



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF MORROW
WARREN COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Morrow
Warren County
150 East Pike Street
Morrow, Ohio 45152

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Morrow, Warren County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, 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 and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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, 2021 and 2020, or the changes in financial position or, where applicable, cash flows thereof for the years 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 Section 117.38 and Ohio Administrative Code Section 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 Section 117.38 and Ohio Administrative Code Section 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 April 29, 2024, 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
April 29, 2024

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Village of Morrow
Warren 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	\$65,201	\$11,922	\$77,123
Municipal Income Tax	622,249	0	622,249
Intergovernmental	23,673	195,826	219,499
Charges for Services	228,585	0	228,585
Fines, Licenses and Permits	103,347	3,541	106,888
Earnings on Investments	12,368	363	12,731
Miscellaneous	39,444	79,678	119,122
<i>Total Cash Receipts</i>	<u>1,094,867</u>	<u>291,330</u>	<u>1,386,197</u>
Cash Disbursements			
Current:			
Security of Persons and Property	294,660	2,073	296,733
Public Health Services	1,023	0	1,023
Leisure Time Activities	1,938	0	1,938
Community Environment	29,827	0	29,827
Basic Utility Services	207,730	0	207,730
Transportation	0	207,482	207,482
General Government	766,292	102,045	868,337
Debt Service:			
Principal Retirement	20,559	0	20,559
Interest and Fiscal Charges	4,373	0	4,373
<i>Total Cash Disbursements</i>	<u>1,326,402</u>	<u>311,600</u>	<u>1,638,002</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(231,535)</u>	<u>(20,270)</u>	<u>(251,805)</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	(1,273)	0	(1,273)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,273)</u>	<u>0</u>	<u>(1,273)</u>
<i>Net Change in Fund Cash Balances</i>	(232,808)	(20,270)	(253,078)
<i>Fund Cash Balances, January 1</i>	<u>805,561</u>	<u>516,164</u>	<u>1,321,725</u>
<i>Fund Cash Balances, December 31</i>	<u>\$572,753</u>	<u>\$495,894</u>	<u>\$1,068,647</u>

See accompanying notes to the basic financial statements

Village of Morrow

Warren County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

All Proprietary Fund Types

For the Year Ended December 31, 2021

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$854,071
Miscellaneous	524
	<u>854,595</u>
<i>Total Operating Cash Receipts</i>	<u>854,595</u>
Operating Cash Disbursements	
Personal Services	115,125
Employee Fringe Benefits	46,338
Contractual Services	116,460
Supplies and Materials	105,373
	<u>383,296</u>
<i>Total Operating Cash Disbursements</i>	<u>383,296</u>
<i>Operating Income (Loss)</i>	<u>471,299</u>
Non-Operating Receipts (Disbursements)	
Capital Outlay	(191,561)
Principal Retirement	(10,011)
Interest and Other Fiscal Charges	(2,595)
	<u>(204,167)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(204,167)</u>
<i>Net Change in Fund Cash Balances</i>	267,132
<i>Fund Cash Balances, January 1</i>	<u>1,074,807</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,341,939</u></u>

See accompanying notes to the basic financial statements

Village of Morrow

Warren County

*Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)*

All Fiduciary Fund Types

For the Year Ended December 31, 2021

	<u>Fiduciary Fund Types</u>		
	<u>Private Purpose Trust</u>	<u>Other Custodial</u>	<u>Combined Total</u>
Additions			
Fines, Licenses and Permits for Distribution	\$0	\$75,548	\$75,548
<i>Total Additions</i>	<u>0</u>	<u>75,548</u>	<u>75,548</u>
Deductions			
Other Distributions	0	72,988	72,988
<i>Total Deductions</i>	<u>0</u>	<u>72,988</u>	<u>72,988</u>
<i>Net Change in Fund Balances</i>	0	2,560	2,560
<i>Fund Cash Balances, January 1</i>	<u>85,000</u>	<u>2,997</u>	<u>87,997</u>
<i>Fund Cash Balances, December 31</i>	<u>\$85,000</u>	<u>\$5,557</u>	<u>\$90,557</u>

See accompanying notes to the basic financial statements

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Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The Village of Morrow (the Village), Warren County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and refuse utilities, park operations, street maintenance, and police services. Fire protection services are handled by the Morrow/Salem Township Fire Department which is completely separate from the Village.

Public Entity Risk Pools

The Village participates in the Public Entities Pool of Ohio, a risk-sharing pool available for Ohio governments. Note 7 to the financial statements provides additional information for this entity. 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 and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Coronavirus Relief Fund The Coronavirus Relief fund receives CARES Act grant monies restricted for purposes in accordance with the federal grant.

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2021

The Woodlands at Morrow The Woodlands at Morrow fund accounts for activity related to residential development in this Village subdivision. The primary revenue source is Community Contribution Fees.

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 accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Water Operating Improvement The water operating improvement fund accounts for water tap-in fees and related expenses.

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

The Village's private purpose trust fund is for the benefit of those in financial need according to the trust agreement.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the Village's Mayor's Court activity.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

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 Village Council 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 (except certain custodial 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

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2021 budgetary activity appears in Note 4.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

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 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:

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.

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Village's General Fund, Street Construction Maintenance and Repair Fund, and Water Operating Fund in the amounts of \$518,852, \$41,197, and \$60,656, respectively, for the year ended December 31, 2021.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

Fund Type	2021 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$778,884	\$1,094,867	\$315,983
Special Revenue	145,719	291,330	145,611
Enterprise	1,593,500	854,595	(738,905)
Total	\$2,518,103	\$2,240,792	(\$277,311)

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2021

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$804,970	\$1,347,947	(\$542,977)
Special Revenue	83,697	319,696	(235,999)
Enterprise	541,926	606,143	(64,217)
Total	\$1,430,593	\$2,273,786	(\$843,193)

Note 5 – 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
<i>Cash Management Pool:</i>	
Demand deposits	\$2,309,905
Certificates of deposit	185,197
Total deposits	2,495,102
STAR Ohio	6,041
Total investments	6,041
Total carrying amount of deposits and investments held in the Pool	2,501,143

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments

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

Note 6 – 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.

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 1 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.

Note 7 – Risk Management

Workers' Compensation

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

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of actuarially-measured liabilities and the assets available to pay those liabilities as of December 31:

	<u>2021</u>
Cash and investments	\$41,996,850
Actuarial liabilities	\$14,974,099

Note 8 – Defined Benefit Pension Plans

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Ohio Public Employees Retirement System

Village employees, who are not certified full-time police officers, 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, 2021.

Ohio Police and Fire Retirement System

The Village's certified full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.50 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2021.

Note 9 – 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 10 – Debt

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

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2021

	Principal	Interest Rate
Pike Street Building Loan	\$41,065	2.38%
Excavator Lease	\$20,981	3.16%
Skid Steer Lease	\$29,567	2.91%
Police Cruiser Lease	11,913	N/A
Total	\$103,526	

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 Excavator Lease contract was issued to purchase an excavator. The excavator serves as collateral. The purchase price was \$78,052 to be paid in 8 annual installments of \$10,990. The final payment is due August 2023.

The Skid Steer Lease was issued to purchase a skid steer loader. The original balance was \$41,128 and is due in annual payments of \$6,440. The final payment is due October 2026.

The Police Cruiser Lease was issued in February 2020. The original balance was \$35,773 and is due in annual payments of \$12,563. The final payment is due in March 2022.

Amortization

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

Year Ending December 31:	Skid Steer	Building Loan	Excavator Lease	Police Cruiser
2022	\$6,440	\$5,928	\$10,990	\$12,563
2023	6,440	5,928	10,990	0
2024	6,440	5,928	0	0
2025	6,440	5,928	0	0
2026	6,440	5,928	0	0
2027-2030	0	20,749	0	0
Total	\$32,200	\$50,389	\$21,980	\$12,563

Note 11 – Contingent Liabilities

The Village reached a settlement with a former employee. The total liability for the Village was originally \$1.2 million. A legal settlement reduced that amount to \$600,000, of which the actual loss to the Village was \$400,000.

Note 12 – Fund Balances

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. 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:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Outstanding Encumbrances	20,272	8,096	18,680	47,048
<i>Total</i>	<u>\$20,272</u>	<u>\$8,096</u>	<u>\$18,680</u>	<u>\$47,048</u>

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned 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 Morrow
Warren County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Combined Total
Cash Receipts			
Property and Other Local Taxes	\$58,240	\$8,319	\$66,559
Municipal Income Tax	507,470	0	507,470
Intergovernmental	23,866	180,247	204,113
Charges for Services	180,479	0	180,479
Fines, Licenses and Permits	111,620	4,064	115,684
Earnings on Investments	21,309	108	21,417
Miscellaneous	10,454	84,000	94,454
<i>Total Cash Receipts</i>	<u>913,438</u>	<u>276,738</u>	<u>1,190,176</u>
Cash Disbursements			
Current:			
Security of Persons and Property	286,869	1,131	288,000
Public Health Services	469	0	469
Leisure Time Activities	1,015	11,500	12,515
Community Environment	33,648	0	33,648
Basic Utility Services	183,013	0	183,013
Transportation	0	93,855	93,855
General Government	251,864	3,753	255,617
Debt Service:			
Principal Retirement	28,666	0	28,666
Interest and Fiscal Charges	821	0	821
<i>Total Cash Disbursements</i>	<u>786,365</u>	<u>110,239</u>	<u>896,604</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>127,073</u>	<u>166,499</u>	<u>293,572</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	<u>0</u>	<u>3,751</u>	<u>3,751</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>3,751</u>	<u>3,751</u>
<i>Net Change in Fund Cash Balances</i>	127,073	170,250	297,323
<i>Fund Cash Balances, January 1</i>	<u>678,488</u>	<u>345,914</u>	<u>1,024,402</u>
<i>Fund Cash Balances, December 31</i>	<u>\$805,561</u>	<u>\$516,164</u>	<u>\$1,321,725</u>

