

VILLAGE OF MORROW

December 31, 2001 and 2000

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT*



STATE OF OHIO
OFFICE OF THE AUDITOR

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

We have reviewed the Independent Auditor's Report of the Village of Morrow, Warren County, prepared by VohLehman & Company, Inc., for the audit period January 1, 2000 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 26, 2002

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WARREN COUNTY, OHIO
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**VILLAGE OF MORROW
WARREN COUNTY, OHIO**

**VILLAGE OFFICIALS
December 31, 2001**

MAYOR

Robert L. Brown

COUNCIL MEMBERS

Robert Blankenship

Van Brown

York Bryant

Fred Carmack

Jack Robertson

Steve Terrell

DEPARTMENT HEADS

Village Administrator

Rhonda Ward

Village Clerk and Treasurer

Jean Mayne

Clerk of Courts Tax Administrator

Cindy Wilmot

Village Police Chief

Russel Kilburn

Village Solicitor

Don Oda



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of Council
Village of Morrow
Morrow, Ohio

We have audited the accompanying financial statements of the Village of Morrow, Warren County, Ohio, as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Village of Morrow prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash and combined fund cash balances of the Village of Morrow, Warren County, Ohio, as of December 31, 2001 and 2000, its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 1.

Honorable Mayor and Members of Council
Village of Morrow
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In accordance with Government Auditing Standards, we have also issued a report dated June 20, 2002 on our consideration of the Village of Morrow's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the management and Council of the Village of Morrow and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Cincinnati, Ohio
June 20, 2002

**VILLAGE OF MORROW
COMBINED STATEMENT OF CASH
AND FUND CASH BALANCES
ALL FUND TYPES**

December 31, 2001

Cash	\$ 249,357
Investments	<u>278,213</u>
	<u>\$ 527,570</u>

FUND CASH BALANCES BY FUND TYPE

<u>Governmental Fund Types</u>	
General Fund	\$ 244,053
Special Revenue Funds	33,534
<u>Proprietary Fund Type</u>	
Enterprise Funds	149,681
<u>Fiduciary Fund Type</u>	
Trust and Agency Funds	<u>100,302</u>
	<u>\$ 527,570</u>

See accompanying notes.

**VILLAGE OF MORROW
 COMBINED STATEMENT OF CASH
 AND FUND CASH BALANCES
 ALL FUND TYPES**

December 31, 2000

Cash	\$ 303,071
Investments	<u>341,583</u>
	<u>\$ 644,654</u>

FUND CASH BALANCES BY FUND TYPE

<u>Governmental Fund Types</u>	
General Fund	\$ 326,308
Special Revenue Funds	51,864
<u>Proprietary Fund Type</u>	
Enterprise Funds	168,275
<u>Fiduciary Fund Type</u>	
Trust and Agency Funds	<u>98,207</u>
	<u>\$ 644,654</u>

See accompanying notes.

VILLAGE OF MORROW
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND
TYPES AND SIMILAR FIDUCIARY FUND TYPE

	Year Ended December 31, 2001			
	Governmental Fund		Fiduciary	
	Types		Fund	
	General	Special	Expendable	Totals
Fund	Revenue	Trust	(Memorandum	
Fund	Funds	Fund	Only)	
Receipts				
Taxes	\$ 260,778	\$ 40,235	\$ -	\$ 301,013
Intergovernmental Receipts	45,897	53,214	-	99,111
Charges for Services	122,000	128,929	-	250,929
Fines, Licenses and Permits	645	-	-	645
Miscellaneous	30,475	2,197	-	32,672
Total Receipts	<u>459,795</u>	<u>224,575</u>	<u>-</u>	<u>684,370</u>
Disbursements				
Security of Persons and Property	168,208	146,181	-	314,389
Public Health Services	-	-	-	-
Leisure Time Activities	304	488	-	792
Community Environment	3,386	-	-	3,386
Basic Utilities Services	86,432	-	-	86,432
Transportation	-	65,989	-	65,989
General Government	166,969	42,691	-	209,660
Total Disbursements	<u>425,299</u>	<u>255,349</u>	<u>-</u>	<u>680,648</u>
Excess (Deficit) of Receipts Over Disbursements	<u>34,496</u>	<u>(30,774)</u>	<u>-</u>	<u>3,722</u>
Other Financing Sources (Uses)				
Transfers - In	957	12,444	-	13,401
Transfers - Out	(114,844)	-	-	(114,844)
Other Uses	(2,864)	-	-	(2,864)
Total Other Financing Sources (Uses)	<u>(116,751)</u>	<u>12,444</u>	<u>-</u>	<u>(104,307)</u>
Deficit of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(82,255)	(18,330)	-	(100,585)
Beginning Fund Cash Balance	<u>326,308</u>	<u>51,864</u>	<u>784</u>	<u>378,956</u>
Ending Fund Cash Balance	<u>\$ 244,053</u>	<u>\$ 33,534</u>	<u>\$ 784</u>	<u>\$ 278,371</u>

