



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MELROSE
PAULDING COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
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, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	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
Schedule of Prior Audit Findings	14

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Melrose
Paulding County
P.O. Box 101
Melrose, Ohio 45861-0101

To the Village Council:

We have audited the accompanying financial statements of the Village of Melrose (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.

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 and reserves for encumbrances of the Village as of December 31, 2001 and 2000, 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 April 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, 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

April 10, 2002

**VILLAGE OF MELROSE
PAULDING 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**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$9,634	\$6,197	\$15,831
Intergovernmental Receipts	13,059	7,572	20,631
Earnings on Investments	298	92	390
Miscellaneous	277	879	1,156
	<u>23,268</u>	<u>14,740</u>	<u>38,008</u>
Total Cash Receipts			
	<u>23,268</u>	<u>14,740</u>	<u>38,008</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	5,519	6,686	12,205
Public Health Services	65		65
Leisure Time Activities		1,171	1,171
Basic Utility Services	500		500
Transportation		1,804	1,804
General Government	14,901	104	15,005
Debt Service:			
Principal Payments	650		650
	<u>21,635</u>	<u>9,765</u>	<u>31,400</u>
Total Cash Disbursements			
	<u>21,635</u>	<u>9,765</u>	<u>31,400</u>
Total Receipts Over Disbursements	1,633	4,975	6,608
Fund Cash Balances, January 1	10,162	4,004	14,166
Fund Cash Balances, December 31	<u>\$11,795</u>	<u>\$8,979</u>	<u>\$20,774</u>
Reserves for Encumbrances, December 31	<u>\$375</u>		<u>\$375</u>

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

**VILLAGE OF MELROSE
PAULDING 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>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$7,739	\$5,848	\$13,587
Intergovernmental Receipts	15,263	8,928	24,191
Fines, Licenses, and Permits	345		345
Earnings on Investments	237	37	274
Miscellaneous	831	1,921	2,752
	<u>24,415</u>	<u>16,734</u>	<u>41,149</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	4,420	6,749	11,169
Leisure Time Activities	825	2,282	3,107
Community Environment	390		390
Transportation		8,586	8,586
General Government	21,238	114	21,352
Debt Service:			
Principal Payments	650		650
	<u>27,523</u>	<u>17,731</u>	<u>45,254</u>
Total Cash Disbursements			
Total Disbursements Over Receipts	<u>(3,108)</u>	<u>(997)</u>	<u>(4,105)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		1,000	1,000
Transfers-Out	(1,000)		(1,000)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(4,108)	3	(4,105)
Fund Cash Balances January 1	<u>14,270</u>	<u>4,001</u>	<u>18,271</u>
Fund Cash Balances, December 31	<u>\$10,162</u>	<u>\$4,004</u>	<u>\$14,166</u>
Reserves for Encumbrances, December 31	<u> </u>	<u> </u>	<u> </u>

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

**VILLAGE OF MELROSE
PAULDING 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 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 government services and park operations (leisure time activities). The Village contracts with the Village of Oakwood to provide fire protection and emergency medical services.

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 Fund

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 MELROSE
PAULDING COUNTY**

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

EMS Levy Fund - This fund received tax monies assessed and levied on the general assessed valuation of real and personal property taxes for providing emergency medical services.

Fire Levy Fund - This fund received tax monies assessed and levied on the general assessed valuation of real and personal property taxes for providing fire protection services.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

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

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

	<u>2001</u>	<u>2000</u>
Demand Deposits	<u>\$20,774</u>	<u>\$14,166</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF MELROSE
PAULDING COUNTY**

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

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,585	\$23,268	(\$317)
Special Revenue	16,013	14,740	(1,273)
Total	\$39,598	\$38,008	(\$1,590)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,397	\$22,010	\$12,387
Special Revenue	19,367	9,765	9,602
Total	\$53,764	\$31,775	\$21,989

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,960	\$24,415	\$8,455
Special Revenue	11,608	17,734	6,126
Total	\$27,568	\$42,149	\$14,581

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$26,566	\$28,523	(\$1,957)
Special Revenue	15,434	17,731	(2,297)
Total	\$42,000	\$46,254	(\$4,254)

4. COMPLIANCE

Sixty-one percent of the transactions tested were not certified by the Clerk-Treasurer, as required by the Ohio Revised Code.

**VILLAGE OF MELROSE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

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. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$2,600	0.00%

The Ohio Water Development Authority (OWDA) loan relates to a 1995 feasibility study for a wastewater treatment system that was not constructed. The loan is being repaid in annual installments of \$650, over 10 years.

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

Year ending December 31:	OWDA Loan
2002	\$650
2003	650
2004	650
2005	650
Total	\$2,600

7. RETIREMENT SYSTEMS

Effective July 1, 1991, all officials not otherwise covered by the Public Employees Retirement System (PERS) have an option to choose between Social Security and PERS. Most of the Village elected officials have selected Social Security. The Village's liability is 6.2% percent of wages paid. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF MELROSE
PAULDING COUNTY**

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

Some of the Village's full-time employees do belong to 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 not paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

VILLAGE OF MELROSE
PAULDING COUNTY

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

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$17,112,129	\$15,295,389
Liabilities	<u>7,715,035</u>	<u>6,636,543</u>
Retained earnings	<u>\$9,397,094</u>	<u>\$8,658,846</u>

<u>Property Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$1,575,614	\$1,118,222
Liabilities	<u>281,561</u>	<u>279,871</u>
Retained earnings	<u>\$1,294,053</u>	<u>\$838,351</u>



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

Village of Melrose
Paulding County
P.O. Box 101
Melrose, Ohio 45861-0101

To the Village Council:

We have audited the accompanying financial statements of the Village of Melrose (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 10, 2002. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2001-30263-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 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. 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 April 10, 2002.

Village of Melrose
Paulding County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and 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

April 10, 2002

**VILLAGE OF MELROSE
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30263-001

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 Village 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 Village Council, if such expenditure is otherwise valid.

Sixty-one percent of the transactions tested did not receive prior certification of the Clerk-Treasurer, nor were they certified using a then and now certificate. Certification is not only required by Ohio law but is also a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of Village funds being over expended. To improve controls over disbursements we recommend all Village disbursements receive prior certification of the Clerk and that the Village Council periodically review the expenditures made to ensure they are properly certified by the Clerk and recorded against appropriations.

**VILLAGE OF MELROSE
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30263-001	Revised Cod § 5705.41(D), failure to certify funds	No	Reissued as Finding 2201-30263-001
1999-30263-002	Revised Code § 5705.41(B), expenditures exceeding appropriations	No	Partially Corrected - Management Letter Comment Issued
1999-30263-003	Revised Code § 5705.42, Issue II monies not recorded	N/A	Finding No Longer Valid - Village Had No Issue II Projects During Audit Period



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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
MAY 9, 2002**