See accompanying notes to the basic financial statements

Village of Morrow

Warren County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

All Proprietary Fund Types

For the Year Ended December 31, 2020

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$790,410
Miscellaneous	692
	<hr/>
<i>Total Operating Cash Receipts</i>	<i>791,102</i>
	<hr/>
Operating Cash Disbursements	
Personal Services	84,704
Employee Fringe Benefits	34,107
Contractual Services	88,181
Supplies and Materials	99,919
	<hr/>
<i>Total Operating Cash Disbursements</i>	<i>306,911</i>
	<hr/>
<i>Operating Income (Loss)</i>	<i>484,191</i>
	<hr/>
Non-Operating Receipts (Disbursements)	
Intergovernmental Receipts	234,152
Capital Outlay	(611,847)
Principal Retirement	(9,704)
Interest and Other Fiscal Charges	(4,106)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(391,505)</i>
	<hr/>
<i>Net Change in Fund Cash Balances</i>	<i>92,686</i>
	<hr/>
<i>Fund Cash Balances, January 1</i>	<i>982,121</i>
	<hr/>
<i>Fund Cash Balances, December 31</i>	<i>\$1,074,807</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Village of Morrow

Warren County

*Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)*

All Fiduciary Fund Types

For the Year Ended December 31, 2020

	<u>Fiduciary Fund Types</u>		
	<u>Private Purpose Trust</u>	<u>Other Custodial</u>	<u>Combined Total</u>
Additions			
Fines, Licenses and Permits for Distribution	\$0	\$77,278	\$77,278
<i>Total Additions</i>	<u>0</u>	<u>77,278</u>	<u>77,278</u>
Deductions			
Other Distributions	0	78,479	78,479
<i>Total Deductions</i>	<u>0</u>	<u>78,479</u>	<u>78,479</u>
<i>Net Change in Fund Balances</i>	0	(1,201)	(1,201)
<i>Fund Cash Balances, January 1</i>	<u>85,000</u>	<u>4,198</u>	<u>89,198</u>
<i>Fund Cash Balances, December 31</i>	<u>\$85,000</u>	<u>\$2,997</u>	<u>\$87,997</u>

See accompanying notes to the basic financial statements

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Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of Morrow (the Village), Warren County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and refuse utilities, park operations, street maintenance, and police services. Fire protection services are handled by the Morrow/Salem Township Fire Department which is completely separate from the Village.

Public Entity Risk Pools

The Village participates in the Public Entities Pool of Ohio, a risk-sharing pool available for Ohio governments. Note 7 to the financial statements provides additional information for this entity. 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 and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

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 Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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:

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

The Village's private purpose trust fund is for the benefit of those in financial need according to the trust agreement.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the Village's Mayor's Court activity.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

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 Village Council 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 (except certain custodial 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. 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 2020 budgetary activity appears in Note 4.

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

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 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:

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.

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Village's Water Operating Fund by \$59,159 for the year ended December 31, 2020.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$763,049	\$913,438	\$150,389
Special Revenue	209,960	280,489	70,529
Enterprise	1,593,500	1,025,254	(568,246)
Total	\$2,566,509	\$2,219,181	(\$347,328)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$822,513	\$803,089	\$19,424
Special Revenue	168,975	113,093	55,882
Enterprise	761,956	937,313	(175,357)
Total	\$1,753,444	\$1,853,495	(\$100,051)

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – 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:

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$2,293,295
Certificates of deposit	185,197
Total deposits	2,478,492
STAR Ohio	6,037
Total investments	6,037
Total carrying amount of deposits and investments held in the Pool	2,484,529

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments

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

Note 6 – 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.

Income Taxes

The Village levies a municipal income tax of 1 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, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 7 – Risk Management

Workers' Compensation

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

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of actuarially-measured liabilities and the assets available to pay those liabilities as of December 31:

	2020
Cash and investments	\$40,318,971
Actuarial liabilities	\$14,111,510

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees, who are not certified full-time police officers, 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, 2020.