See accompanying notes.

**VILLAGE OF MORROW
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUND TYPES**

	Year Ended December 31, 2001			
	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise Funds	Non-Expendable Trust Funds	Agency Fund	
Operating Receipts				
Charges for Services	\$ 283,318	\$ -	\$ -	\$ 283,318
Miscellaneous	42,033	4,893	33,862	80,788
Total Operating Receipts	<u>325,351</u>	<u>4,893</u>	<u>33,862</u>	<u>364,106</u>
Operating Disbursements				
Personal Services	96,791	-	-	96,791
Contract Services	569,258	-	-	569,258
Supplies and Materials	83,391	-	-	83,391
Total Operating Disbursements	<u>749,440</u>	<u>-</u>	<u>-</u>	<u>749,440</u>
Operating (Loss) Income	<u>(424,089)</u>	<u>4,893</u>	<u>33,862</u>	<u>(385,334)</u>
Non-Operating Receipts				
Interest Income - Net of Fees	3,006	-	-	3,006
Grant	205,900	-	-	205,900
Total Non-Operating Receipts	<u>208,906</u>	<u>-</u>	<u>-</u>	<u>208,906</u>
Non-Operating Disbursements				
Debt Service	62,720	-	-	62,720
Other	-	1,570	33,609	35,179
Total Non-Operating Disbursements	<u>62,720</u>	<u>1,570</u>	<u>33,609</u>	<u>97,899</u>
(Deficit) Excess of Receipts Over Disbursements	<u>(277,903)</u>	<u>3,323</u>	<u>253</u>	<u>(274,327)</u>
Other Financing Sources (Uses)				
Transfers - In	415,333	-	-	415,333
Proceeds from Bonds	102,924	4,367	-	107,291
Retirement of Debt	(258,948)	-	-	(258,948)
Transfers - Out	-	(5,848)	-	(5,848)
Total Other Financing Sources (Uses)	<u>259,309</u>	<u>(1,481)</u>	<u>-</u>	<u>257,828</u>
(Deficit) Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>(18,594)</u>	<u>1,842</u>	<u>253</u>	<u>(16,499)</u>
Beginning Fund Cash Balance	<u>168,275</u>	<u>95,418</u>	<u>2,005</u>	<u>265,698</u>
Ending Fund Cash Balance	<u>\$ 149,681</u>	<u>\$ 97,260</u>	<u>\$ 2,258</u>	<u>\$ 249,199</u>

See accompanying notes.

