



**VILLAGE OF MELROSE
PAULDING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 1998	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Melrose
Paulding County
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PO Box 101
Melrose, Ohio 45861-0101

To the Village Council:

We have audited the accompanying financial statements of the Village of Melrose, Paulding County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2000 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 grants.

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 20, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$ 9,195	\$ 5,261	\$ 0	\$ 14,456
Intergovernmental	13,457	9,717	11,100	34,274
Licenses, Permits, and Fees	600			600
Earnings on Investments	283	35		318
Other Revenue	535	2,057		2,592
	<u>24,070</u>	<u>17,070</u>	<u>11,100</u>	<u>52,240</u>
Total Cash Receipts				
	<u>24,070</u>	<u>17,070</u>	<u>11,100</u>	<u>52,240</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	3,799	5,608		9,407
Leisure Time Activity		2,835		2,835
Community Environment	69			69
Transportation		8,115		8,115
General Governmental	19,624	213		19,837
Debt Service:				
Redemption of Principal		650		650
Capital Outlay			11,100	11,100
	<u>23,492</u>	<u>17,421</u>	<u>11,100</u>	<u>52,013</u>
Total Cash Disbursements				
	<u>23,492</u>	<u>17,421</u>	<u>11,100</u>	<u>52,013</u>
Total Receipts Over (Under) Disbursements	578	(351)	0	227
Fund Cash Balances, January 1	13,691	4,353	0	18,044
Fund Cash Balances, December 31	<u>\$ 14,269</u>	<u>\$ 4,002</u>	<u>\$ 0</u>	<u>\$ 18,271</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 6,812	\$ 4,137	\$ 10,949
Intergovernmental	14,210	7,524	21,734
Licenses, Permits, and Fees	60		60
Earnings on Investments	285	33	318
Other Revenue	1,005	2,548	3,553
	<u>22,372</u>	<u>14,242</u>	<u>36,614</u>
Total Cash Receipts			
	<u>22,372</u>	<u>14,242</u>	<u>36,614</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	3,211	4,539	7,750
Leisure Time Activity		853	853
Community Environment	69		69
Transportation		5,287	5,287
General Governmental	16,318	164	16,482
Debt Service:			
Redemption of Principal		650	650
	<u>19,598</u>	<u>11,493</u>	<u>31,091</u>
Total Cash Disbursements			
	<u>19,598</u>	<u>11,493</u>	<u>31,091</u>
Total Receipts Over Disbursements	2,774	2,749	5,523
Fund Cash Balances, January 1	10,917	1,604	12,521
	<u>10,917</u>	<u>1,604</u>	<u>12,521</u>
Fund Cash Balances, December 31	<u>\$ 13,691</u>	<u>\$ 4,353</u>	<u>\$ 18,044</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Melrose, Paulding County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, park operations (leisure time activities), and police services. The

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village had no investments during the audit period.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

EMS and Fire Levy Fund - This fund receives tax monies assessed and levied on the general assessed valuation of real and personal property taxes for the protection against fire and other emergencies.

Parks and Recreation - This fund receives various revenues from donations, fees, and concessions.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II Fund - This fund receives proceeds from the Ohio Public Works Commission. The proceeds are used to repair Village streets.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$ 18,271</u>	<u>\$ 18,044</u>

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 15,960	\$ 24,070	\$ 8,110
Special Revenue	9,476	17,070	7,594
Capital Projects	0	11,100	11,100
Total	<u>\$ 25,436</u>	<u>\$ 52,240</u>	<u>\$ 26,804</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 23,409	\$ 23,492	\$ (83)
Special Revenue	13,601	17,421	(3,820)
Capital Projects	0	11,100	(11,100)
Total	<u>\$ 37,010</u>	<u>\$ 52,013</u>	<u>\$ (15,003)</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 15,660	\$ 22,372	\$ 6,712
Special Revenue	9,260	14,242	4,982
Total	\$ 24,920	\$ 36,614	\$ 11,694

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 21,295	\$ 19,598	\$ 1,697
Special Revenue	8,830	11,493	(2,663)
Total	\$ 30,125	\$ 31,091	\$ (966)

4. COMPLIANCE

The Village Clerk did not always certify the availability of funds prior to the commitment being incurred.

The following funds had expenditures which exceeded appropriations by the amounts indicated:

As of December 31, 1998:

Street Construction, Maintenance, and Repair Fund	\$ 1,096
State Highway Fund	217
Parks and Recreation Fund	817
Fire Fund	483
Emergency Medical Services Fund	50

As of December 31, 1999:

General Fund	\$ 83
Street Construction, Maintenance, and Repair Fund	368
State Highway Fund	6
Parks and Recreation Fund	1,104
Fire Fund	917
Emergency Medical Services Fund	192
Permissive Tax Fund	1,233
Capital Projects Fund	11,100

The Village received the benefit of \$11,100 in Issue II funds for 1999 that was not recorded on the Village's records.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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 Township.

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

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

6. RETIREMENT SYSTEMS

Social Security System - Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System (PERS) have an option to choose between Social Security and PERS. All Village elected officials have selected Social Security, rather than PERS. The Village's Liability is 6.2% percent of wages paid. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance through Public Entities Pool of Ohio. The following risks are covered by the Plan:

- Building Contents
- Municipal Liability
- Public official's liability

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Melrose
Paulding County
705 State Street
PO Box 101
Melrose, Ohio 45861-0101

To the Village Council:

We have audited the accompanying financial statements of the Village of Melrose, Paulding County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 20, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30263-001 through 1999-30263-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 20, 2000.

This report is intended for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 20, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30263-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

Thirty-eight percent of the transactions tested were not properly certified by the Clerk/Treasurer. This procedure is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

To improve controls over disbursements, it is recommended that all Village disbursements receive prior certification of the Clerk/Treasurer and that Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Clerk/Treasurer and recorded against appropriations.

FINDING NUMBER 1999-30263-002

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

The following Funds had expenditures that exceeded appropriations as of December 31, 1998:

Street Construction, Maintenance, and Repair Fund	\$ 1,096
State Highway Fund	217
Parks and Recreation Fund	817
Fire Fund	483
Emergency Medical Services Fund	50

FINDING NUMBER 1999-30263-002
(Continued)

The following Funds had expenditures that exceeded its appropriations as of December 31, 1999:

General Fund	\$ 83
Street Construction, Maintenance, and Repair Fund	368
State Highway Fund	6
Parks and Recreation Fund	1,104
Fire Fund	917
Emergency Medical Services Fund	192
Permissive Tax Fund	1,233

It is recommended that Council monitor appropriations to ensure they are sufficient to support planned expenditures and make any modifications needed to ensure expenditures do not exceed appropriations.

FINDING NUMBER 1999-30263-003

Noncompliance Citation

Ohio Revised Code § 5705.42 states, when the United States government or the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of the state to aid in paying the cost of any program, activity or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purposes by the taxing authority of such subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in the process of collection within the meaning of 5705.41, of the Ohio Revised Code.

In 1999, the Village was the beneficiary of \$11,100, in Issue II funding from the Ohio Public Works Commission. This activity was not recorded on the ledgers of the Village. The accompanying financial statements were adjusted to reflect the amount in the Capital Projects Fund which caused expenditures to exceed appropriations in the Capital Projects Fund by \$11,100, contrary to Ohio Revised Code § 5705.41(B), which requires all expenditures to be appropriated.

It is recommended that the Village record all benefits received from Issue II funds as a memo receipt and expenditure on the Village's records, request an amended certificate of estimated resources for these funds and the Council approve a corresponding appropriation for the expenditure. Additional guidance in accounting for Issue II money is included in Auditor of State Management Advisory Services Bulletin 89-17.



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VILLAGE OF MELROSE

PAULDING 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 11, 2000**