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Ohio Police and Fire Retirement System

The Village’s certified full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.50 percent of full-time police members’ wages. The Village has paid all contributions required through December 31, 2020.

Note 9 – 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Pike Street Building Loan	\$44,906	2.38%
Excavator Lease	\$30,992	3.16%
Skid Steer Lease	\$34,988	2.91%
Police Cruiser Lease	23,210	N/A
Total	<u>\$134,096</u>	

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 Excavator Lease contract was issued to purchase an excavator. The excavator serves as collateral. The purchase price was \$78,052 to be paid in 8 annual installments of \$10,990. The final payment is due August 2023.

The Skid Steer Lease was issued to purchase a skid steer loader. The original balance was \$41,128 and is due in annual payments of \$6,440. The final payment is due October 2026.

The Police Cruiser Lease was issued in February 2020. The original balance was \$35,773 and is due in annual payments of \$12,563. The final payment is due in March 2022.

Amortization

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

Year Ending December 31:	Skid Steer	Building Loan	Excavator Lease	Police Cruiser
2021	\$6,440	\$5,928	\$10,990	\$12,563
2022	6,440	5,928	10,990	12,563
2023	6,440	5,928	10,991	0
2024	6,440	5,928	0	0
2025	6,440	5,928	0	0
2026-2030	6,437	26,679	0	0
Total	<u>\$38,637</u>	<u>\$56,319</u>	<u>\$32,971</u>	<u>\$25,126</u>

Note 11 – Contingent Liabilities

The Village reached a settlement with a former employee. The total liability for the Village was originally \$1.2 million. A legal settlement reduced that amount to \$600,000, of which the actual loss to the Village was \$400,000.

Note 12 – 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. 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:

Village of Morrow, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Fund Balances	General	Special Revenue	Enterprise	Total
Outstanding Encumbrances	16,724	2,854	4,745	24,323
<i>Total</i>	<i>\$16,724</i>	<i>\$2,854</i>	<i>\$4,745</i>	<i>\$24,323</i>

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

Note 13 – Fund Balance Restatement

For 2020, the Village restated fund balances that previously had been recorded as Fiduciary Fund Type - Private Purpose Trust funds to Special Revenue funds.

The effect of these changes restated beginning cash balances as follows:

Fund Balances	Special Revenue	Private Purpose Trust	Total
Fund Balance			
December 31, 2019	\$ 329,133	\$ 101,781	\$ 430,914
Adjustments	16,781	(16,781)	-
Restated Fund Balance			
December 31, 2019	<i>\$ 345,914</i>	<i>\$ 85,000</i>	<i>\$ 430,914</i>

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OHIO AUDITOR OF STATE KEITH FABER



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

Village of Morrow
Warren County
150 East Pike Street
Morrow, Ohio 45152

To the Village Council:

We have audited, in accordance with the 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 and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Morrow, Warren County, Ohio (the Village) and have issued our report thereon dated April 29, 2024 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 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 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 2021-001 through 2021-003 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 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 as items 2021-004 through 2021-006.

Village's Response to 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
April 29, 2024

**VILLAGE OF MORROW
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

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

FINDING NUMBER 2021-001

Material Weakness – Financial Reporting

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.

Due to deficiencies in the Village's internal controls over financial reporting, the following conditions related to the Village's financial statements and notes to the financial statements for the year ended December 31, 2021 were identified:

- General Fund Principal Retirement on the Pike Street Building Loan was understated by \$1,053 and General Fund Interest and Fiscal Charges on the Pike Street Building Loan was overstated by \$1,053.
- Principal Retirement and Interest and Fiscal Charges on the Excavator Loan for July 2021 were improperly posted to Water Operating Fund Capital Outlay disbursements in the total amount of \$10,921. The payment should have been posted to Water Operating Fund Principal Retirement in the amount of \$10,011 and to Water Operating Fund Interest and Fiscal Charges in the amount of \$910.
- Principal Retirement and Interest and Fiscal Charges on the Skid Steer Debt Agreement for September 2021 were improperly posted to General Fund Other Financing Uses in the amount of \$6,440. The payment should have been posted to General Fund Principal Retirement in the amount of \$5,421 and to General Fund Interest and Fiscal Charges in the amount of \$1,018.
- Principal Retirement and Interest and Fiscal Charges on the Police Cruiser Lease were improperly posted to General Fund Security of Persons and Property disbursements in the amount of \$12,563. The payment should have been posted to General Fund Principal Retirement in the amount of \$11,297 and General Fund Interest and Fiscal Charges in the amount of \$1,267.
- Water tap-in fees in the amount of \$19,035 belonging to the Water Operating Fund were improperly posted to Water Operating Fund Special Assessments receipts. These receipts should have been posted to Water Operating Fund Charges for Services receipts.
- A refund from the Ohio Bureau of Workers' Compensation in the amount of \$30,233 was improperly posted to Coronavirus Relief Fund Earnings on Investments. The refund should have been posted to General Fund Miscellaneous receipts, Street Construction Maintenance and Repair Fund Miscellaneous Receipts, and Water Operating Fund Miscellaneous Receipts in the amounts of \$29,747, \$197, and \$289, respectively.
- Mayor's Court cash fund balance and activity were not recorded by the Village in a Fiduciary Fund. Adjustments were necessary to: (1) add the beginning cash fund balance of \$2,997; (2) add receipts from Fines, Licenses, and Permits for Distribution in the amount of \$75,548; (3) add Distributions to Other Governments in the amount of \$72,988; and (4) add the ending cash fund balance of \$5,557.

**FINDING NUMBER 2021-001
 (Continued)**

- The Poor Relief Fund was improperly classified as a Fiduciary Fund rather than a Special Revenue Fund in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
- Within the Fiduciary Fund type, the Schuerer Trust Fund was improperly classified as an Other Custodial Fund rather than a Private Purpose Trust Fund in accordance with Governmental Accounting Standard Board Statement No. 84, *Fiduciary Activities*.
- An adjustment from the prior audit increasing the fund balance of the Special Revenue Woodlands Fund by \$37,097 was improperly posted to the Law Enforcement Trust Fund.
- An adjustment from the prior audit decreasing the fund balance of the Special Revenue Recreation Fund by \$33,000 was not posted.
- A road paving project outside the Village administration building in the amount of \$7,400 was incorrectly posted as a General Government disbursement of the Coronavirus Relief Fund and not the General Fund.
- A note disclosure describing the classifications of fund balances and outstanding encumbrances at year end for each fund type as required by Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions and Auditor of State Bulletin*, and Auditor of State Bulletin 2020-008, *Auditor of State Regulatory Basis Financial Reporting Framework – Fund Balance Classification Reporting*, was omitted.
- The Budgetary Activity note disclosure (Note 3) reported inaccurate amounts of budgeted receipts, actual receipts, appropriations, and budgetary basis expenditures, as follows:

Fund Type	Budgeted Receipts as Reported	Actual Budgeted Receipts	Variance
General Fund	\$806,986	\$778,885	\$28,101
Special Revenue	244,011	145,719	98,292
Enterprise	688,120	1,593,500	(905,380)
Total	\$1,739,117	\$2,518,104	(\$778,987)

Fund Type	Actual Receipts as Reported	Actual Receipts per Accounting System	Variance
General Fund	\$1,065,118	\$1,094,867	(\$29,749)
Special Revenue	321,003	291,330	29,673
Enterprise	854,306	854,595	(289)
Total	\$2,240,427	\$2,240,792	(\$365)

Fund Type	Appropriation Authority as Reported	Actual Appropriation Authority	Variance
General Fund	\$1,406,136	\$804,970	\$601,166
Special Revenue	327,646	83,697	243,949
Enterprise	611,294	541,926	69,368
Total	\$2,345,076	\$1,430,593	\$914,483

**FINDING NUMBER 2021-001
 (Continued)**

Fund Type	Budgetary Basis Expenditures as Reported	Actual Budgetary Basis Expenditures	Variance
General Fund	\$1,320,274	\$1,347,947	(\$27,673)
Special Revenue	318,999	319,696	(697)
Enterprise	587,463	606,143	(18,680)
Total	\$2,226,736	\$2,273,786	(\$47,050)

- The Deposits and Investments note disclosure (Note 4) incorrectly reported demand deposits as \$2,239,028. The amount that should have been reported was \$2,309,905.
- The Debt note disclosure (Note 10) improperly reported the principal outstanding at December 31, 2021 for the Pike Street Building Loan and the Excavator Lease and omitted the principal outstanding at December 31, 2021 for the Skid Steer Debt Agreement and Police Cruiser Lease, as follows:

Issue	Principal Balance at December 31, 2021 As Reported	Actual Principal Balance at December 31, 2021	Variance
Pike Street Building Loan	\$50,777	\$41,065	\$9,712
Excavator Lease	32,970	20,981	11,989
Skid Steer Debt Agreement	0	29,567	(29,567)
Police Cruiser Lease	0	11,913	(11,913)
Total	\$83,747	\$103,526	(\$19,779)

- The future amortization schedule in the Debt note contained omissions and inaccuracies: (1) omission of future amortization amounts for the Skid Steer Debt Agreement and Police Cruiser Lease; (2) inaccurate breakdowns of total future amortization amounts; and (3) inaccurate total future amortization amounts.
- The Risk Management Note disclosure (Note 6) reported amounts related to December 31, 2015 and December 31, 2014 for the Public Entities Pool of Ohio instead of the amounts related to December 31, 2021.