**VILLAGE OF MORROW
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND
TYPES AND SIMILAR FIDUCIARY FUND TYPE**

	Year Ended December 31, 2000			
	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Expendable Trust Fund	
	\$	\$	\$	
\$	\$	\$		
Receipts				
Taxes	\$ 250,034	\$ 43,455	\$ -	\$ 293,489
Intergovernmental Receipts	172,910	48,736	-	221,646
Charges for Services	126,965	136,254	-	263,219
Fines, Licenses and Permits	2,407	-	-	2,407
Miscellaneous	43,545	46,579	-	90,124
Total Receipts	<u>595,861</u>	<u>275,024</u>	<u>-</u>	<u>870,885</u>
Disbursements				
Security of Persons and Property	161,798	120,753	-	282,551
Public Health Services	-	-	-	-
Leisure Time Activities	-	608	-	608
Community Environment	3,350	43,094	-	46,444
Basic Utilities Services	107,784	-	-	107,784
Transportation	15,115	108,283	-	123,398
General Government	174,199	4,091	-	178,290
Total Disbursements	<u>462,246</u>	<u>276,829</u>	<u>-</u>	<u>739,075</u>
Excess (Deficit) of Receipts Over Disbursements	<u>133,615</u>	<u>(1,805)</u>	<u>-</u>	<u>131,810</u>
Other Financing Sources (Uses)				
Transfers - In	1,339	20,716	-	22,055
Transfers - Out	(1,053)	-	-	(1,053)
Other Uses	(20,729)	-	-	(20,729)
Total Other Financing Sources (Uses)	<u>(20,443)</u>	<u>20,716</u>	<u>-</u>	<u>273</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	113,172	18,911	-	132,083
Beginning Fund Cash Balance	<u>213,136</u>	<u>32,953</u>	<u>784</u>	<u>246,873</u>
Ending Fund Cash Balance	<u>\$ 326,308</u>	<u>\$ 51,864</u>	<u>\$ 784</u>	<u>\$ 378,956</u>

See accompanying notes.

**VILLAGE OF MORROW
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUND TYPES**

	Year Ended December 31, 2000			
	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise Funds	Non-Expendable Trust Funds	Agency Fund	
Operating Receipts				
Charges for Services	\$ 277,760	\$ -	\$ -	\$ 277,760
Miscellaneous	4,003	5,501	43,117	52,621
Total Operating Receipts	<u>281,763</u>	<u>5,501</u>	<u>43,117</u>	<u>330,381</u>
Operating Disbursements				
Personal Services	84,051	-	-	84,051
Contract Services	275,384	-	-	275,384
Supplies and Materials	61,837	-	-	61,837
Total Operating Disbursements	<u>421,272</u>	<u>-</u>	<u>-</u>	<u>421,272</u>
Operating Income	<u>(139,509)</u>	<u>5,501</u>	<u>43,117</u>	<u>(90,891)</u>
Non-Operating Receipts				
Interest Income - Net of Fees	6,938	-	-	6,938
Non-Operating Disbursements				
Debt Service	64,970	-	-	64,970
Other	-	1,496	44,584	46,080
Total Non-Operating Disbursements	<u>64,970</u>	<u>1,496</u>	<u>44,584</u>	<u>111,050</u>
(Deficit) Excess of Receipts Over Disbursements	<u>(197,541)</u>	<u>4,005</u>	<u>(1,467)</u>	<u>(195,003)</u>
Other Financing Sources (Uses)				
Transfers - In	7,833	3,674	-	11,507
Transfers - Out	(7,833)	(5,000)	-	(12,833)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,326)</u>	<u>-</u>	<u>(1,326)</u>
(Deficit) Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>(197,541)</u>	<u>2,679</u>	<u>(1,467)</u>	<u>(196,329)</u>
Beginning Fund Cash Balance	<u>365,816</u>	<u>92,739</u>	<u>3,472</u>	<u>462,027</u>
Ending Fund Cash Balance	<u>\$ 168,275</u>	<u>\$ 95,418</u>	<u>\$ 2,005</u>	<u>\$ 265,698</u>

See accompanying notes.

**VILLAGE OF MORROW
COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL**

Fund Types/Funds	Year Ended December 31, 2001		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Governmental Fund Types</u>			
General Fund	\$ 667,844	\$ 460,752	\$ (207,092)
Special Revenue Funds	324,845	237,019	(87,826)
<u>Proprietary Fund Type</u>			
Enterprise Funds	1,118,869	1,052,514	(66,355)
<u>Fiduciary Fund Type</u>			
Trust Funds	19,425	43,122	23,697
Totals (Memorandum Only)	\$ 2,130,983	\$ 1,793,407	\$ (337,576)

See accompanying notes.

**VILLAGE OF MORROW
COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL**

Fund Type/Funds	Year Ended December 31, 2000		
	Budget	Actual	Variance Unfavorable
<u>Governmental Fund Types</u>			
General Fund	\$ 660,362	\$ 597,200	\$ (63,162)
Special Revenue Funds	358,700	295,740	(62,960)
<u>Proprietary Fund Type</u>			
Enterprise Fund	523,409	296,534	(226,875)
<u>Fiduciary Fund Type</u>			
Trust Funds	97,463	52,292	(45,171)
Totals (Memorandum Only)	\$ 1,639,934	\$ 1,241,766	\$ (398,168)

See accompanying notes.

**VILLAGE OF MORROW
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY**

<u>Fund Type/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2001 Appropriations</u>	<u>Total</u>	<u>Actual 2001 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/01</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Governmental Fund Types</u>							
General Fund	\$ 29,239	\$ 657,600	\$ 686,839	\$ 543,007	\$ 45,557	\$ 588,564	\$ 98,275
Special Revenue Funds	6,650	281,493	288,143	255,349	2,344	257,693	30,450
<u>Proprietary Fund Type</u>							
Enterprise Funds	81,729	397,410	479,139	1,071,108	1,505	1,072,613	(593,474)
<u>Fiduciary Fund Type</u>							
Trust Funds	-	94,918	94,918	41,027	1,000	42,027	52,891
December 31, 2001 (Memorandum Only)	<u>\$ 117,618</u>	<u>\$ 1,431,421</u>	<u>\$ 1,549,039</u>	<u>\$ 1,910,491</u>	<u>\$ 50,406</u>	<u>\$ 1,960,897</u>	<u>\$ (411,858)</u>

See accompanying notes.

**VILLAGE OF MORROW
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY**

<u>Fund Type/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2000 Appropriations</u>	<u>Total</u>	<u>Actual 2000 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/00</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Governmental Fund Types</u>							
General Fund	\$ 30,716	\$ 660,362	\$ 691,078	\$ 484,028	\$ 29,239	\$ 513,267	\$ 177,811
Special Revenue Funds	-	304,440	304,440	276,829	6,650	283,479	20,961
<u>Proprietary Fund Type</u>							
Enterprise Funds	-	509,609	509,609	494,075	81,729	575,804	(66,195)
<u>Fiduciary Fund Type</u>							
Trust Funds	-	97,463	97,463	51,080	-	51,080	46,383
December 31, 2000 (Memorandum Only)	<u>\$ 30,716</u>	<u>\$ 1,571,874</u>	<u>\$ 1,602,590</u>	<u>\$ 1,306,012</u>	<u>\$ 117,618</u>	<u>\$ 1,423,630</u>	<u>\$ 178,960</u>

See accompanying notes.

**VILLAGE OF MORROW
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - ACCOUNTING POLICIES

The Village of Morrow, Warren County, Ohio (the "Village") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the state of Ohio. The Village operates under a council-mayor form of government and provides security of persons and property, public health and welfare and community development. Educational services are provided by Little Miami Local School District. The District is a separate governmental entity and its financial statements are not included in those presented in this report.

The Village's management believes these financial statements present all activities for which the Village of Morrow, Warren County, Ohio is financially accountable.

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Village classifies its funds into the following types:

General Fund

The General fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to disbursements for specific purposes.

NOTE 1 - ACCOUNTING POLICIES (Continued)

These funds include the following:

- Street Construction Maintenance and Repair Fund
- Street Highway Improvement Fund
- Fire and Life Fund
- Recreation Fund

Enterprise Funds

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

Water Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Subfunds of this fund include the following:

- Water System Bond Reserve Account
- Water System Bond Paying Account
- Water Replacement and Improvement Fund

Water System Debt Service Fund

This fund received the initial loan proceeds from the National Bank & Trust Company for Mortgage Revenue Bonds to improve the municipal water system, advance refund certain outstanding Waterworks System First Mortgage Revenue Bonds and retire certain outstanding bond anticipation notes. This debt will be repaid from utility charges, also accounted for in this fund.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds.

The Trust and Agency funds are as follows:

Trust

- Scheurer Trust Fund (non-expendable)
- Scheurer Poor Relief Fund (non-expendable)

NOTE 1 - ACCOUNTING POLICIES (Continued)Agency

Mayor's Court

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Estimated Resources

Estimated resources include estimates of cash to be received (budget periods) plus cash as of January 1. The County Budget Commission must also approve estimated resources. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to December 31, the Village must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include prior year unencumbered fund balances. However, those fund balances are available for appropriation.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation.

NOTE 1 - ACCOUNTING POLICIES (Continued)

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Cash

The Village's cash balances consisted of cash in checking accounts, certificates of deposit and investments in STAROhio (the State Treasurer's investment pool). STAROhio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2(a)(7) of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is equal to the price the investment could be sold for at December 31.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Unpaid Vacation and Personal Time

Employees are entitled to cash payments for unused vacation and personal time in certain circumstances, such as upon leaving employment. Unpaid vacation and personal time are not reflected as liabilities under the basis of accounting used by the Village.

Interfund Transactions

During the course of normal operations, the Village had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

Intergovernmental Revenues

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis, are recorded when received in accordance with the Village's cash basis method of accounting.

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

The Village of Morrow maintains a cash and investments pool used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash and Fund Cash Balances" as "Fund Cash Balances by Fund Type". The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2001 and 2000 was as follows:

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
Demand Deposits	\$249,357	\$303,071
STAROhio	64,487	91,465
Certificates of Deposit	185,000	223,000
Other Deposits	<u>28,726</u>	<u>27,118</u>
	<u>\$527,570</u>	<u>\$644,654</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or are otherwise collateralized by the financial institution where the money is on deposit. At December 31, 2001 and 2000, all deposits were insured or collateralized, in compliance with Chapter 135, Ohio Revised Code.

NOTE 3 - BUDGETARY ACTIVITY

For the years ended December 31, 2001 and 2000, the enterprise funds had disbursements in excess of appropriations of \$593,474 and \$66,195, respectively. This is not in compliance with Section 5705.41(b), Ohio Revised Code, which states that no subdivision or taxing unit is to expend money unless it has been appropriated.

NOTE 4 - PROPERTY TAX

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by Warren County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

NOTE 5 - RISK MANAGEMENT

The Village of Morrow is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Village assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Village has obtained commercial insurance for the following risks:

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

NOTE 6 - LOCAL INCOME TAX

This locally levied tax of 1% is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) who worked in the Village. It also applies to net income of business organizations' earnings conducted within the Village. Income tax receipts credited to the general fund amounted to \$225,970 and \$229,442 in 2001 and 2000, respectively.

NOTE 7 - RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement health care and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of police wages and 24% of fire wages for 2001 and 2000. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2000. The Village has paid all contributions required through December 31, 2001.

NOTE 8 - LONG-TERM DEBT

Long-term debt payments for the years ended December 31, 2001 and 2000 were as follows:

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
General Obligation Bonds - Water System Improvement		
Principal	\$250,000	\$ -
Interest	<u>8,948</u>	<u>-</u>
	<u>\$258,948</u>	<u>\$ -</u>
Mortgage Revenue Bonds - Water Systems		
Principal	\$ 50,000	\$ 50,000
Interest	<u>9,900</u>	<u>12,150</u>
	<u>59,900</u>	<u>62,150</u>
Ohio Public Works Commission Note - Water Tower		
Principal	2,820	2,820
Interest	<u>-</u>	<u>-</u>
	<u>2,820</u>	<u>2,820</u>
	<u>\$ 62,720</u>	<u>\$ 64,970</u>

The mortgage revenue bonds are designated as "water system first mortgage revenue refunding and improving bonds". The bonds were issued by The National Bank & Trust Company, Wilmington, Ohio, as fully registered bonds in the denomination of \$5,000 each or any multiple thereof.

The proceeds of the general obligation bonds for water system improvement were used to purchase land surrounding the Village's wellhead in order to help ensure against contamination of the water supply.

NOTE 8 - LONG-TERM DEBT (Continued)

The mortgage revenue, water system improvement and water tower bonds mature and bear interest as stated below:

<u>Year Ending</u>	<u>Water Tower</u>		<u>Water System Improvement</u>		<u>Water Systems</u>	
	<u>Amount</u>	<u>Interest Rate per Annum</u>	<u>Amount</u>	<u>Interest Rate per Annum</u>	<u>Amount</u>	<u>Interest Rate per Annum</u>
2002	\$ 2,820	0 %	\$ -	-	\$ 55,000	4.5 %
2003	2,820	0	160,000	5 %	55,000	4.5
2004	2,820	0	-	-	60,000	4.5
2005	2,820	0	-	-	-	-
2006	2,820	0	-	-	-	-
Thereafter	<u>28,200</u>	0	<u>-</u>	-	<u>-</u>	-
	<u>\$42,300</u>		<u>\$160,000</u>		<u>\$170,000</u>	

The mortgage revenue bonds have interest payable semi-annually on March 1 and September 1, and the principal is not subject to early redemption. The general obligation bonds have interest payable annually in July. The water tower note is payable semi-annually on July 1 and January 1 through 2016.

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

<u>Year Ending</u>	<u>Water Tower</u>	<u>Water System Improvement</u>	<u>Water Systems</u>	<u>Total</u>
2002	\$ 2,820	\$ 8,000	\$ 62,650	\$ 73,470
2003	2,820	168,000	60,175	230,995
2004	2,820	-	62,700	65,520
2005	2,820	-	-	2,820
2006	2,820	-	-	2,820
Thereafter	<u>28,200</u>	<u>-</u>	<u>-</u>	<u>28,200</u>
	<u>\$42,300</u>	<u>\$176,000</u>	<u>\$185,525</u>	<u>\$403,825</u>

OTHER INFORMATION



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of Council
Village of Morrow
Morrow, Ohio

We have audited the financial statements of the Village of Morrow as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 20, 2002. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Morrow's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under Government Auditing Standards as follows:

1. *Update Appropriations as Needed* - The Village incurred actual disbursements in excess of its appropriations for the enterprise funds in 2001 and 2000, in violation of Section 5705.41(b) of the Ohio Revised Code. If the Village anticipates that its fund disbursements will exceed fund appropriations, it must raise its appropriations by vote of the Village Council (repeated from 1999 and 1998 audit).
2. *Budgetary Notification* - For 2001 and 2000, the Village failed to notify the public when Village Council would hold a hearing about adopting the tax budget. This violates Ohio Revised Code, Section 5705.30, which requires public notice of hearings concerning budget adoption. According to the local government budgetary process, public notice must be given ten days prior to the hearing.
3. *Certify the Tax Levy* - The Village failed to certify the 2001 and 2000 tax levies to the County Auditor. This violates Ohio Revised Code, Section 5705.34, which requires certification of tax levies to the County Auditor. According to the local government budgetary process, the Village shall certify the tax levy to the County Auditor by October 1.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village of Morrow's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Morrow's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as follows in Items 1 and 2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe neither of the reportable conditions described below is a material weakness.

1. *Code Expenditures to Proper Funds* - An accurate record was not maintained for all monies expended by the Village. Various errors were found in the annual reports which were corrected during the audit. This is a violation of Ohio Revised Code, Section 733.28, which requires the Village clerk to keep the books of the Village, exhibit accurate statements of all monies received and expended, maintain records of all the property owned by the Village and the income derived therefrom and of all taxes and assessments.
2. *Organize Information for Better Record Retention* - Village employees struggled to locate proper documentation we requested during the audit. This violates Ohio Revised Code, Section 149.351, which establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Revised Code, Section 149.38 to 149.42.

Specifically, the Village should consider filing its bills/invoices in alphabetical order, with a copy of the check and warrant sheet attached.

This report is intended solely for the information and use of the management and Council of the Village of Morrow and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF MORROW

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 15, 2002**