance in the general fund and in any special revenue fund that exceed one-sixth of the general fund budget and the receipts of the deficit funds is a fiscal emergency condition. As of December 31, 2015, the Village had deficit fund balances in the following funds: general fund, state highway fund, cemetery fund, fire levy fund, police salary levy fund and the fire '03 fund. The Auditor of State's calculation determined the total unprovided portion of aggregate deficit funds was \$93,021 for the year ended December 31, 2016.



ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Wellsville, Columbiana , (the Village) as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated February 8, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. As disclosed in Note 14, on November 15, 2016, the Village of Wellsville was declared by the Auditor of State to be in a state of fiscal emergency.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-003 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

Village's Response to Findings

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

Purpose of this Report

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

Alger and
Associates Inc

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Date: 2018.03.08 17:09:29 -05'00'

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

February 8, 2018

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

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

FINDING NUMBER 2017-001

Noncompliance

Negative Fund Balance

Ohio Rev. Code Section 5705.10 (H), states money paid into a fund shall be used only for the purposes for which such fund is established. A negative fund cash balances indicates that money from one fund was used to cover the expenses of another fund. The Village had negative fund balances at December 31, 2017 in the following funds.

General Fund	\$231,911
Special Revenue Funds:	
Cemetery	13,307
Police Salary Levy	1,654
Police Operating Levy	5,264

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

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

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

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

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

FINDING NUMBER 2017-002

Noncompliance

Appropriations Limited By Estimated Revenue

Ohio Revised Code § 5705.39, states that total appropriations from each fund shall not exceed the total estimated resources. An appropriation measure is not effective until the County Auditor certifies that appropriations from each fund do not exceed the total official estimate approved by the County Budget Commission. As of December 31, 2017, the following funds had appropriations in excess of estimated resources.

<u>Fund</u>	<u>Estimated Available Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General	\$912,862	\$1,077,441	(\$164,579)
Special Revenue Funds:			
Cemetery	44,242	68,898	(24,656)
Police Salary Levy	31,815	34,109	(2,294)
Police Operating Levy	30,883	38,525	(7,642)

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

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**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

FINDING NUMBER 2017-003

Material Weakness

Monitoring Village Financial Activity – Segregation of Duties

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

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

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

- Meets on a regular basis to review year-to-date income tax receipts, total revenues, expenditures/disbursements and current cash balances
- In conjunction with other Committees, reviews and prioritizes potential projects to be completed in the current and upcoming years
- Review and update the Five-Year Capital Improvement Plan with the goal of presenting legislation to Council for approval at the Regular Council Meeting
- Review the upcoming year's preliminary Operating Budget and Capital Budget, which includes departmental purchases and projects, infrastructure projects and maintenance contracts
- Meet with department heads to discuss departmental capital requests Discuss debt service with a commitment to paying down debt (if any)
- Discuss various way to curb Village spending to become more efficient
- The Committee and/or Council-as-a-whole meet to debate and analyze the Capital and Operating budgets
- The Committee and/or Council-as-a-whole meets to firm up each budget document, and reach a consensus on a final budget document with the goal of adopting a budget for the upcoming year
- Review any matters of importance brought forth by the Finance Department and Finance Team
- Review proposed new or revised legislation that requires Committee-level discussion with a goal of making a recommendation to Council-as-a-whole
- Review the monthly bank reconciliations performed by the Fiscal Officer to verify that a reconciliation is performed each month between the bank balances and the fund cash balances, verify that the reconciliation includes all active and invested monies under the control of the Village, and review the following month's bank statement to verify that the prior month's reconciling items, such as deposits-in-transit and outstanding checks, were accurately stated.

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

FINDING NUMBER 2017-003 *(continued)*

- Review billings from retirement systems, payroll withholdings, insurance, and utilities to ensure the obligations of the Village are being paid in a timely manner.
- Review results of audits and develop plans of action in regards to any noncompliance and control weaknesses identified. We recommend Council carefully review the aforementioned information and make appropriate inquiries to help determine the continued integrity of financial information.

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

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

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

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

Village of Wellsville

1200 Main Street, Wellsville, Ohio, 43968

330-532-2524

Mayor: Nancy Murray

First and foremost, the current Council Members, Mayor and the Fiscal Officer (the Administration) would like to thank Nita Hendryx and Tisha Turner and their staff, Local Government Services, (LGS) (a division of the Auditor of State's office) for all their time, hard work and dedication to the Village in helping the Village during fiscal emergency..

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

The Administration is also very pleased with this audit report, since there were six prior audit findings which are no longer valid.

For Finding 2017-001, Council will work closely with the Finance Committee and the Fiscal Officer to ensure the Village will be in compliance. The Chairman of the Finance Committee will work closely with the Fiscal Officer in providing Council with all the appropriate budgetary reports and necessary financial information. Council will be able to have accurate and complete information in order for Council to make appropriate decisions regarding financial matters. Also the Mayor has been working with the Fiscal Emergency Commission and Local Government Services to come up with a financial recovery plan and a five year forecast to have all positive fund balances at the end of five years, that can ensure money are spend from the proper fund from then on.

For Finding 2017-002, Council and the Mayor will be working with the Fiscal Officer, Finance Committee, Local Government Services and the Fiscal Emergency Commission to monitor appropriations throughout the year. The Finance Committee will meet with the Fiscal Officer and the Mayor on a regular basis to go through appropriate reports and make sure the appropriations does not exceed the estimated resources.

Council also is going to request all department heads to develop their own budget, present to the Finance Committee, and monitor their own department's finances which will help to and ensure expenditures to not exceed estimated resources and appropriations.

For Finding 2017-003, Council and the Mayor will consider all of the recommendations in the audit report and hope to be able to implement them to help improve our financial situation.

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

Sincerely,



Mayor

Randall S Almos

Council President

Allyn

Fiscal officer

**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2016-001	Ohio Revised Code §5705.41 (D) (1) Expenditures made without prior certification	Yes	Finding No Longer Valid
2016-002	Ohio Revised Code §5705.38 (C) Budget Control at minimum level	Yes	Finding No Longer Valid
2016-003	Ohio Revised Code §5705.39 Appropriation exceeded Estimated Resources	No	Not Corrected. Repeated as 2017-002
2016-004	Ohio Revised Code §5705.41 (B) Making expenditures unless properly appropriated	Yes	Finding No Longer Valid
2016-005	Ohio Revised Code §5705.10 (H) Negative cash fund balances	No	Not Corrected. Repeated as 2017-001
2016-006	Ohio Revised Code §117.103 (B)(1) Fraud Reporting System	Yes	Finding No Longer Valid
2016-007	Village Ordinance § 151 Zoning Rules and Regulations were not being adhered to	No	Repeated Management Letter
2016-008	Material Weakness: Stale Dated Checks.	Yes	Finding No Longer Valid
2016-009	Material Weakness: Segregation of Duties	No	Not Corrected. Repeated as 2017-003
2016-010	Material Weakness: Budgetary Monitoring Controls The Village lacks monitoring controls over completing the necessary paperwork annually to be in compliance with the applicable Ohio Revised Code compliance sections.	Yes	Finding No Longer Valid
2016-011	Material Weakness: Performance Audit	No	Repeated Management Letter
2016-012	Material Weakness: Long Term Financial Planning	No	Repeated Management Letter

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Dave Yost • Auditor of State

VILLAGE OF WELLSVILLE

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 24, 2018