



**Auditor of State
Betty Montgomery**

**VILLAGE OF MELROSE
PAULDING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, Paulding County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 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.

The Village's financial transactions were processed using 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 conduct the audit of 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

We believe that our audit provides a reasonable basis for our opinion.

As described 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, 2003 and 2002, 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 May 13, 2004 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 audits.

This report is intended solely for the information and use of the finance committee, 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.



Betty Montgomery
Auditor of State

May 13, 2004

**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, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 9,548	\$ 9,394	\$ -	\$ 18,942
Intergovernmental Receipts	15,382	10,525	5,300	31,207
Charges for Services	135	-	-	135
Fines, Licenses, and Permits	216	-	-	216
Earnings on Investments	22	15	-	37
Total Cash Receipts	<u>25,303</u>	<u>19,934</u>	<u>5,300</u>	<u>50,537</u>
Cash Disbursements				
Current:				
Security of Persons and Property	10,993	12,857	-	23,850
Public Health Services	124	-	-	124
Leisure Time Activities	650	-	-	650
Transportation	-	6,833	-	6,833
General Government	16,209	1,803	-	18,012
Debt Service:				
Principal Payments	650	-	-	650
Capital Outlay	-	-	5,300	5,300
Total Cash Disbursements	<u>28,626</u>	<u>21,493</u>	<u>5,300</u>	<u>55,419</u>
Total Disbursements Over Receipts	(3,323)	(1,559)	-	(4,882)
Fund Cash Balances, January 1	<u>5,012</u>	<u>16,972</u>	<u>-</u>	<u>21,984</u>
Fund Cash Balances, December 31	<u>\$ 1,689</u>	<u>\$ 15,413</u>	<u>\$ -</u>	<u>\$ 17,102</u>
Reserves for Encumbrances, December 31	<u>\$ 1,770</u>	<u>\$ 2,334</u>	<u>\$ -</u>	<u>\$ 4,104</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, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 8,489	\$ 7,645	\$ -	\$ 16,134
Intergovernmental Receipts	14,423	9,651	5,013	29,087
Charges for Services	699	-	-	699
Fines, Licenses, and Permits	199	-	-	199
Earnings on Investments	111	82	-	193
Miscellaneous	31	-	-	31
Total Cash Receipts	23,952	17,378	5,013	46,343
Cash Disbursements				
Current:				
Security of Persons and Property	5,379	49	-	5,428
Leisure Time Activities	4,172	300	-	4,472
Basic Utility Services	1,279	444	-	1,723
Transportation	-	8,304	-	8,304
General Government	19,255	288	-	19,543
Debt Service:				
Principal Payments	650	-	-	650
Capital Outlay	-	-	5,013	5,013
Total Cash Disbursements	30,735	9,385	5,013	45,133
Total Receipts Over/(Under) Disbursements	(6,783)	7,993	-	1,210
Fund Cash Balances, January 1	11,795	8,979	-	20,774
Fund Cash Balances, December 31	\$ 5,012	\$ 16,972	\$ -	\$ 21,984
Reserves for Encumbrances, December 31	\$ 521	\$ 4,766	\$ -	\$ 5,287

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, 2003 AND 2002

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 park operations. 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. 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:

**VILLAGE OF MELROSE
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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

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

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 funds:

CDBG Fund - This fund received Community Development Block Grant monies for a culvert replacement project during 2003.

Issue II Fund – This fund received Ohio Public Works Commission monies for a street improvement project during 2002.

D. 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 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.

**VILLAGE OF MELROSE
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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 encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. 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. The carrying amount of cash at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 17,050	\$ 21,932
Cash on Hand	<u>52</u>	<u>52</u>
Total Deposits and Cash on Hand	<u>\$ 17,102</u>	<u>\$ 21,984</u>

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**VILLAGE OF MELROSE
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 24,764	\$ 25,303	\$ 539
Special Revenue	17,569	19,934	2,365
Capital Projects		5,300	5,300
Total	<u>\$ 42,333</u>	<u>\$ 50,537</u>	<u>\$ 8,204</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 31,765	\$ 30,396	\$ 1,369
Special Revenue	35,618	23,827	11,791
Capital Projects		5,300	(5,300)
Total	<u>\$ 67,383</u>	<u>\$ 59,523</u>	<u>\$ 7,860</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 24,913	\$ 23,952	\$ (961)
Special Revenue	15,014	17,378	2,364
Capital Projects		5,013	5,013
Total	<u>\$ 39,927</u>	<u>\$ 46,343</u>	<u>\$ 6,416</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 42,179	\$ 31,256	\$ 10,923
Special Revenue	22,258	14,151	8,107
Capital Projects		5,013	(5,013)
Total	<u>\$ 64,437</u>	<u>\$ 50,420</u>	<u>\$ 14,017</u>

**VILLAGE OF MELROSE
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

4. COMPLIANCE

Appropriations exceeded the estimated revenue, in 2002, in the following funds:

	Estimated Resources	Appropriations	Variance
December 31, 2002			
General Fund	\$ 38,008	\$ 41,805	\$ (3,797)
Street Construction Maintenance and Repair	12,885	13,770	(885)

Actual expenditures exceeded approved appropriations in the following funds at the date indicated:

	Amount Appropriated	Amount Expended	Variance
December 31, 2003			
Permissive License Tax Fund	\$ -	\$ 2,334	\$ (2,334)
CDBG Fund	-	5,300	(5,300)
December 31, 2002			
Issue II Fund	-	5,013	(5,013)

Sixty-six percent of the Village transactions were not certified by the Clerk/Treasurer. In addition the Village had \$1,544 and \$5,061 in outstanding purchase commitments at December 31, 2003 and 2002, respectively, which were not certified.

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.

**VILLAGE OF MELROSE
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 1,300	0%

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
2004	\$ 650
2005	650
Total	\$ 1,300

7. RETIREMENT SYSTEMS

Effective July 1, 1001, all officials not otherwise covered by the Ohio Public Employees Retirement System (OPERS) have an option to choose between Social Security and OPERS. All Village Council members have chosen Social Security. The Village's liability is 6.2 percent percent of wages paid. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF MELROSE
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide 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 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2002. The Village has paid all contributions required for 2003 and 2002. However, there are still some amounts outstanding from prior years.

8. RISK MANAGEMENT

Risk Pool Membership

The Village 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 Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. 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 Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and

**VILLAGE OF MELROSE
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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 (the most current information available):

Casualty Coverage	2002	2001
Assets	\$ 20,174,977	\$ 19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained Earnings	\$ 11,624,228	\$ 10,530,870
Property Coverage	2002	2001
Assets	\$ 2,565,408	\$ 1,890,323
Liabilities	(655,318)	(469,100)
Retained Earnings	\$ 1,910,090	\$ 1,421,223



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 financial statements of the Village of Melrose, Paulding County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 13, 2004 wherein we noted that the Village's financial transactions were processed using 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 conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 2003-001 through 2003-2005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 13, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, 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 May 13, 2004.

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



Betty Montgomery
Auditor of State

May 13, 2004

**VILLAGE OF MELROSE
PAULDING COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. During 2002 former Village Clerk, Kevin Carnahan, issued 2 checks to TDS totaling \$406.91, for telephone service in his home, there were no invoices attached to these payments to support them as proper expenses of the Village. In addition, Mr. Carnahan issued a check for \$118.40 to former Village employee Gary Ballenger, for which there was nothing to support what the expenditure was for.

In accordance with the forgoing facts and pursuant to Ohio Revised Code § 117.28, findings for recovery are hereby returned against Former Village Clerk, Kevin Carnahan and the Western Surety Company, his surety, jointly and severally, in the amount of \$525.31 and Gary Ballenger in the amount of \$118.40 in favor of the Village Treasury.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Constitution Art. XII § 5a prohibits the use of motor vehicle license tax and fuel tax to pay for village street lighting expenses.

The Village paid \$4,626 in 2003 from the Street Construction Maintenance and Repair Fund, which is funded with motor vehicle license tax and fuel tax, for street lighting expenses. The accompanying financial statements have been adjusted to reflect these expenses as general fund obligations.

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Revised Code § 5705.39 provides that appropriations from each fund shall not exceed the estimated revenue.

**FINDING NUMBER 2003-003
 (Continued)**

Appropriations exceeded the estimated revenue, in 2002, in the following funds:

	Estimated Resources	Appropriations	Variance
December 31, 2002			
General Fund	\$ 38,008	\$ 41,805	\$ (3,797)
Street Construction Maintenance and Repair	12,885	13,770	(885)

We recommend the Village review its estimated resources prior to approving appropriations, to ensure estimated resources are sufficient to support the planned appropriations. If resources are not sufficient the Village should either request a revised certificate of estimated resources or reduce planned appropriations.

FINDING NUMBER 2003-004

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.

Actual expenditures exceeded approved appropriations in the following funds at the date indicated:

	Amount Appropriated	Amount Expended	Variance
December 31, 2003			
Permissive License Tax Fund	\$ -	\$ 2,334	\$ (2,334)
CDBG Fund		5,300	(5,300)
December 31, 2002			
Issue II Fund		5,013	(5,013)

The Clerk/Treasurer should not issue purchase orders or checks for expenditures that would exceed appropriations. The Clerk/Treasurer should inform Village Council of the insufficiency of appropriations, and whether current resources permit an increase in appropriations. The Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

FINDING NUMBER 2003-005

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, 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 (\$3000 effective April 2003), the fiscal officer may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

Sixty-six percent of the Village transactions were not certified by the Clerk/Treasurer. In addition the Village had \$1,544 and \$5,061 in outstanding purchase commitments at December 31, 2003 and 2002, respectively, which were not certified. The accompanying financial statements have been adjusted to show these amounts as outstanding encumbrances at year end. Certification is not only required by Ohio law but is also a key control in the disbursement process to help assure 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 the Village Council periodically review the expenditures made to ensure they are certified by the Clerk and recorded against appropriations.

**VILLAGE OF MELROSE
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30263-001	Ohio Revised Code § 5705.41(D), failure to certify funds	No	This finding has not been corrected and has been reissued in this report as Finding 2003-005.



**Auditor of State
Betty Montgomery**

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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
JUNE 17, 2004**