The following conditions related to the Village's financial statements and notes to the financial statements for the year ended December 31, 2020 were identified:

- General Fund Principal Retirement for January 2020 on the Pike Street Building Loan in the amount of \$1,351 was improperly posted to General Fund Interest and Fiscal Charges and Water Operating Fund Contractual Services disbursements in the amounts of \$416 and \$935, respectively.
- General Fund Principal Retirement for July 2020 on the Pike Street Building Loan in the amount of \$459 was improperly posted to General Fund Interest and Fiscal Charges.
- General Fund Principal Retirement in the amount of \$6,459 and General Fund Interest and Fiscal charges in the amount of \$126 for May 2020 on the Police Cruiser Lease were improperly posted to General Fund Security of Persons and Property disbursements.
- General Fund Principal Retirement for October 2020 in the amount of \$6,440 on the Skid Steer Debt Agreement was improperly posted to Permissive Motor Vehicle License Tax Fund Transportation disbursements, Police Court Fund Security of Persons and Property disbursements, and Water Operating Improvement Fund Capital Outlay disbursements in the amounts of \$1,000, \$500, and \$4,940, respectively.

**FINDING NUMBER 2021-001
 (Continued)**

- General Fund Principal Retirement for March 2020 in the amount of \$12,563 on the Police Cruiser Lease was improperly posted to General Fund Security of Persons and Property disbursements.
- Water Operating Fund Principal Retirement in the amount of \$9,704 and Water Operating Fund Interest and Fiscal Charges in the amount of \$1,286 for September 2020 on the Excavator Loan were improperly posted to Water Operating Fund Supplies and Materials disbursements and Water Operating Fund Capital Outlay disbursements in the amounts of \$69 and \$10,921, respectively.
- Water Tap-in Fees in the amount of \$20,265 belonging to the Water Operating Fund were improperly posted to Water Operating Fund Special Assessments receipts. These receipts should have been classified as Water Operating Fund Charges for Services receipts.
- refund from the Ohio Bureau of Workers' Compensation in the amount of \$8,180 was improperly posted to General Fund Intergovernmental receipts. This receipt should have been classified as General Fund Miscellaneous receipts.
- On-behalf payments in the amount of \$234,152 from the Ohio Public Works Commission were not recorded in an Enterprise fund as Intergovernmental receipts and Capital Outlay disbursements. (See Finding Number 2021-002 regarding this on-behalf grant)
- The sale of an obsolete tractor in the amount of \$3,751 purchased with State Highway fund from the State Highway Fund was improperly posted to Miscellaneous receipts. This receipt should have been posted to Other Financing Sources - Sale of Capital Assets.
- Mayor's Court cash fund balance and activity were not recorded in a Fiduciary Fund. Adjustments were necessary to: (1) add the beginning cash fund balance of \$4,198; (2) add receipts from Fines, Licenses, and Permits for Distribution in the amount of \$77,278; (3) add Distributions to Other Governments in the amount of \$78,479; and (4) add the ending cash fund balance of \$2,997.
- The Poor Relief Fund was improperly classified as a Fiduciary Fund rather than a Special Revenue Fund in accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.
- Within the Fiduciary Fund type, the Schuerer Trust Fund was improperly classified as an Other Custodial Fund rather than a Private Purpose Trust Fund in accordance with Governmental Accounting Standard Board Statement No. 84, Fiduciary Activities.
- A note disclosure describing the classifications of fund balances and outstanding encumbrances for each fund type as required by Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and Auditor of State Bulletin, and Auditor of State Bulletin 2020-008, Auditor of State Regulatory Basis Financial Reporting Framework – Fund Balance Classification Reporting, was omitted.
- Note 3 (Budgetary Activity) reported inaccurate amounts of budgeted receipts, actual receipts, appropriations, and budgetary basis expenditures, as follows:

Fund Type	Budgeted Receipts as Reported	Actual Budgeted Receipts	Variance
General Fund	\$751,917	\$763,049	\$(11,132)
Enterprise	1,548,500	1,593,500	(45,000)
Total	\$2,300,417	\$2,356,549	(\$56,132)

**FINDING NUMBER 2021-001
 (Continued)**

Fund Type	Actual Receipts as Reported	Actual Receipts per Accounting System	Variance
Special Revenue	\$280,377	\$280,489	(\$112)
Enterprise	791,102	1,025,254	(234,152)
Total	\$1,071,479	\$1,305,743	(\$234,264)

