



Mary Taylor, CPA
Auditor of State

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellsville, Columbiana County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. The Auditor of State served during the year ended December 31, 2005 as the Village's financial supervisor under Ohio Rev. Code §118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to the audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellsville, Columbiana County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Fire Levy and Lincoln China Clean Air Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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

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

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

Mary Taylor, CPA
Auditor of State

October 1, 2007

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Village of Wellsville's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

The Financial Planning and Supervision Commission has requested for the release of the Village of Wellsville from Fiscal Emergency as of December 1, 2005.

Net assets of governmental activities increased \$32,665, or 6.3 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund due to the increase in Non restricted Grants and Entitlements.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 24 and 22 percent of the total cash received for governmental activities during the year. The Village has contracted with the Regional Income Tax Authority for collection of income taxes.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Village's Most Significant Funds

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

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

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

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

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Cash and Cash Equivalents	\$513,051	\$476,815	\$486,864	\$480,812	\$999,915	\$957,627
Cash and Cash Equivalents in Segregated Accounts	0	3,571	0	0	0	3,571
Total Assets	<u>\$513,051</u>	<u>\$480,386</u>	<u>\$486,864</u>	<u>\$480,812</u>	<u>\$999,915</u>	<u>\$961,198</u>

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net Assets						
Restricted for:						
Capital Outlay	\$6,650	\$9,681	\$0	\$0	\$6,650	\$9,681
Debt Service Cemetery	25,075				25,075	
Nonexpendable	35,398	35,398	0	0	35,398	35,398
Expendable	0	145	0	0	0	145
Other Purposes	240,406	204,278	0	0	240,406	204,278
Unrestricted	<u>205,522</u>	<u>230,884</u>	<u>486,864</u>	<u>480,812</u>	<u>692,386</u>	<u>711,696</u>
Total Net Assets	<u>\$513,051</u>	<u>\$480,386</u>	<u>\$486,864</u>	<u>\$480,812</u>	<u>\$999,915</u>	<u>\$961,198</u>

As mentioned previously, net assets of governmental activities increased \$32,665 or 6.3 percent during 2005. The primary reason contributing to the increase in cash balance is as follows:

- The Village received an Ohio Clean Air Revitalization Grant.

Table 2 reflects the changes in net assets in 2005. Since the Village did prepare financial statements in this format for 2004, a comparative analysis of government-wide data has been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Business Type Activities 2005	Business Type Activities 2004	Total 2005	Total 2004
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$102,580	\$143,110	\$491,003	\$513,150	\$593,583	\$656,260
Operating Grants and Contributions	182,404	246,745	83,953	151,545	\$266,357	\$398,290
Total Program Receipts	\$284,984	\$389,855	\$574,956	\$664,695	\$859,940	\$1,054,550
General Receipts:						
Property and Other Local Taxes	434,076	373,146	0	0	434,076	373,146
Income Taxes	387,998	424,871	0	0	387,998	424,871
Other Taxes					0	0
Payments in Lieu of Taxes					0	0
Special Assessments					0	0
Grants and Entitlements Not Restricted to Specific Programs	620,961	181,765	0	0	620,961	181,765
Interest	18,130	13,297	0	0	18,130	13,297
OPWC Loan Proceeds	0	0	0	19,323	0	19,323
Miscellaneous	33,961	68,600	0	3,136	33,961	71,736
Total General Receipts	1,495,126	1,061,679	0	22,459	1,495,126	1,084,138
Total Receipts	1,780,110	1,451,534	574,956	687,154	2,355,066	2,138,688
Disbursements:						
General Government	323,194	348,239	0	0	323,194	348,239
Security of Persons and Property:					0	0
Police	502,631	459,345	0	0	502,631	459,345
Fire	223,571	195,310	0	0	223,571	195,310
Leisure Time Activities	20,485	13,349	0	0	20,485	13,349
Community Environment	384,273	42,516	0	0	384,273	42,516
Public Health Services	85,589	63,983	0	0	85,589	63,983
Transportation	151,271	173,938	0	0	151,271	173,938
Sewer	0	0	568,904	642,101	568,904	642,101
Basic Utility Services	5,175				5,175	0
Capital Outlay	38,577				38,577	0
Debt Service:					0	0
Principal	6,300				6,300	0
Interest	6,379				6,379	0
Total Disbursements	1,747,445	1,296,680	568,904	642,101	2,316,349	1,938,781
Excess Before Transfers and Special Items	32,665	154,854	6,052	45,053	38,717	199,907
Transfers	0	10,674	0	(10,674)	0	0
Special Item - Sale of Timber	0	129,033	0	0	0	129,033
Increase in Net Assets	32,665	294,561	6,052	34,379	38,717	328,940
Net Assets, January 1, 2004	480,386	164,321	480,812	471,507	961,198	635,828
Net Assets, December 31, 2004	\$513,051	\$458,882	\$486,864	\$505,886	\$999,915	\$964,768

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Program receipts represent only 16 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 84 percent of the Village's total receipts, and of this amount, over 55 percent are local taxes. State and federal grants and entitlements make up consists of 42 percent of general receipts. Other receipts account for 4 percent and are somewhat unpredictable revenue sources.

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

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

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, community environment, and security of persons and property, which account for 18, 22, and 42 percent of all governmental disbursements, respectively. Transportation also represents a significant cost, about 9 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 3)
Governmental Activities

	Total Cost Of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
General Government	323,194	\$348,239	\$277,923	\$348,239
Security of Persons and Property:				
Police	502,631	459,345	502,631	333,909
Fire	223,571	195,310	223,571	188,967
Leisure Time Activities	20,485	13,349	20,485	13,349
Community Environment	384,273	42,516	380,755	15,126
Public Health and Welfare	85,589	63,983	44,477	2,881
Basic Utility Services	5,175	0	(7,504)	
Debt Service:				
Principal	6,300	0	6,300	
Interest	6,379	0	6,379	
Transportation	151,271	173,938	(31,133)	4,354
Capital Outlay	38,577	0	38,577	
Total Expenses	<u>\$1,747,445</u>	<u>\$1,296,680</u>	<u>\$1,462,461</u>	<u>\$906,825</u>

The dependence upon property and income tax receipts is apparent as over 47 percent of governmental activities are supported through these general receipts.

Business-type Activities

Net assets at the end of the year of \$486,864 represents a decrease of \$19,022 from the prior year. The decrease is the result of the Village spending less on the STAG grant.

The Village's Funds

Total governmental funds had receipts of \$1,780,110 and disbursements of \$1,747,445. The greatest change within governmental funds occurred within the Other Governmental Funds. The fund balance of the Other Governmental Funds increased in intergovernmental funds.

General Fund Budgeting Highlights

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

During 2005, the Village did not amend its General Fund budget. Final budgeted receipts were the same as original budgeted receipts. The difference between final budgeted receipts and actual receipts was \$40,258.

Final disbursements were budgeted at \$799,008 while actual disbursements were \$768,367. The result is a decrease in fund balance of \$32,936 for 2005.

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2005, the Village's outstanding debt consisted of the following:

(Table 4)
Outstanding Debt at Year End

	<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2004</u>
OWDA Loans	\$770,338	\$875,063
OPWC Loans	200,919	213,476
USDA Loan	<u>128,000</u>	<u>134,300</u>
Total	<u><u>\$1,099,257</u></u>	<u><u>\$1,222,839</u></u>

The business-type activity debt will be paid from user charges. For further information regarding the Village's debt, refer to Note 8 to the basic financial statements.

Village of Wellsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Current Issues

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

Contacting the Village's Financial Management

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

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Village of Wellsville, Ohio
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$513,051	\$486,864	\$999,915
Total Assets	<u>513,051</u>	<u>486,864</u>	<u>999,915</u>
Net Assets			
Restricted for:			
Capital Projects	6,650	0	6,650
Debt Service	25,075		25,075
Cemetery:			
Nonexpendable	35,398	0	35,398
Expendable	0	0	0
Other Purposes	240,406	0	240,406
Unrestricted	<u>205,522</u>	<u>486,864</u>	<u>692,386</u>
<i>Total Net Assets</i>	<u><u>\$513,051</u></u>	<u><u>\$486,864</u></u>	<u><u>\$999,915</u></u>

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended December 31, 2005

	Program Cash Receipts		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions
Governmental Activities			
General Government			
General Government	\$323,194	\$45,270	\$0
Security of Persons and Property:			
Leisure Time Activities	726,202	0	0
Community Environment	20,485	0	0
Basic Utility Services	384,273	3,518	0
Public Health and Welfare	5,175	12,679	0
Transportation	85,589	41,112	0
Capital Outlay	151,271	0	182,404
Debt Service:			
Principal Retirement	38,577	0	0
Interest and Fiscal Charges	6,300	0	0
	6,379	0	0
<i>Total Governmental Activities</i>	<u>1,747,445</u>	<u>102,579</u>	<u>182,404</u>
Business-Type Activities			
Sewer	568,904	491,003	83,953
<i>Total</i>	<u>\$2,316,349</u>	<u>\$593,582</u>	<u>\$266,357</u>

General Receipts

Property Taxes Levied for:

 General Purposes

 Other Purposes

Income Taxes Levied for:

 General Purposes

 Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Receipts

Total Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the financial statements

Net (Disbursements) Receipts
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$277,924)	\$0	(\$277,924)
(726,202)	0	(\$726,202)
(20,485)	0	(20,485)
(380,755)	0	(380,755)
7,504	0	\$7,504
(44,477)	0	(44,477)
31,133	0	\$31,133
(38,577)	0	(\$38,577)
(6,300)	0	(6,300)
(6,379)	0	(6,379)
(1,462,462)	0	(1,462,462)
0	6,052	6,052
(1,462,462)	6,052	(1,456,410)
400,154	0	400,154
33,922	0	33,922
383,998	0	383,998
4,000	0	4,000
620,961	0	620,961
18,130	0	18,130
33,961	0	33,961
1,495,126	0	1,495,126
1,495,126	0	1,495,126
32,664	6,052	38,716
480,386	480,812	961,198
\$513,050	\$486,864	\$999,914

Village of Wellsville, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Lincoln China Clean Air	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$176,108	\$377	\$29,414	\$307,152	\$513,051
Total Assets	<u>176,108</u>	<u>377</u>	<u>29,414</u>	<u>307,152</u>	<u>513,051</u>
Fund Balances					
Reserved for Encumbrances	3,235		9	2,547	5,791
Unreserved, Undesignated, Reported in:					
General Fund	172,873	0	0	0	172,873
Special Revenue Funds	0	377	29,405	237,483	267,265
Debt Service				25,075	25,075
Capital Projects Funds	0	0	0	6,649	6,649
Permanent Fund	0	0	0	35,398	35,398
<i>Total Fund Balances</i>	<u>\$176,108</u>	<u>\$377</u>	<u>\$29,414</u>	<u>\$307,152</u>	<u>\$513,051</u>

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
 Governmental Funds
 For the Fiscal Year Ended December 31, 2005

	General	Lincoln China Clean Air	Fire Levy	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Taxes	\$85,567	\$0	\$121,153	\$103,940	\$310,660
Municipal Income Taxes	383,998	0	0	4,000	387,998
Charges for Services	590	0	10	53,939	54,539
Fines, Licenses and Permits	79,356	0	0	3,355	82,711
Intergovernmental	139,861	363,314	47,059	342,620	892,854
Interest	16,359	0	0	1,771	18,130
Other	29,700	0	15	2,502	32,217
<i>Total Receipts</i>	<u>735,431</u>	<u>363,314</u>	<u>168,237</u>	<u>512,127</u>	<u>1,779,109</u>
Disbursements					
Current:					
General Government					
Legislative and Executive	321,790	0	0	1,404	323,194
Security of Persons and Property:	0	0	0	154,888	154,888
Police	388,811	0	0	0	388,811
Fire	0	0	182,503	0	182,503
Leisure Time Activities	20,485	0	0	0	20,485
Community Environment	0	362,937	0	21,336	384,273
Basic Utility Services	0	0	0	5,174	5,174
Public Health and Welfare	0	0	0	85,589	85,589
Transportation	0	0	0	151,271	151,271
Capital Outlay	0	0	0	38,577	38,577
Debt Service:					
Principal Retirement	0	0	0	6,300	6,300
Interest and Fiscal Charges	0	0	0	6,379	6,379
<i>Total Disbursements</i>	<u>731,086</u>	<u>362,937</u>	<u>182,503</u>	<u>470,918</u>	<u>1,747,444</u>
<i>Excess of Receipts Over Disbursements</i>	<u>4,345</u>	<u>377</u>	<u>(14,266)</u>	<u>41,209</u>	<u>31,665</u>
Other Financing Sources (Uses)					
Sale of Fixed Assets	0	0	0	1,000	1,000
Transfer In	0	0	0	1,916	1,916
Transfer Out	0	0	0	(1,916)	(1,916)
Advances In	0	0	0	34,046	34,046
Advances Out	(34,046)	0	0	0	(34,046)
<i>Total Other Financing Sources (Uses)</i>	<u>(34,046)</u>	<u>0</u>	<u>0</u>	<u>35,046</u>	<u>1,000</u>
<i>Net Change in Fund Balance</i>	<u>(29,701)</u>	<u>377</u>	<u>(14,266)</u>	<u>76,255</u>	<u>32,665</u>
<i>Fund Balances Beginning of Year</i>	<u>205,809</u>	<u>0</u>	<u>43,680</u>	<u>230,897</u>	<u>480,386</u>
<i>Fund Balances End of Year</i>	<u>\$176,108</u>	<u>\$377</u>	<u>\$29,414</u>	<u>\$307,152</u>	<u>\$513,051</u>

See accompanying notes to the financial statements

Village of Wellsville, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$91,300	\$91,300	\$85,567	(\$5,733)
Municipal Income Taxes	440,516	440,516	383,998	(56,518)
Charges for Services	0	0	590	590
Fees, Licenses and Permits	78,149	78,149	79,356	1,207
Intergovernmental	126,164	126,164	139,861	13,697
Interest	10,644	10,644	16,359	5,715
Other	28,916	28,916	29,700	784
<i>Total Receipts</i>	<i>775,689</i>	<i>775,689</i>	<i>735,431</i>	<i>(40,258)</i>
Disbursements				
Current:				
General Government	343,214	343,524	323,191	20,333
Security of Persons and Property:	394,394	394,584	390,645	3,939
Leisure Time Activities	26,854	26,854	20,485	6,369
<i>Total Disbursements</i>	<i>764,462</i>	<i>764,962</i>	<i>734,321</i>	<i>30,641</i>
<i>Excess of Receipts Over Disbursements</i>	<i>11,227</i>	<i>10,727</i>	<i>1,110</i>	<i>(9,617)</i>
Other Financing Sources (Uses)				
Advances Out	(34,046)	(34,046)	(34,046)	0
Transfers In	4,370	4,370	0	(4,370)
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<i>(29,676)</i>	<i>(29,676)</i>	<i>(34,046)</i>	<i>(4,370)</i>
<i>Net Change in Fund Balance</i>	<i>(18,449)</i>	<i>(18,949)</i>	<i>(32,936)</i>	<i>(13,987)</i>
<i>Fund Balance Beginning of Year</i>	<i>205,309</i>	<i>205,309</i>	<i>205,309</i>	<i>0</i>
Prior Year Encumbrances Appropriated	500	500	500	0
<i>Fund Balance (Deficit) End of Year</i>	<i>\$187,360</i>	<i>\$186,860</i>	<i>\$172,873</i>	<i>(\$13,987)</i>

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual
Clean Ohio Revitalization - Lincoln China
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Intergovernmental	448,859	448,859	363,314	(85,545)
<i>Total Receipts</i>	<u>448,859</u>	<u>448,859</u>	<u>363,314</u>	<u>(85,545)</u>
Disbursements				
Current:				
Community Environment	448,859	448,859	362,937	85,922
<i>Total Disbursements</i>	<u>448,859</u>	<u>448,859</u>	<u>362,937</u>	<u>85,922</u>
<i>Excess of Receipts Over Disbursements</i>	<u>0</u>	<u>0</u>	<u>377</u>	<u>377</u>
<i>Net Change in Fund Balance</i>	0	0	377	377
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$377</u>	<u>\$377</u>

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual
Fire Levy Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$128,329	\$128,329	\$121,153	(\$7,176)
Intergovernmental	34,653	34,653	47,059	12,406
Other	0	0	15	15
<i>Total Receipts</i>	162,982	162,982	168,227	5,245
Disbursements				
Current:				
Security of Persons and Property:				
Fire	186,557	186,607	182,512	(4,095)
<i>Excess of Receipts Over (Under) Disbursements</i>	(23,575)	(23,625)	(14,285)	9,340
<i>Net Change in Fund Balance</i>	(23,575)	(23,625)	(14,285)	9,340
<i>Fund Balance (Deficit) Beginning of Year</i>	(86,326)	(86,326)	(86,326)	0
<i>Fund Balance (Deficit) End of Year</i>	(\$109,901)	(\$109,951)	(\$100,611)	\$9,340

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Fund Net Assets - Cash Basis
Enterprise Fund
December 31, 2005

	<u>Sewer</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$486,864</u>
Net Assets	
Unrestricted	<u><u>\$486,864</u></u>

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Cash Receipts, Cash
Disbursements and Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Fiscal Year Ended December 31, 2005

	Sewer
Operating Receipts	
Charges for Services	\$491,003
<i>Total Operating Receipts</i>	491,003
Operating Disbursements	
Personal Services	2,094
Fringe Benefits	110
Contractual Services	348,917
Materials and Supplies	35,255
Miscellaneous	2,249
<i>Total Operating Disbursements</i>	388,625
<i>Excess of Receipts Over Disbursements</i>	102,378
Non-Operating Receipts (Disbursements)	
Operating Grants	83,953
OPWC Loan Proceeds	0
Debt Service	(180,278)
<i>Total Non-Operating Receipts (Disbursements)</i>	(96,325)
<i>Excess of Receipts Over Disbursements</i> <i>Before Transfers</i>	6,053
Transfer Out	0
<i>Change in Net Assets</i>	6,053
<i>Net Assets Beginning of Year</i>	480,811
<i>Net Assets End of Year</i>	\$486,864

See accompanying notes to the basic financial statements

Village of Wellsville, Ohio
Statement of Cash Basis Assets and Liabilities
Agency Fund
December 31, 2005

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$185</u></u>
Liabilities	
Due to Others	<u><u>\$185</u></u>

See accompanying notes to the basic financial statements

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NOTE 1 – REPORTING ENTITY

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

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

On August 22, 2001, the Auditor of State's office declared the Village of Wellsville to be in the state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the Village, Council President, three financial consultants from various corporations and/or organizations and two representatives from the State of Ohio. This Commission approved a financial recovery plan which was adopted by the Village and the plan must be updated annually. 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. The Village of Wellsville was released from fiscal emergency by the Auditor of State Office as of December 31, 2005.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Government-Wide Financial Statements

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Fund Financial Statements

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

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

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

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

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

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

Lincoln China Clear Air Fund – The Lincoln China clean air fund accounts for an Ohio clean air grant issued for the Lincoln China site clean up.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Proprietary Funds

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

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

Fiduciary Funds

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

C. Cash and Cash Equivalents

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2005 amounted to \$16,359, all of which was assigned from other Village funds.

The Village values cash equivalents at cost. Or presentation on the financial statements, the Village classifies the cash management pool as cash equivalents.

D. Inventory and Prepaid Items

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

E. Capital Assets

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

F. Compensated Absences

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Long-term Obligations

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

H. Fund Balance Reserves

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

I. Net Assts

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

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

J. Interfund Activity

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

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

K. Budgetary Process

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

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

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

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

The fire special levy revenue fund had total appropriations in excess of estimated resources as of the fiscal year end contrary to Section 5705.39, Revised Code. The FEMA and the fire truck funds had expenditures which exceeded their respective appropriations contrary to Section 5705.41(B), Revised Code. Contrary to Section 5705.41(D) expenditures were not properly certified in advance.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies can be deposited or invested in the following:

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

Deposits At year-end, the carrying amount of the Village's deposits was \$999,915 and the bank balance was \$1,115,809. Of the bank balance:

1. \$135,389 was covered by federal depository insurance.
2. \$980,420 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the Village's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

NOTE 5 – RECEIVABLES

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Property tax revenue received during 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

Village of Wellsville
Notes to the Financial Statements
For the Year Ended December 31, 2005

NOTE 5 – RECEIVABLES - (Continued)

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 22 percent of true value for inventories.

The full tax rate for all Village operations for the year ended December 31, 2005 was \$15.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$19,303,780
Other Real Estate	4,834,370
Public Utility Personal Property	2,489,970
Tangible Personal Property	2,108,250
Total	<u><u>\$28,736,370</u></u>

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

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

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

B. Income Tax

The Village levies and collects an income tax of 1.0 percent on all income earned within the Village as well as on income of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. In 2005, the proceeds were allocated to the capital improvement capital projects fund up to \$12,000 the remaining proceeds go to the general fund.

NOTE 6 - CONTINGENCIES

A. Grants

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

B. Litigation

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

Village of Wellsville
Notes to the Financial Statements
For the Year Ended December 31, 2005

NOTE 7 - RISK MANAGEMENT

The Village is exposed to various risks of loss to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disaster. During 2005, the Village contracted with various insurance companies for various types of insurance as follows:

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

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

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

NOTE 8- LONG-TERM OBLIGATIONS

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

	Issue Date	Maturity Date	Interest Rate	Original Issue Amount
Business-Type Activities				
<i>Ohio Water Development Loans</i>				
Wastewater Treatment Plant Improvements	2000	2018	2.20%	\$58,659
Sewer	1988	2006	9.72	19,685
Sewer	1982	2006	9.72	1,498,877
Loan for Unpaid Grant Balances	2001	2010	5.89	19,761
Wastewater Treatment Plant Improvements	1999	2018	2.20	756,271
Wastewater Treatment Plant Headworks Improvements	2003	2023	1.00	118,906
<i>Ohio Public Works Commission Loan</i>				
Wells Avenue Extended Sewer Improvement	2001	2022	0.00	125,689
Russell Heights Sewer Improvement	2001	2022	0.00	125,459
<i>US Department of Agriculture Loan</i>	2000	2019	4.75	162,000

Village of Wellsville
Notes to the Financial Statements
For the Year Ended December 31, 2005

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

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

	Balance 12/31/04	Additions	Reductions	Balance 12/31/05	Amounts Due in One Year
<i>Business-Type Activities</i>					
OWDA Loans					
Wastewater Treatment Plant Improvements	\$48,298	\$0	(\$3,109)	\$45,189	\$3,143
Sewer	6,840	0	(4,491)	2,349	4,698
Sewer	75,476	0	(49,566)	25,910	51,841
Loan for Grant Balances	13,710	0	(1,967)	11,743	2,025
Wastewater Treatment Plant Improvements	622,685	0	(40,084)	582,601	40,525
Wastewater Treatment Plant Headworks Improvement	108,054	0	(5,508)	102,546	5,535
<i>Total OWDA Loans</i>	<u>875,063</u>	<u>0</u>	<u>(104,725)</u>	<u>770,338</u>	<u>107,767</u>
OPWC Loans					
Wells Avenue Extended Sewer Improvements	106,836	0	(6,284)	100,552	6,284
Russell Heights Sewer Improvement	106,640	0	(6,273)	100,367	6,273
<i>Total OPWC Loans</i>	<u>213,476</u>	<u>0</u>	<u>(12,557)</u>	<u>200,919</u>	<u>12,557</u>
US Department of Agriculture Loan	134,300	0	(6,100)	128,200	6,600
<i>Total Business-Type Activities</i>	<u>\$1,222,839</u>	<u>\$0</u>	<u>(\$123,382)</u>	<u>\$1,099,457</u>	<u>\$126,924</u>

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

A line of credit has been established with the Ohio Water Development Authority in the amounts of \$118,906 for the wastewater treatment plant Headworks Improvement. As of 12/31/05 the Villages has drawn down \$117,043 from the Ohio Water Development Authority line of credit.

The Village's overall legal debt margin was \$2,853,513 with an unvoted debt margin of \$1,494,697 at December 31, 2005. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

	USDA Loans		OWDA Loans		OPWC Loan
	Principal	Interest	Principal	Interest	Principal
2006	6,600	6,080	80,052	18,016	12,557
2007	7,000	5,767	52,953	14,086	12,557
2008	7,300	5,434	54,140	12,900	12,557
2009	7,600	5,087	55,357	11,682	12,557
2010	8,000	4,726	56,606	10,316	12,557
2011 - 2015	46,100	17,551	287,234	34,221	62,785
2016 - 2020	45,400	5,510	171,010	6,147	62,785
2021 - 2025	0	0	21,975	207	12,564
Total	<u>\$128,000</u>	<u>\$50,155</u>	<u>\$779,327</u>	<u>\$107,575</u>	<u>\$200,919</u>

NOTE 9 – RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 9 percent of their wages. The Village contributed an amount equal to 13.7 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Wellsville (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 1, 2007. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items findings 2005-002 through 2005-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We did not consider reportable conditions 2005-002 through 2005-004 listed above to be material weaknesses. In a separate letter to the Village's management dated October 1, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-004. In a separate letter to the Village's management dated October 1, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

Mary Taylor, CPA
Auditor of State

October 1, 2007

VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Finding for Recovery – Police Uniform Allowance

Pursuant to the Village of Wellsville Police Departments uniform allowance policy, reimbursements should only be made for police clothing and equipment and all such reimbursements must be approved by the appointing authority. Ordinance No. 05-28 passed on September 28, 2005 and made retroactive to January 1, 2005, states the Chief of Police and First Lieutenant shall be entitled to receive reimbursement for their actual expenses incurred in purchasing uniforms, with a maximum reimbursement of \$300.00 per officer per year. Such uniform reimbursement shall be paid after receipt by the Village Clerk-Treasurer of adequate written documentation of such expenditures.

On July 12, 2005 warrant number 3930 in the amount of \$300.00 was issued to Lieutenant Edward Wilson for uniform allowance reimbursement. Lieutenant Wilson had submitted two receipts as support for his request for reimbursement for uniform and equipment. The first receipt was dated July 2, 2005 in the amount of 58.81 from Shoebilee for the purchase of athletic shoes and messenger bag, The second receipt was dated July 3, 2005 in the amount of \$265.00 from JC Penny for clothing and apparel which was neither for police uniforms nor equipment.

It has been determined the purchase from Shoebilee and JC Penny described above were not for police clothing or equipment and the request for reimbursement was not properly approved by the appointing authority.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Lieutenant Edward Wilson, John McClelland Village Fiscal Officer, in the amount of \$300.00 and in favor of the Village of Wellsville's General Fund.

FINDING NUMBER 2005-002

Noncompliance/Reportable Condition

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

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

Fund	Appropriations	Total Certified Resources	Excess
Fire Levy Fund	\$40,900	\$36,864	\$4,036

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

FINDING NUMBER 2005-003

Noncompliance/Reportable Condition

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

For the fiscal year ended December 31, 2005, the Village had expenditures that exceeded appropriations in the following:

Fund	Appropriations	Expenditures Plus Encumbrances	Excess
FEMA	\$20,548	45,340	(24,792)
Fire Truck	0	4,020	(4,020)

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

FINDING NUMBER 2005-004

Noncompliance/Reportable Condition

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

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

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.

2. **Blanket Certificate**: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2005-004
(Continued)**

3. Super Blanket Certificate: The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not always encumber funds at the time of the commitment. We noted 57% of the 30 expenditures tested were not properly encumbered. Incurring obligations prior to the fiscal officer's certification could result in the Village spending more than appropriated.

The "blanket" certificates amounts were not established by ordinance or resolution from village council.

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

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

Client Response:

In January 2006, the Village hired a new fiscal Officer who has corrected or is in the process of correcting the conditions identified in Finding Numbers 2005-002 through 2005-004.

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**VILLAGE OF WELLSVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Illegal payment for police uniform allowance	No	This will be finding 2005-001
2004-002	Ohio Revised Code § 5705.39, appropriations exceed estimated resources	No	This will be finding 2005-002
2004-003	Ohio Revised Code § 5705.41(B), expenditures exceeded appropriations	No	This will be finding 2005-003
2004-004	Ohio Revised Code § 5705.41(D), failure to encumber funds	No	This will be finding 2005-004



Mary Taylor, CPA
Auditor of State

VILLAGE OF WELLSVILLE

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 15, 2008