



**VILLAGE OF ROME
ADAMS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF ROME
ADAMS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Rome
Adams County
P.O. Box 351
Stout, Ohio 45684

To the Village Council:

We have audited the accompanying financial statements of the Village of Rome, Adams County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying financial statements present disbursements by fund type totals only. Ohio Administrative Code, Section 117-2-02(A), requires governments to classify disbursement transactions.

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, except for the omission of disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and unclassified 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 June 10, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

Jim Petro
Auditor of State

June 10, 2002

**VILLAGE OF ROME
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$4,504	\$0	\$4,504
Intergovernmental Receipts	2,257	1,527	3,784
Total Cash Receipts	6,761	1,527	8,288
Cash Disbursements:			
Current:			
Unclassified Disbursements	5,460	1,536	6,996
Total Cash Disbursements	5,460	1,536	6,996
Total Receipts Over/(Under) Disbursements	1,301	(9)	1,292
Fund Cash Balances, January 1	4,872	7,963	12,835
Fund Cash Balances, December 31	\$6,173	\$7,954	\$14,127

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

**VILLAGE OF ROME
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$5,004	\$0	\$5,004
Intergovernmental Receipts	2,013	1,881	3,894
Total Cash Receipts	<u>7,017</u>	<u>1,881</u>	<u>8,898</u>
Cash Disbursements:			
Current:			
Unclassified Disbursements	4,936	1,658	6,594
Total Cash Disbursements	<u>4,936</u>	<u>1,658</u>	<u>6,594</u>
Total Receipts Over/(Under) Disbursements	<u>2,081</u>	<u>223</u>	<u>2,304</u>
Fund Cash Balances, January 1	<u>2,791</u>	<u>7,740</u>	<u>10,531</u>
Fund Cash Balances, December 31	<u><u>\$4,872</u></u>	<u><u>\$7,963</u></u>	<u><u>\$12,835</u></u>

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

**VILLAGE OF ROME
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Rome, Adams County, Ohio (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 including road maintenance.

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).

The Village did not classify disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code, Section 117-02-02(A), (effective July 1, 2000) and Ohio Administrative Code, Section 117-5-11 (effective through June 30, 2000). These Ohio Administrative Code Sections require classifying disbursements.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash Deposits

The Village maintains all available funds in a non interest-bearing checking account.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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.

VILLAGE OF ROME
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Highway Fund

This fund receives gasoline tax and motor vehicle tax money for maintenance of the State Highway in the Village.

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 unencumbered 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting. However, the Village did not have material outstanding commitments at December 31, 2001 and 2000.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

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 DEPOSITS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$14,127</u>	<u>\$12,835</u>

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

**VILLAGE OF ROME
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,700	\$6,761	(\$939)
Special Revenue	<u>2,443</u>	<u>1,527</u>	<u>(\$916)</u>
Total	<u>\$10,143</u>	<u>\$8,288</u>	<u>(\$1,855)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,719	\$5,460	\$259
Special Revenue	<u>3,700</u>	<u>1,536</u>	<u>2,164</u>
Total	<u>\$9,419</u>	<u>\$6,996</u>	<u>\$2,423</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,000	\$7,017	\$17
Special Revenue	<u>3,718</u>	<u>1,881</u>	<u>(1,837)</u>
Total	<u>\$10,718</u>	<u>\$8,898</u>	<u>(\$1,820)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,619	\$4,936	\$683
Special Revenue	<u>3,000</u>	<u>1,658</u>	<u>1,342</u>
Total	<u>\$8,619</u>	<u>\$6,594</u>	<u>\$2,025</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the State Highway Fund by \$273 for the year ended December 31, 2001.

4. 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.

**VILLAGE OF ROME
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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

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

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

5. RETIREMENT SYSTEMS

Village officials are members of the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

The Village is uninsured for the following risks:

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

7. COMPLIANCE

Contrary to Ohio law, the Village did not properly maintain minutes documenting all regular and special meetings of the Village Council and did not maintain receipt and appropriation ledgers.



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

Village of Rome
Adams County
P.O. Box 351
Stout, Ohio 45684

To the Village Council:

We have audited the accompanying financial statements of the Village of Rome, Adams County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 10, 2002, which was qualified since the Village did not classify disbursements in its financial statements. 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 *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 audit 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 2001-30401-001 through 2001-30401-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 10, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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. However we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2001-30401-001, 2001-30401-002, and 2001-30401-004.

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. 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions listed above, we consider 2001-30401-002 to be a material weakness.

Village of Rome
Adams County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated June 10, 2002.

This report is intended solely 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

June 10, 2002

VILLAGE OF ROME
ADAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-30401-001

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), provides that no subdivision or taxing unit shall make any contract or order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides for two exceptions to the above requirement:

- A. Then and Now Certificates – 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 contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars (\$1,000), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for any of the Village's disbursements. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2001-30401-002

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village's fiscal officer did not maintain a receipt ledger or appropriation ledger. The Village did not classify disbursement transactions. The Village was therefore unable to monitor compliance with its appropriation resolution. The Village was also unable to classify disbursements by purpose in its annual report, contrary to Ohio Rev. Code, Section 117.38.

**FINDING NUMBER 2001-30401-002
 (Continued)**

Ohio Admin. Code, Section 117-2-02(A),* requires governments to maintain an accounting system and accounting records sufficient to identify, assembler, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code, Section 117-2-02(C), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code, Section 117-9-01,* provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

* Prior to July 1, 2000, these requirements were included in Ohio Administrative Code Section 117-5.

FINDING NUMBER 2001-30401-003

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), prohibits expenditures in excess of appropriations. For the year ended December 31, 2001, expenditures exceeded appropriations in the following fund:

Fund	Appropriation Amount	Expenditure Amount	Variance
State Highway	\$100	\$373	(\$273)

This resulted from the Village not appropriately monitoring budgetary expenditures as compared to appropriations and could result in the Village expending funds illegally.

FINDING NUMBER 2001-30401-004

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 121.22, provides that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The Village did not present minutes for audit for any of their meetings during 2001 or 2000. Failure to prepare and/or properly maintain minutes does not provide for sufficient documentation of official actions taken by Village Council and could result in actions being taken which are not authorized by Village Council. We recommend that the Village promptly prepare, file, and maintain minutes for all regular and special meetings.

**VILLAGE OF ROME
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30401-001	ORC 5705.39 - Appropriations exceeded estimated resources	Yes	
1999-30401-002	ORC 5705.41(B) - Expenditures exceeded appropriations	No	Partially corrected, only one Fund in 2001; however, State Highway Fund expenditures exceeded appropriations by 273%, Finding #2001-30401-003
1999-30401-003	ORC 5705.10 - Deficit fund balance	Yes	
1999-30401-004	ORC 5705.41(D) - Village did not certify the availability of funds.	No	Not corrected, Finding #2001-30401-001.



STATE OF OHIO
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VILLAGE OF ROME

ADAMS 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 11, 2002**