Fund Type	Appropriation Authority as Reported	Actual Appropriation Authority	Variance
General Fund	\$825,720	\$822,513	\$3,207
Special Revenue	179,483	168,975	10,508
Enterprise	764,259	761,956	2,303
Total	\$1,769,462	\$1,753,444	\$16,018

Fund Type	Budgetary Basis Expenditures as Reported	Actual Budgetary Basis Expenditures	Variance
General Fund	\$778,725	\$803,089	(\$24,364)
Special Revenue	111,738	113,093	(1,355)
Enterprise	704,290	937,313	(233,023)
Total	\$1,594,753	\$1,853,495	(\$258,742)

- Note 4 (Deposits and Investments) incorrectly reported demand deposits as \$1,961,604. The amount that should have been reported was \$2,293,295.
- Note 9 (Debt) disclosure omitted or reported inaccurate amounts of outstanding debt at December 31, 2020 as follows:

Issue	Principal Balance Reported at December 31, 2020	Actual Principal Balance at December 31, 2020	Variance
Pike Street Building Loan	\$56,705	\$44,906	\$11,799
Excavator Lease	43,960	30,992	12,968
Skid Steer Lease	0	34,988	(34,988)
Police Cruiser Lease	0	23,210	(23,210)
Total	\$100,665	\$134,096	(33,431)

- The future amortization schedule in Note 9 (Debt) contained omissions and inaccuracies as follows: (1) omission of future amortization amounts for the Skid Steer Lease and Police Cruiser Lease; (2) an inaccurate breakdown by year(s) of total future amortization amounts; and (3) inaccurate total future amortization amounts.
- The Risk Management Note disclosure (Note 6) reported amounts related to December 31, 2015 and December 31, 2014 for the Public Entities Pool of Ohio instead of the amounts related to December 31, 2020.

The financial statements, notes to the financial statements, and the Uniform Accounting Network (UAN) accounting system have been adjusted for these errors, where applicable.

**FINDING NUMBER 2021-001
(Continued)**

Failure to accurately post and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner. To help ensure accuracy in the financial reporting process and reduce the risk of errors, theft, or fraud, the Village should exercise due care when posting entries to the accounting records and when preparing financial statements. The Village should also adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements so that errors can be detected and corrected in a timely manner.

Officials' Response:

All requests for audit fund balance adjustments for 2021 and 2021 per auditor requests have been completed.

FINDING NUMBER 2021-002

Material Weakness/Noncompliance – On-behalf Payments

During 2020, the Village was approved for several Ohio Public Works Commission (OPWC) construction projects related to wastewater treatment plant upgrades. The OPWC paid the construction costs directly to the contractor as an on-behalf payment for the Village. The Village received \$234,152 in 2020 in on-behalf payments from OPWC but did not record and budget for this activity in the accounting system.

Ohio Rev. Code § 5705.42 does not require formal appropriation by the legislative body for Federal and State grants and loans received. However, Ohio Rev. Code § 5705.42 directs the Village to record the appropriation amounts in the accounting system and the budgetary statements or footnotes. The Village should also include the appropriated amounts on the (amended) certificate of estimated resources to properly monitor budget versus actual activity. The Village did not record the appropriation amount for the on-behalf payments in the accounting system or in the footnotes or amend their certificate of estimated resources.

The accompanying financial statements have been corrected for these errors. Failure to include all relevant activity of the Village in the accounting systems could result in the financial statements being misleading to financial statement users.

All on-behalf projects should be reported as receipts and disbursements in the financial statements. Auditor of State Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf payments for capital improvement projects.

Officials' Response:

With OPWC construction projects which are typically capital improvement projects, all on-behalf payments will be reported as receipts and disbursements in the financial statements, according to AOS Bulletin 2000-008.

FINDING NUMBER 2021-003

Material Weakness – Monthly Bank Reconciliations

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

**FINDING NUMBER 2021-003
(Continued)**

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council and/or other administrator are responsible for reviewing the reconciliations and related support.

The Village's cash reconciliations contained the following errors:

- The December 31, 2021 cash reconciliation contained an "other adjusting factor" in the amount of \$65,660 which was due, in part, to the improper recording of prior fund balance adjustments in the amount of \$65,936.
- The December 31, 2021 cash reconciliation contained an adjustment for deposits in transit in the amount of \$10,153 which was due, in part, to errors in the posting of receipts during 2021.
- The December 31, 2020 cash reconciliation contained an "other adjusting factor" in the amount of \$32,936 which was due, in part, to the improper recording of prior fund balance adjustments in the amount of \$33,000.
- The December 31, 2020 cash reconciliation contained an adjustment for deposits in transit in the amount of \$824 which was due to errors in the posting of receipts during 2020.

Failure to properly reconcile each month increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare accurate monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Village Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response:

The Fiscal Officer will record all transactions and prepare accurate monthly bank to book cash reconciliations, including all bank accounts and all fund balances. In the event of a variance, variances will be investigated, documented, and corrected. This will be included in the monthly review by Council of the cash reconciliation.

FINDING NUMBER 2021-004

Noncompliance – Expenditures in Excess of Appropriations

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

**FINDING NUMBER 2021-004
(Continued)**

Due to inadequate policies and procedures for approving and reviewing budget versus actual information, the General Fund, Street Construction Maintenance and Repair Fund, and Water Operating Fund had expenditures in excess of appropriations of \$518,852, \$41,197, and \$60,656, respectively, for the year ended December 31, 2021. The Water Operating Fund had expenditures in excess of appropriations of \$59,159 for the year ended December 31, 2020.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

Village Council will closely monitor expenditures and appropriations and make the necessary appropriation amendments to reduce the likelihood of expenditures exceeding appropriations. In addition, the Fiscal Officer will deny payment requests exceeding appropriations when appropriations are insufficient to cover the expenditures.

FINDING NUMBER 2021-005

Noncompliance – Improper Certification of Expenditures

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made 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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village Council can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions or taxing units may be paid by the fiscal officer without a resolution or ordinance 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 Village Council.

**FINDING NUMBER 2021-005
(Continued)**

2. Blanket Certificate – The auditor or fiscal officer may prepare “blanket” certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, four of five (80%) transactions tested at year-end for 2021 were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

Officials’ Response:

The Village recognizes the importance of prior certification as required to ensure that purchase commitments receive prior approval to prevent the possibility of the Village’s funds exceeding budgetary spending limitations. In the future, the Fiscal Officer will certify that funds will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification will be used.

FINDING NUMBER 2021-006

Noncompliance – CARES Act Expenditure

Pursuant to HB No. 481, 133rd G.A., Section 27(D), as amended by HB No. 614, 133rd G.A., the legislative authority of a county, township, or municipal corporation must adopt a resolution or ordinance affirming that the funds so received may be expended only to cover costs of the subdivision consistent with the requirements of section 5001 of the "Coronavirus Aid, Relief, and Economic Security Act," as described in 42 U.S.C. 801(d), and any applicable regulations.

42 U.S.C. 801(d) states that a unit of local government shall use the funds provided under a payment made under this section to cover only those costs of the unit of local government that: (1) are necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19); (2) were not accounted for in the governments most recently approved budget as of March 27, 2020; and (3) were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.

**FINDING NUMBER 2021-006
(Continued)**

One of three (33%) expenditures tested, in the amount of \$7,400, was not spent in accordance with the use of funds requirements. This expenditure was for the repair of a sidewalk around the Village Hall outside the Village administrative building during 2021.

Failure to spend federal funding on allowable activities could result in future reductions of federal award monies.

The Village should review all federal expenditures to ensure the expenses are allowable under the provisions of the grant agreement.

This matter has been referred to the Department of the Treasury and the Office of Budget and Management (OBM).

Officials' Response:

The Village would like to contest this finding, since we believe that our expenditure of \$7,400 does indeed meet the spirit of CARES act funding. The expenditure was for fixing a badly broken sidewalk in the front and along the side of Village Hall. The total expenditure from breaking up and repaving of the sidewalk was \$9,800, \$7,400 of which was paid from CARES act monies. This sidewalk is used by Morrow citizens to gain access to Village Hall and to access the dropbox along the side of the Village Hall for night deposits. We felt that this was a safety concern for older citizens who come into the building for Mayor's Court, for tax discussions, and for access to the dropbox. The Village felt that this damaged sidewalk was indeed a public health emergency and could result in falls, was not budgeted for in the Village budget in place at the time, and the expense was incurred in June-July 2021.

Auditor of State Conclusion:

The Auditor of State believes that the cost of the sidewalk repair was not incurred in regards to the public health emergency in respect to the Coronavirus Disease 2019 and should not have been paid from the Coronavirus Relief Fund.



VILLAGE OF MORROW

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2021 AND 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Ohio Rev. Code § 5705.39, appropriations in excess of estimated resources.	Partially Corrected	Reissued in Management Letter.
2019-002	Ohio Rev. Code § 5705.41(B), expenditures in excess of appropriations.	Not Corrected	Reissued as Finding 2021-004.
2019-003	AU-C Section 210, <i>Terms of Engagement</i> , paragraph .06, management acknowledges its responsibility for preparation and fair presentation of their financial statements.	Not Corrected	Reissued as Finding 2021-001.
2019-004	The Village failed to report on-behalf payments from the Ohio Public Works Commission.	Not Corrected	Reissued as Finding 2021-002.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MORROW

WARREN 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 5/14/2024

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov