

Village of Morrow  
Warren County, Ohio  
Regular Audit  
For the Years Ended December 31, 2017 and 2016



1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548  
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978  
Fax: 888.876.8549  
[natalie@millhuffstangcpa.com](mailto:natalie@millhuffstangcpa.com) / [roush@millhuffstangcpa.com](mailto:roush@millhuffstangcpa.com)  
[www.milhuffstangcpa.com](http://www.milhuffstangcpa.com)





# Dave Yost • Auditor of State

Village Council  
Village of Morrow  
150 Pike Street  
Morrow, Ohio 45152

We have reviewed the *Independent Auditor's Report* of the Village of Morrow, Warren County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Morrow is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 19, 2018

**This page intentionally left blank.**

**Village of Morrow**  
**Warren County, Ohio**  
*Table of Contents*

*For the Years Ended December 31, 2017 and 2016*

---

Title	Page
Independent Auditor’s Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2017 .....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2017 .....	4
Notes to the Financial Statements – For the Year Ended December 31, 2017.....	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2016 .....	14
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2016 .....	15
Notes to the Financial Statements – For the Year Ended December 31, 2016.....	16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	24
Schedule of Findings and Responses .....	26
Schedule of Prior Audit Findings.....	29

**This page intentionally left blank.**

**Independent Auditor's Report**

Village Council  
Village of Morrow  
150 Pike Street  
Morrow, Ohio 45152

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Morrow, Warren County, (the Village) as of and for the years ended December 31, 2017 and 2016.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, or the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Morrow, Warren County, as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

July 21, 2018



**Village of Morrow**  
**Warren County, Ohio**  
*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$39,579	\$7,689	\$47,268
Municipal Income Tax	357,426	0	357,426
Intergovernmental	15,510	73,140	88,650
Charges for Services	147,920	0	147,920
Fines, Licenses and Permits	98,126	5,378	103,504
Earnings on Investments	3,625	418	4,043
Miscellaneous	4,533	46,756	51,289
<b>Total Cash Receipts</b>	<b>666,719</b>	<b>133,381</b>	<b>800,100</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	167,929	0	167,929
Public Health Services	819	0	819
Leisure Time Activities	704	0	704
Community Environment	10,073	0	10,073
Basic Utility Services	132,254	0	132,254
Transportation	0	53,063	53,063
General Government	225,800	1,597	227,397
Capital Outlay	30,369	0	30,369
<b>Debt Service:</b>			
Principal Payment	11,967	0	11,967
Interest and Fiscal Charges	3,530	0	3,530
<b>Total Cash Disbursements</b>	<b>583,445</b>	<b>54,660</b>	<b>638,105</b>
<b>Excess of Cash Receipts Over Cash Disbursements</b>	<b>83,274</b>	<b>78,721</b>	<b>161,995</b>
<b>Other Financing Receipts:</b>			
Other Debt Proceeds	36,954	0	36,954
<b>Total Other Financing Receipts</b>	<b>36,954</b>	<b>0</b>	<b>36,954</b>
<b>Net Change in Fund Cash Balances</b>	<b>120,228</b>	<b>78,721</b>	<b>198,949</b>
<b>Fund Cash Balances, January 1</b>	<b>341,336</b>	<b>185,152</b>	<b>526,488</b>
<b>Fund Cash Balances, December 31</b>			
<b>Restricted for:</b>			
Capital Improvement	0	111,471	111,471
Drug and Alcohol Education and Enforcement	0	5,870	5,870
Fire Operations	0	1,878	1,878
Mayor's Court	0	10,372	10,372
Parks and Recreation	0	580	580
Police Equipment	0	4,178	4,178
Police Training	0	8,334	8,334
Road Maintenance and Repair	0	121,190	121,190
Assigned to Future Periods	38,200	0	38,200
Unassigned	423,364	0	423,364
<b>Fund Cash Balances, December 31</b>	<b>\$461,564</b>	<b>\$263,873</b>	<b>\$725,437</b>

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

**Village of Morrow**  
**Warren County, Ohio**  
*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2017*

	Proprietary	Fiduciary		Totals (Memorandum Only)
	Fund Type	Fund Types		
	Enterprise	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$556,812	\$0	\$0	\$556,812
Earnings on Investments	0	814	0	814
Miscellaneous	1,048	0	0	1,048
Total Cash Receipts	557,860	814	0	558,674
Operating Cash Disbursements:				
Personal Services	57,323	0	0	57,323
Employee Fringe Benefits	26,766	0	0	26,766
Contractual Services	80,855	0	0	80,855
Supplies and Materials	52,732	0	0	52,732
Other	0	450	0	450
Total Cash Disbursements	217,676	450	0	218,126
Operating Income	340,184	364	0	340,548
Non-Operating Cash Receipts:				
Special Assessments	11,550	0	0	11,550
Other Non-Operating Receipts	0	0	91,464	91,464
Total Non-Operating Cash Receipts	11,550	0	91,464	103,014
Non-Operating Cash Disbursements:				
Redemption of Principal	10,250	0	0	10,250
Interest and Other Fiscal Charges	2,151	0	0	2,151
Capital Outlay	65,692	0	0	65,692
Other Non-Operating Disbursements	0	0	89,611	89,611
Total Non-Operating Cash Disbursements	78,093	0	89,611	167,704
Net Change in Fund Cash Balance	273,641	364	1,853	275,858
Fund Cash Balances, January 1	457,846	100,887	4,366	563,099
Fund Cash Balances, December 31	\$731,487	\$101,251	\$6,219	\$838,957

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

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 1 – Reporting Entity**

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Morrow, Warren County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and refuse utilities, park operations, street maintenance and police services. The Village contracts with Salem Township for fire protection services.

The Village participates in the Public Entities Pool of Ohio, a risk-sharing pool available to Ohio local governments. Note 6 to the financial statements provide additional information for this entity. This organization is a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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:

*General Fund*

The General Fund reports all financial resources except those required to be accounted for in another fund.

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*Special Revenue Funds*

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

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

*Enterprise Funds*

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Water Fund – This fund receives charges for services from residents to cover water service costs.

*Fiduciary Funds*

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Funds:

Mayor's Court Fund (Agency Fund) – This fund accounts for monies that are received and disbursed with regard to the Mayor's Court operations.

Scheurer Trust Fund (Private Purpose Fund) – This fund holds the principal of a non-expendable trust fund. The interest is posted to the General Fund for street lighting, the Fire Fund and the Scheurer Poor Relief Fund to aid the needy in accordance with the trust agreement.

**Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

*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 Village 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 Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*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.

*Encumbrances*

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

A summary of the 2017 budgetary activity appears in Note 3.

**Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

*Restricted* – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

*Committed* – Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

*Assigned* – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State statute.

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

<b>2017 Budgeted vs. Actual Receipts</b>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$591,711	\$703,673	\$111,962
Special Revenue	81,933	133,381	51,448
Enterprise	360,605	569,410	208,805
Private Purpose Trust	720	814	94
<b>Total</b>	<b>\$1,034,969</b>	<b>\$1,407,278</b>	<b>\$372,309</b>

<b>2017 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$593,256	\$583,693	\$9,563
Special Revenue	88,728	54,660	34,068
Enterprise	2,025,000	296,444	1,728,556
Private Purpose Trust	720	720	0
<b>Total</b>	<b>\$2,707,704</b>	<b>\$935,517</b>	<b>\$1,772,187</b>

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 4 – Deposits and Investments**

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

	<b>2017</b>
<b>Demand Deposits</b>	\$1,373,453
<b>CDs</b>	185,197
<b>Total Deposits</b>	1,558,650
<b>STAR Ohio</b>	5,744
<b>Total Investments</b>	5,744
<b>Total Deposits and Investments</b>	\$1,564,394

*Deposits:* Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2017, the financial institution still maintained its own collateral pool.

*Investments:* Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Note 5 – Taxes**

**Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

**Income Taxes**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 5 – Taxes (Continued)**

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 6 – Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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 coverage for its members. York Risk Pooling Services, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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 net position at December 31, 2017:

	2017
Assets	<u>\$44,452,326</u>
Liabilities	<u>(13,004,011)</u>
Net Assets	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village’s share of these unpaid claims collectible in future years is approximately \$12,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2017 Contributions to PEP
<u>\$19,436</u>



**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 6 – Risk Management (Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

The Village's certified full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants who were full-time police contributed 12.25% of their wages throughout 2017. The Village contributed 19.5% throughout 2017. For 2017, OPERS members contributed 10% of their gross salaries, with the Village contributing an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Cruiser Lease	\$ 31,088	3.89%
Pike Street Building Loan	53,808	2.38%
Dump Truck Loan	1,449	3.00%
Excavator Lease	58,992	3.16%
Total	<u>\$145,337</u>	

The Ohio Public Works Commission (OPWC) loan relates to the water tower construction project. OPWC approved a \$56,410 loan for this youth project with semiannual payments of \$1,410 over 20 years. The final payment was made on January 1, 2017.

The Cruiser lease purchase agreement was issued to purchase an SUV for use by the Police. The SUV serves as collateral. The lease was for \$36,954, payable in semi-annual payments of \$6,585 with payments beginning December 2017.

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 9 – Debt (Continued)**

The Pike Street Building Loan was issued to purchase real estate to be used by the Police and Salem Township Fire Departments. The building serves as collateral. The loan was issued for \$76,000 and is due in 40 semi-annual installments of \$2,964 with a final maturity date of January 1, 2030.

The Dump Truck Loan was issued to purchase a vehicle to be used by the Village. The vehicle serves as collateral. The loan was issued for \$13,760 and is due in 10 semi-annual installments of \$2,984 with a final maturity date of February 13, 2018.

The Excavator lease purchase was issued to purchase an excavator. The excavator serves as collateral. The purchase price was \$78,051.75 to be paid in 8 annual installments of \$10,990. The final payment is due August 23, 2023.

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

Year Ending December 31:	Cruiser Lease	Building Loan	Dump Truck Loan	Excavator Lease	TOTAL
2018	\$13,170	\$2,965	\$1,492	\$10,990	\$28,617
2019	13,170	5,928	0	10,990	30,088
2020	6,459	5,928	0	10,990	23,377
2021	0	5,928	0	10,990	16,918
2022	0	5,928	0	10,990	16,918
2023-2027	0	29,640	0	10,990	40,630
2028-2030	0	17,715	0	0	17,715
Total	<u>\$32,799</u>	<u>\$74,032</u>	<u>\$1,492</u>	<u>\$65,940</u>	<u>\$174,263</u>

**Note 10 – Contingent Liabilities**

The Village is currently party to litigation. However, management is of the opinion that such litigation will not have a material adverse effect on the Village’s cash financial position. Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding for any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 11 – Subsequent Events**

On May 8, 2018, the Village entered into a contract with Smith Corporation for the Water Plant-Wellfield Upgrade in the amount of \$1,517,103. The projected will be funded in the form of a grant/loan through the Ohio Public Works Commission in the amount of \$1,577,500.

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 12 – Noncompliance**

The Village had several instances where disbursements were not encumbered in accordance with Ohio Revised Code Section 5705.41(D), resulting in noncompliance.

The Village had appropriations in excess of estimated resources, which is contrary to Ohio Revised Code Section 5705.39.

The Village did not pass appropriations until February of 2017 causing the Village to be noncompliant with Ohio Revised Code Sections 5705.41(B) and 5705.38(A).

**Village of Morrow**  
**Warren County, Ohio**  
*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$38,228	\$7,934	\$46,162
Municipal Income Tax	351,651	0	351,651
Intergovernmental	139,217	67,716	206,933
Charges for Services	142,619	0	142,619
Fines, Licenses and Permits	94,434	4,549	98,983
Earnings on Investments	2,826	456	3,282
Miscellaneous	29,383	42,832	72,215
<b>Total Cash Receipts</b>	<b>798,358</b>	<b>123,487</b>	<b>921,845</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	165,565	1,265	166,830
Public Health Services	851	0	851
Leisure Time Activities	10,293	0	10,293
Community Environment	24,407	0	24,407
Basic Utility Services	119,700	0	119,700
Transportation	0	47,570	47,570
General Government	266,659	0	266,659
Capital Outlay	113,416	29,000	142,416
<b>Debt Service:</b>			
Principal Payment	5,890	0	5,890
Interest and Fiscal Charges	3,022	0	3,022
<b>Total Cash Disbursements</b>	<b>709,803</b>	<b>77,835</b>	<b>787,638</b>
<b>Net Change in Fund Cash Balances</b>	<b>88,555</b>	<b>45,652</b>	<b>134,207</b>
<b>Fund Cash Balances, January 1</b>	<b>252,781</b>	<b>139,500</b>	<b>392,281</b>
<b>Fund Cash Balances, December 31</b>			
<b>Restricted for:</b>			
Capital improvement	0	65,407	65,407
Drug and Alcohol Education and Enforcement	0	5,421	5,421
Fire Operations	0	1,675	1,675
Mayor's Court	0	9,691	9,691
Parks and Recreation	0	580	580
Police Equipment	0	2,662	2,662
Police Training	0	3,939	3,939
Road Maintenance and Repair	0	95,777	95,777
Assigned to Future Periods	12,471	0	12,471
Unassigned	328,865	0	328,865
<b>Fund Cash Balances, December 31</b>	<b>\$341,336</b>	<b>\$185,152</b>	<b>\$526,488</b>

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

**Village of Morrow**  
**Warren County, Ohio**  
*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2016*

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$512,831	\$0	\$0	\$512,831
Earnings on Investments	0	805	0	805
Miscellaneous	2,435	0	0	2,435
Total Cash Receipts	515,266	805	0	516,071
Operating Cash Disbursements:				
Personal Services	48,513	0	0	48,513
Employee Fringe Benefits	23,925	0	0	23,925
Contractual Services	88,283	0	0	88,283
Supplies and Materials	60,462	0	0	60,462
Other	0	675	0	675
Total Cash Disbursements	221,183	675	0	221,858
Operating Income	294,083	130	0	294,213
Non-Operating Cash Receipts:				
Special Assessments	10,205	0	0	10,205
Other Debt Proceeds	78,752	0	0	78,752
Other Non-Operating Receipts	0	0	79,678	79,678
Total Non-Operating Cash Receipts	88,957	0	79,678	168,635
Non-Operating Cash Disbursements:				
Redemption of Principal	13,741	0	0	13,741
Capital Outlay	224,083	0	0	224,083
Other Non-Operating Cash Disbursements	0	0	80,747	80,747
Total Non-Operating Cash Disbursements	237,824	0	80,747	318,571
Net Change in Fund Cash Balance	145,216	130	(1,069)	144,277
Fund Cash Balances, January 1	312,630	100,757	5,435	418,822
Fund Cash Balances, December 31	\$457,846	\$100,887	\$4,366	\$563,099

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

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 1 – Reporting Entity**

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Morrow, Warren County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and refuse utilities, park operations, street maintenance and police services. The Village contracts with Salem Township for fire protection services.

The Village participates in the Public Entities Pool of Ohio, a risk-sharing pool available to Ohio local governments. Note 6 to the financial statements provide additional information for this entity. This organization is a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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:

*General Fund*

The General Fund reports all financial resources except those required to be accounted for in another fund.

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*Special Revenue Funds*

These funds account for proceeds from specific sources (other than those from private-purpose 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 monies for constructing, maintaining, and repairing Village streets.

*The Woodlands at Morrow* – This fund receives developer contributions for a new housing development.

*Enterprise Funds*

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

*Water Fund* – This fund receives charges for services from residents to cover water service costs.

*Fiduciary Funds*

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Funds:

*Mayor's Court Fund (Agency Fund)* – This fund accounts for monies that are received and disbursed with regard to the Mayor's Court operations.

*Scheurer Trust Fund (Private Purpose Fund)* – This fund holds the principal of a non-expendable trust fund. The interest is posted to the General Fund for street lighting, the Fire Fund and the Scheurer Poor Relief Fund to aid the needy in accordance with the trust agreement.

**Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

*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 Village 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 Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*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.

*Encumbrances*

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

A summary of the 2016 budgetary activity appears in Note 3.

**Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

*Restricted* – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

*Committed* – Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

*Assigned* – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State statute.



**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$755,097	\$798,358	\$43,261
Special Revenue	77,385	123,487	46,102
Enterprise	375,965	604,223	228,258
Private Purpose Trust	720	805	85
<b>Total</b>	<b>\$1,209,167</b>	<b>\$1,526,873</b>	<b>\$317,706</b>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$792,607	\$710,853	\$81,754
Special Revenue	107,194	80,552	26,642
Enterprise	551,555	459,359	92,196
Private Purpose Trust	720	675	45
<b>Total</b>	<b>\$1,452,076</b>	<b>\$1,251,439</b>	<b>\$200,637</b>

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 4 – Deposits and Investments**

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

	<b>2016</b>
<b>Demand Deposits</b>	\$898,707
<b>CDs</b>	185,197
<b>Total Deposits</b>	1,083,904
<b>STAR Ohio</b>	5,683
<b>Total Investments</b>	5,683
<b>Total Deposits and Investments</b>	\$1,089,587

*Deposits:* Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution.

*Investments:* Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Note 5 – Taxes**

**Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

**Income Taxes**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 6 – Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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 coverage for its members. York Risk Pooling Services, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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 net position at December 31, 2016:

	<u>2016</u>
Assets	<u>\$42,182,281</u>
Liabilities	<u>(13,396,700)</u>
Net Assets	<u>\$28,785,581</u>

At December 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village’s share of these unpaid claims collectible in future years is approximately \$12,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2016 Contributions to PEP</u>
<u>\$19,252</u>

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 6 – Risk Management (Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

The Village's certified full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants who were full-time police contributed 12.25% of their wages throughout 2016. The Village contributed 19.5% throughout 2016. For 2016, OPERS members contributed 10% of their gross salaries, with the Village contributing an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$1,410	0.00%
Pike Street Building Loan	57,012	2.38%
Dump Truck Loan	4,348	3.00%
Excavator Lease	67,831	3.16%
Total	<u>\$130,601</u>	

The Ohio Public Works Commission (OPWC) loan relates to the water tower construction project. OPWC approved a \$56,410 loan for this project with semiannual payments of \$1,410 over 20 years. The last payment is due January 1, 2017.

The Pike Street Building Loan was issued to purchase real estate to be used by the Police and Salem Township Fire Departments. The building serves as collateral. The loan was issued for \$76,000 and is due in 40 semi-annual installments of \$2,964 with a final maturity date of January 1, 2030.

**Village of Morrow**  
**Warren County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 9 – Debt (Continued)**

The Dump Truck Loan was issued to purchase a vehicle to be used by the Village. The vehicle serves as collateral. The loan was issued for \$13,760 and is due in 10 semi-annual installments of \$2,984 with a final maturity date of February 13, 2018.

The Excavator lease purchase was issued to purchase an excavator. The excavator serves as collateral. The purchase price was \$78,051.75 to be paid in 8 annual installments of \$10,990. The final payment is due August 23, 2023.

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

Year Ending December 31:	OPWC Loan	Building Loan	Dump Truck Loan	Excavator Lease	TOTAL
2017	\$1,410	\$2,964	\$2,984	\$10,990	\$18,348
2018	0	5,928	1,492	10,990	18,410
2019	0	5,928	0	10,990	16,918
2020	0	5,928	0	10,990	16,918
2021	0	5,928	0	10,990	16,918
2022-2026	0	29,640	0	21,890	51,530
2027-2030	0	23,643	0	0	23,643
Total	<u>\$1,410</u>	<u>\$79,959</u>	<u>\$4,476</u>	<u>\$76,840</u>	<u>\$162,685</u>

**Note 10 – Noncompliance**

The Village had several instances where disbursements were not encumbered in accordance with Ohio Revised Code Section 5705.41(D), resulting in noncompliance.

The Village had expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B).

**Note 11 – Contingent Liabilities**

The Village is currently party to litigation. However, management is of the opinion that such litigation will not have a material adverse effect on the Village’s cash financial position. Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding for any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 12 – Subsequent Events**

On May 8, 2018, the Village entered into a contract with Smith Corporation for the Water Plant-Wellfield Upgrade in the amount of \$1,517,103. The projected will be funded in the form of a grant/loan through the Ohio Public Works Commission in the amount of \$1,577,500.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Village Council  
Village of Morrow  
150 Pike Street  
Morrow, Ohio 45152

We have audited 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, the financial statements of the Village of Morrow, Warren County (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated July 21, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-003, that we consider to be material weaknesses.

### **Compliance and Other Matters**

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-002, 2017-004, 2017-005 and 2017-006.

### **Village's Responses to Findings**

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

July 21, 2018

**Village of Morrow**  
**Warren County, Ohio**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2017 and 2016*

---

**Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS**

**FINDING NUMBER 2017-001**

**Material Weakness – Financial Reporting**

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. Statements on Auditing Standards (SAS) No. 112, as amended by SAS No. 115, establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During 2017 and 2016, we identified misstatements in debt, mayor's court, and fund balances. We also identified misclassifications of nonpayroll disbursements for 2016.

We recommend the Village implement additional control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

***Client Response:***

New Fiscal Officer plans to implement additional monitoring procedures.

**FINDING NUMBER 2017-002**

**Noncompliance – Proper Certification of Funds**

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances. The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Instances were noted in 2016 and 2017 where the Village did not properly encumber funds. The Village should implement budgetary monitoring procedures to ensure that funds are properly and timely encumbered prior to commitment. When prior certification is not possible, "then and now" certification should be used, when applicable, in accordance with state law.



**Village of Morrow**  
**Warren County, Ohio**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2017 and 2016*

---

**Noncompliance – Proper Certification of Funds (Continued)**

***Client Response:***

The New Fiscal Officer was not shown this action and will correct for future monitoring and budgeting.

**FINDING NUMBER 2017-003**

**Material Weakness – Budgetary Information Within UAN**

Accurate budgetary information within the Village’s accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. Amendments to the budget should be properly documented in the minute record to provide assurance that changes to appropriations are authorized by the governing board.

Several instances were noted in 2017 where budgetary information within UAN did not agree to what is approved within the minutes and filed with the County.

We recommend the Village implement the appropriate procedures to ensure all authorized budgetary amendments are posted to the UAN system, documented within the minutes, and filed with the County to ensure financial records are adequately supported and maintained.

***Client Response:***

The Village Fiscal Officer plans to enter budgetary information correctly within the minutes and file with the County, the Fiscal Officer also plans to verify correct appropriations with the County.

**FINDING NUMBER 2017-004**

**Material Noncompliance – Appropriations in Excess of Estimated Resources**

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Water fund had appropriations in excess of estimated resources in 2017. We recommend the Village implement additional procedures to ensure compliance with the Ohio Revised Code.

***Client Response:***

The New Fiscal Officer plans to implement additional procedures to ensure compliance.

**FINDING NUMBER 2017-005**

**Material Noncompliance – Expenditures in Excess of Appropriations**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations in the Water fund during 2016. The Village also did not pass its annual appropriation measures timely for 2017, resulting in expenditures in excess of appropriations until the date of adoption of those appropriations. We recommend the Village implement additional procedures to ensure they are in compliance with the Ohio Revised Code.

***Client Response:***

The New Fiscal Officer will ensure that appropriations are in place prior to expenditure.

**Village of Morrow**  
**Warren County, Ohio**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2017 and 2016*

---

**FINDING NUMBER 2017-006**

**Material Noncompliance – Timely Appropriation Measure**

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April first. The Village did not pass their 2017 annual appropriation measure until February. We recommend the Village implement additional procedures to ensure the appropriations are adopted by the required date.

***Client Response:***

Appropriations will be taken care of in first meeting of new year.

**Village of Morrow**  
**Warren County, Ohio**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2017 and 2016*

---

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2015-001	Material Weakness – Financial Reporting	No	Reissued as finding 2017-001
2015-002	Noncompliance – Proper Certification of Funds	No	Reissued as finding 2017-002
2015-003	Material Weakness - Leave	Yes	

**This page intentionally left blank.**



# Dave Yost • Auditor of State

VILLAGE OF MORROW

WARREN 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  
NOVEMBER 8, 2018