



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF MORRISTOWN
BELMONT COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Morristown
Belmont County
P.O. Box 241
Morristown, Ohio 43759

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Village of Morristown, Belmont County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position or, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.



Keith Faber
Auditor of State
Columbus, Ohio

August 9, 2023

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**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2022**

| | General | Special Revenue | Combined Total |
|---|-------------------------|-------------------------|---------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$7,704 | \$7,454 | \$15,158 |
| Intergovernmental | 27,829 | 37,535 | 65,364 |
| Charges for Services | 0 | 69,073 | 69,073 |
| Fines, Licenses and Permits | 1,815 | 0 | 1,815 |
| Earnings on Investments | 13,050 | 292 | 13,342 |
| Miscellaneous | 333 | 750 | 1,083 |
| <i>Total Cash Receipts</i> | <u>50,731</u> | <u>115,104</u> | <u>165,835</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 6,157 | 4,979 | 11,136 |
| Public Health Services | 926 | 270 | 1,196 |
| Leisure Time Activities | 0 | 419 | 419 |
| Basic Utility Services | 0 | 4,235 | 4,235 |
| Transportation | 0 | 12,922 | 12,922 |
| General Government | 47,977 | 26,563 | 74,540 |
| Capital Outlay | 5,450 | 1,467 | 6,917 |
| <i>Total Cash Disbursements</i> | <u>60,510</u> | <u>50,855</u> | <u>111,365</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(9,779)</u> | <u>64,249</u> | <u>54,470</u> |
| Other Financing Receipts (Disbursements) | | | |
| Other Financing Sources | 0 | 119 | 119 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>0</u> | <u>119</u> | <u>119</u> |
| <i>Net Change in Fund Cash Balances</i> | (9,779) | 64,368 | 54,589 |
| <i>Fund Cash Balances, January 1</i> | <u>381,110</u> | <u>742,861</u> | <u>1,123,971</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$371,331</u></u> | <u><u>\$807,229</u></u> | <u><u>\$1,178,560</u></u> |

See accompanying notes to the basic financial statements

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (REGULATORY CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

| | Enterprise Funds |
|---|------------------|
| Operating Cash Receipts | |
| Charges for Services | \$173,761 |
| Miscellaneous | 3,207 |
| | 176,968 |
| Operating Cash Disbursements | |
| Personal Services | 11,560 |
| Employee Fringe Benefits | 1,787 |
| Contractual Services | 80,511 |
| Supplies and Materials | 5,694 |
| Other | 200 |
| | 99,752 |
| <i>Total Operating Cash Disbursements</i> | 99,752 |
| <i>Operating Income (Loss)</i> | 77,216 |
| Non-Operating Receipts (Disbursements) | |
| Principal Retirement | (36,981) |
| | (36,981) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (36,981) |
| <i>Net Change in Fund Cash Balances</i> | 40,235 |
| <i>Fund Cash Balances, January 1</i> | 214,118 |
| <i>Fund Cash Balances, December 31</i> | \$254,353 |

See accompanying notes to the basic financial statements

Village of Morristown, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Morristown, Belmont County, Morristown as a body corporate and politic. A publicly-elected six member Council directs the Village. The Village provides general government services, maintenance of village roads, water and sewer utilities, fire protection, and police services. The Village contracts with Belmont County Sheriff's Department to provide security of persons and property.

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 Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds: .

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

Fire Fund- This fund receives property tax money to provide fire services through a Volunteer Fire Department.

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 Funds:

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

Sewer Fund The sewer fund receives charges for services from residents to cover sewer service costs.

Village of Morristown, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

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 (C). 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 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund 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. Unencumbered appropriations lapse at year end.

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 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 reappropriated.

A summary of 2022 budgetary activity appears in Note 3.

Deposits 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

Capital Assets

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

Fund Balance

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

Village of Morristown, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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 2022 follows:

| 2022 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$35,300 | \$50,732 | \$15,432 |
| Special Revenue | 118,488 | 115,225 | (3,263) |
| Enterprise | 165,000 | 176,965 | 11,965 |
| Total | <u>\$318,788</u> | <u>\$342,922</u> | <u>\$24,134</u> |

| 2022 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$88,929 | \$66,589 | \$22,340 |
| Special Revenue | 181,181 | 51,680 | 129,501 |
| Enterprise | 193,135 | 136,842 | 56,293 |
| Total | <u>\$463,245</u> | <u>\$255,111</u> | <u>\$208,134</u> |

Village of Morristown, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 4 – Deposits and Investments-

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

| | <u>2022</u> |
|--------------------------------|-------------------------|
| Demand deposits | \$639,884 |
| Total deposits | <u>639,884</u> |
| STAR Ohio | 793,029 |
| Total investments | <u>793,029</u> |
| Total Deposits and Investments | <u><u>1,432,913</u></u> |

Deposits

Deposits are insured and collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 – Risk Management

Workers' Compensation

The Village pays the State Workers' Compensation System a premium based on a rate of per \$100 salaries. This rate is based on accident history and administrative costs.

Village of Morristown, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 6 – Risk Management (Continued)

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

There have been no settlements paid in excess of insurance coverage nor has insurance coverage been significantly reduced in the past three years.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Village of Morristown, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 8 – Debt

Debt outstanding at December 31, 2022, was as follows:

| | Principal | Interest Rate |
|---------------------------------------|-----------|---------------|
| Ohio Water Development Authority Loan | \$127,694 | 0% |
| Ohio Public Works Commission Loan | 2,487 | 0% |
| Total | \$130,181 | |

On June 30, 2005, the Village executed an Ohio Development Water Authority (OWDA) loan for a total amount of \$729,678. The Village will repay the loans in semiannual installments of \$18,242, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village executed a loan on July 1, 2008 with the Ohio Public Works Commission (OPWC) for the improvement of the sanitary sewer collection system for a total amount of \$9,950. The Village will repay the loan in semiannual installments of \$249 over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization

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

| Year Ending December 31: | OPWC Loan | OWDA Loan |
|-----------------------------|-----------|-----------|
| 2023 | \$497 | \$36,484 |
| 2024 | 497 | 36,484 |
| 2025 | 497 | 36,484 |
| 2026 | 497 | 36,484 |
| 2027 | 498 | 0 |
| 2028 - 2032 | 498 | 0 |
| Total | \$2,984 | \$145,936 |

Note 9 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | General | Special Revenue | Total |
|--------------------------|----------|--------------------|----------|
| Outstanding Encumbrances | \$ 6,077 | \$ 825 | \$ 6,902 |

Village of Morristown, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 9 – Fund Balances (Continued)

The fund balance of special revenue funds is either restricted or committed. These restricted or committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

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**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | General | Special Revenue | Combined Total |
|---|-------------------------|-------------------------|---------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$7,393 | \$7,617 | \$15,010 |
| Intergovernmental | 30,602 | 39,622 | 70,224 |
| Charges for Services | 0 | 64,157 | 64,157 |
| Fines, Licenses and Permits | 1,594 | 0 | 1,594 |
| Earnings on Investments | 625 | 15 | 640 |
| Miscellaneous | 148 | 300 | 448 |
| <i>Total Cash Receipts</i> | <u>40,362</u> | <u>111,711</u> | <u>152,073</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 11,645 | 3,466 | 15,111 |
| Public Health Services | 965 | 0 | 965 |
| Leisure Time Activities | 0 | 2,331 | 2,331 |
| Basic Utility Services | 0 | 0 | 0 |
| Transportation | 0 | 14,581 | 14,581 |
| General Government | 50,440 | 16,013 | 66,453 |
| Capital Outlay | 9,637 | 16,575 | 26,212 |
| <i>Total Cash Disbursements</i> | <u>72,687</u> | <u>52,966</u> | <u>125,653</u> |
| <i>Net Change in Fund Cash Balances</i> | (32,325) | 58,745 | 26,420 |
| <i>Fund Cash Balances, January 1</i> | <u>413,435</u> | <u>684,116</u> | <u>1,097,551</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$381,110</u></u> | <u><u>\$742,861</u></u> | <u><u>\$1,123,971</u></u> |

See accompanying notes to the basic financial statements

VILLAGE OF MORRISTOWN
BELMONT COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (REGULATORY CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | <u>Enterprise Funds</u> |
|---|-------------------------|
| Operating Cash Receipts | |
| Charges for Services | \$172,382 |
| <i>Total Operating Cash Receipts</i> | <u>172,382</u> |
| Operating Cash Disbursements | |
| Personal Services | 14,350 |
| Employee Fringe Benefits | 1,847 |
| Contractual Services | 72,668 |
| Supplies and Materials | 11,992 |
| <i>Total Operating Cash Disbursements</i> | <u>100,857</u> |
| <i>Operating Income (Loss)</i> | <u>71,525</u> |
| Non-Operating Receipts (Disbursements) | |
| Principal Retirement | <u>(36,981)</u> |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(36,981)</u> |
| <i>Net Change in Fund Cash Balances</i> | 34,544 |
| <i>Fund Cash Balances, January 1</i> | <u>179,574</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$214,118</u></u> |

See accompanying notes to the basic financial statements

Village of Morristown
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Morristown, Belmont County, Morristown as a body corporate and politic. A publicly-elected six member Council directs the Village. The Village provides general government services, maintenance of village roads, water and sewer utilities, fire protection, and police services. The Village contracts with Belmont County Sheriff's Department to provide security of persons and property.

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 Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds: .

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

Fire Fund- This fund receives property tax money to provide fire services through a Volunteer Fire Department.

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 Funds:

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

Sewer Fund The sewer fund receives charges for services from residents to cover sewer service costs.

Village of Morristown
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

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 (C). 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 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund 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. Unencumbered appropriations lapse at year end.

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 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 reappropriated.

A summary of 2021 budgetary activity appears in Note 3.

Deposits 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

Capital Assets

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

Fund Balance

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

Village of Morristown
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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 2021 follows:

| 2021 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$42,112 | \$43,435 | \$1,323 |
| Special Revenue | 32,152 | 108,641 | 76,489 |
| Enterprise | 150,000 | 172,381 | 22,381 |
| Total | \$224,264 | \$324,457 | \$100,193 |

| 2021 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$95,802 | \$74,516 | \$21,286 |
| Special Revenue | 197,772 | 53,009 | 144,763 |
| Enterprise | 181,200 | 138,347 | 42,853 |
| Total | \$474,774 | \$265,872 | \$208,902 |

Village of Morristown
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Deposits and Investments-

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

| | 2021 |
|--------------------------------|-----------|
| Demand deposits | \$558,399 |
| Total deposits | 558,399 |
| STAR Ohio | 779,690 |
| Total investments | 779,690 |
| Total Deposits and Investments | 1,338,089 |

Deposits

Deposits are insured and collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 – Risk Management

Workers' Compensation

The Village pays the State Workers' Compensation System a premium based on a rate of per \$100 salaries. This rate is based on accident history and administrative costs.

Village of Morristown
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Risk Management (Continued)

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

There have been no settlements paid in excess of insurance coverage nor has insurance coverage been significantly reduced in the past three years.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Note 8 – Debt

Debt outstanding at December 31, 2021, was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---------------------------------------|------------------|----------------------|
| Ohio Water Development Authority Loan | \$164,178 | 0% |
| Ohio Public Works Commission | 2,985 | 0% |
| Total | <u>\$167,163</u> | |

On June 30, 2005, the Village executed an Ohio Development Water Authority (OWDA) loan for a total amount of \$729,678. The Village will repay the loans in semiannual installments of \$18,242, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village executed a loan on July 1, 2008 with the Ohio Public Works Commission (OPWC) for the improvement of the sanitary sewer collection system for a total amount of \$9,950. The Village will repay the loan in semiannual installments of \$249 over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Village of Morristown
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Debt (Continued)

Amortization

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

| Year Ending December 31: | OPWC Loan | OWDA Loan |
|-----------------------------|-----------|-----------|
| 2022 | \$497 | \$36,484 |
| 2023 | 497 | 36,484 |
| 2024 | 497 | 36,484 |
| 2025 | 497 | 36,484 |
| 2026 | 497 | 36,484 |
| 2027-2031 | 996 | 0 |
| Total | \$3,481 | \$182,420 |

Note 9 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | General | Special Revenue | Total |
|--------------------------|---------|--------------------|-------|
| Outstanding Encumbrances | 1,829 | 43 | 1,872 |

The fund balance of special revenue funds is either restricted or committed. These restricted or committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Morristown
Belmont County
P.O. Box 241
Morristown, Ohio 43759

To the Village Council:

We have audited, in accordance the 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 (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Morristown, Belmont County, Ohio (the Village), and have issued our report thereon dated August 9, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Village'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 were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 9, 2023

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

| |
|---|
| FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

FINDING NUMBER 2022-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Ohio Village Officer's Handbook (revised August 2020) provides suggested account classifications.

These accounts classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

In 2022 and 2021, the Village made a principal payment each year in the amount of \$36,981 and posted these payments as Interest and Other Fiscal Charges instead of Principal Retirement.

The adjustment above was agreed to by Village's management and is reflected in the accompanying financial statements.

The Village's Fiscal Officer should appropriately classify debt payment transactions based on the nature of the expenditure.

Officials' Response: Management will make this correction.

FINDING NUMBER 2022-002

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The appropriation resolution and subsequent amendments establish the legal spending authority of the Village, and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(Continued)**

| |
|---|
| FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|---|

**FINDING NUMBER 2022-002
(Continued)**

There was a variance between the appropriations approved by the Village Council and the amount posted to the Village's ledgers in the amount of \$16,200 in the Street Construction and Maintenance Fund at December 31, 2021.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

There was a variance between the estimated receipts approved by the Budget Commission and the amounts posted to the Village's ledgers in the amount of \$12,538 in the Fire Fund and \$61,160 in the Fire Truck and Equipment Fund at December 31, 2021.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system.

Failure to accurately post the estimated resources and appropriations to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the notes to the financial statements.

Adjustments to the budgetary amounts in Note 3, as agreed to by Village management, are reflected in the budgetary activity footnote.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: Management will make this correction.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MORRISTOWN

BELMONT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 8/24/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov