

Village of Morrow
Warren County, Ohio
Regular Audit
For the Years Ended December 31, 2009 and 2008



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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Morrow, Warren County, prepared by Millhuff-Stang, CPA, Inc, for the audit period January 1, 2008 through December 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 12, 2010

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Warren County, Ohio
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Independent Auditor's Report

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

We have audited the accompanying financial statements of Village of Morrow, Warren County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008. 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 audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable, for the years then ended.

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Independent Auditor's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances, of the Village of Morrow, Warren County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2010 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

June 4, 2010

Village of Morrow
Warren County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

	General Fund	Special Revenue Funds	Capital Projects Fund	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$35,766	\$6,591	\$0	\$42,357
Municipal Income Tax	274,176	0	0	274,176
Intergovernmental	29,580	98,188	9,990	137,758
Charges for Services	125,192	0	0	125,192
Fines, Licenses and Permits	50,552	2,906	0	53,458
Earnings on Investments	11,386	1,044	0	12,430
Miscellaneous	2,099	20,641	0	22,740
Total Cash Receipts	528,751	129,370	9,990	668,111
Cash Disbursements:				
Current:				
Security of Persons and Property	145,361	4,894	0	150,255
Public Health Services	670	0	0	670
Leisure Time Activities	886	1,991	0	2,877
Community Environment	5,004	0	0	5,004
Basic Utility Services	113,765	0	0	113,765
Transportation	0	75,122	0	75,122
General Government	199,789	10,744	0	210,533
Capital Outlay	25,500	0	85,990	111,490
Debt Service:				
Principal Payment	0	7,000	0	7,000
Interest and Fiscal Charges	0	1,663	0	1,663
Total Cash Disbursements	490,975	101,414	85,990	678,379
Total Receipts Over (Under) Disbursements	37,776	27,956	(76,000)	(10,268)
Other Financing Receipts/(Disbursements):				
Other Debt Proceeds	0	0	76,000	76,000
Other Financing Uses	(182)	0	0	(182)
Total Other Financing Receipts/(Disbursements)	(182)	0	76,000	75,818
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	37,594	27,956	0	65,550
Fund Cash Balances, January 1	\$85,461	\$99,086	\$0	\$184,547
Fund Cash Balances, December 31	\$123,055	\$127,042	\$0	\$250,097
Reserve for Encumbrances	\$0	\$3	\$0	\$3

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

**Village of Morrow
Warren County, Ohio**

*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2009*

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$332,764	\$0	\$0	\$332,764
Miscellaneous	4,293	0	0	4,293
Total Cash Receipts	337,057	0	0	337,057
Operating Cash Disbursements:				
Personal Services	69,115	0	0	69,115
Employee Fringe Benefits	25,869	0	0	25,869
Contractual Services	75,024	0	0	75,024
Supplies and Materials	32,316	0	0	32,316
Other	971	0	0	971
Total Cash Disbursements	203,295	0	0	203,295
Operating Income/(Loss)	133,762	0	0	133,762
Non-Operating Cash Receipts:				
Miscellaneous Receipts	3,336	0	0	3,336
Earnings on Investment	0	1,483	0	1,483
Other Non-Operating Receipts	0	0	55,155	55,155
Total Non-Operating Cash Receipts	3,336	1,483	55,155	59,974
Non-Operating Cash Disbursements:				
Redemption of Principal	30,820	0	0	30,820
Interest and Other Fiscal Charges	7,600	0	0	7,600
Capital Outlay	276,371	0	0	276,371
Other Non-Operating Disbursements	0	1,961	53,795	55,756
Total Non-Operating Cash Disbursements	314,791	1,961	53,795	370,547
Net Receipts Over/(Under) Disbursements	(177,693)	(478)	1,360	(176,811)
Fund Cash Balances, January 1	503,126	108,194	2,535	613,855
Fund Cash Balances, December 31	\$325,433	\$107,716	\$3,895	\$437,044
Reserve for Encumbrances	\$0	\$0	\$0	\$0

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

Village of Morrow
Warren County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$34,000	\$6,606	\$40,606
Municipal Income Tax	330,623	0	330,623
Intergovernmental	51,481	94,814	146,295
Charges for Services	109,484	0	109,484
Fines, Licenses and Permits	45,113	2,916	48,029
Earnings on Investments	14,759	1,753	16,512
Miscellaneous	4,019	9,492	13,511
Total Cash Receipts	589,479	115,581	705,060
Cash Disbursements:			
Current:			
Security of Persons and Property	177,406	0	177,406
Public Health Services	533	0	533
Leisure Time Activities	706	3,934	4,640
Community Environment	4,922	0	4,922
Basic Utility Services	112,083	1,222	113,305
Transportation	0	90,103	90,103
General Government	219,775	575	220,350
Capital Outlay	0	3,725	3,725
Debt Service:			
Principal Payment	9,508	16,683	26,191
Interest and Fiscal Charges	647	2,581	3,228
Total Cash Disbursements	525,580	118,823	644,403
Total Receipts Over (Under) Disbursements	63,899	(3,242)	60,657
Fund Cash Balances, January 1, Restated - See Note 11	21,562	102,328	123,890
Fund Cash Balances, December 31	<u>\$85,461</u>	<u>\$99,086</u>	<u>\$184,547</u>
Reserve for Encumbrances	<u>\$4,218</u>	<u>\$1,178</u>	<u>\$5,396</u>

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

**Village of Morrow
Warren County, Ohio**

*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2008*

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose		
		Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$319,828	\$0	\$0	\$319,828
Miscellaneous	4,202	0	0	4,202
Total Cash Receipts	324,030	0	0	324,030
Operating Cash Disbursements:				
Personal Services	64,611	0	0	64,611
Employee Fringe Benefits	25,839	0	0	25,839
Contractual Services	77,314	0	0	77,314
Supplies and Materials	44,613	0	0	44,613
Other	287	0	0	287
Total Cash Disbursements	212,664	0	0	212,664
Operating Income/(Loss)	111,366	0	0	111,366
Non-Operating Cash Receipts:				
Earnings on Investments	0	1,892	0	1,892
Miscellaneous Receipts	0	260	0	260
Other Non-Operating Receipts	0	0	45,236	45,236
Total Non-Operating Cash Receipts	0	2,152	45,236	47,388
Non-Operating Cash Disbursements:				
Redemption of Principal	40,503	0	0	40,503
Interest and Other Fiscal Charges	9,516	0	0	9,516
Capital Outlay	53,530	0	0	53,530
Other Non-Operating Cash Disbursements	0	1,000	43,866	44,866
Total Non-Operating Cash Disbursements	103,549	1,000	43,866	148,415
Net Receipts Over/(Under) Disbursements	7,817	1,152	1,370	10,339
Fund Cash Balances, January 1, Restated - See Note 11	495,309	107,042	1,165	603,516
Fund Cash Balances, December 31	<u>\$503,126</u>	<u>\$108,194</u>	<u>\$2,535</u>	<u>\$613,855</u>
Reserve for Encumbrances	<u>\$26,974</u>	<u>\$0</u>	<u>\$0</u>	<u>\$26,974</u>

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

Village of Morrow
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

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

The Village participates in the Public Entities Pool of Ohio, a risk-sharing pool available to Ohio local governments. Note 8 to the financial statements provide additional information for this entity. This organization is a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

Cash and Investments

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

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. Common stock is recorded at its donated value.

Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

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

Special Revenue Funds

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

Village of Morrow
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Funds:

Grant Construction Fund – This fund is to account for OPWC on-behalf money that is paid by the OPWC to a contractor for the benefit of the Village. The money was used for the Main Street Improvement Project.

Morrow/Salem Fire Company Fund – This fund is to account for debt proceeds and the related purchase of a building for use by the Village's police department and the Salem Township fire department.

Enterprise Funds

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

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

Fiduciary Funds

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

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

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

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

Village of Morrow
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

Appropriations

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

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances

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

A summary of the 2009 and 2008 budgetary activity appears in Note 3.

Property, Plant, and Equipment

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

Accumulated Leave

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

Note 2 – Equity in Pooled Cash and Investments

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

	2009	2008
Demand Deposits	\$496,317	\$533,528
CDs	185,195	185,195
Total Deposits	681,512	718,723
Common Stock	0	1,175
STAR Ohio	5,629	78,504
Total Investments	5,629	79,679
Total Deposits and Investments	<u>\$687,141</u>	<u>\$798,402</u>

Village of Morrow
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 2 – Equity in Pooled Cash and Investments (Continued)

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Common stock is not collateralized.

Note 3 – Budgetary Activity

Budgetary activity, except for the agency fund, for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$534,491	\$528,751	(\$5,740)
Special Revenue	116,411	129,370	12,959
Capital Projects	260,000	85,990	(174,010)
Enterprise	313,990	340,393	26,403
Private Purpose Trust	1,470	1,483	13
Total	\$1,226,362	\$1,085,987	(\$140,375)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$532,112	\$491,157	\$40,955
Special Revenue	129,812	101,417	28,395
Capital Projects	256,000	85,990	170,010
Enterprise	607,076	518,086	88,990
Private Purpose Trust	2,000	1,961	39
Total	\$1,527,000	\$1,198,611	\$328,389

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$540,000	\$589,479	\$49,479
Special Revenue	110,447	115,581	5,134
Enterprise	323,811	324,030	219
Private Purpose Trust	2,000	2,152	152
Total	\$976,258	\$1,031,242	\$54,984

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$551,317	\$529,798	\$21,519
Special Revenue	136,385	120,001	16,384
Enterprise	470,907	343,187	127,720
Private Purpose Trust	1,000	1,000	0
Total	\$1,159,609	\$993,986	\$165,623

Village of Morrow
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 4 – Property Taxes

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

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

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

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

Note 5 – Local Income Tax

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

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

Note 6 – Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$19,740	0.00%
General Obligation Water System Bonds	160,000	4.75%
Pike Street Building Loan	76,000	2.375%
Total	<u>\$255,740</u>	

The Ohio Public Works Commission (OPWC) loan relates to the water tower construction project. The OPWC approved a \$56,410 loan for this project with semiannual payments of \$1,410 over 20 years. The last payment is due July 1, 2016.

The General Obligation Water System Bonds were issued for water system improvements, refunding the 1999 General Obligation Waterworks System Refunding and Improvement Bonds and related street improvements. These bonds are collateralized by the Village's taxing authority. The last payment is due September 1, 2013.

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

Village of Morrow
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 6 – Debt (Continued)

The 2006 Ford F550 Dump Truck lease/purchase agreement from Ford Credit is for the purchase of a dump truck used by many departments of the Village. The vehicle served as collateral. The 2006 Ford Expedition lease/purchase agreement from Ford Credit is for the purchase of a vehicle to be used by the Police Department. The vehicle served as collateral. These lease/purchase agreements were paid off in 2008.

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

Year Ending December 31:	OPWC Loan	General Obligation Water Bonds	Building Loan
2010	\$2,820	\$42,600	\$2,984
2011	2,820	45,938	5,929
2012	2,820	44,038	5,928
2013	2,820	92,138	5,928
2014	2,820	0	5,929
2015-2019	5,640	0	29,641
2020-2024	0	0	29,640
2025-2029	0	0	29,642
2030	0	0	2,965
Total	<u>\$19,740</u>	<u>\$224,714</u>	<u>\$118,586</u>

Note 7 – Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F members contributed 10% of their gross salaries, with the Village contributing an amount equal to 19.5% of participants' gross salaries. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, with the Village contributing an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

Note 8 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Village of Morrow
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 8 – Risk Management (Continued)

Casualty Insurance

For occurrences prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, and provides up to \$1,750,000 per claim and \$10,000,000 in aggregate per year.

For occurrences on or after January 1, 2006, PEP retains casualty risks up to \$350,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, and provides up to \$2,650,000 per claim and \$10,000,000 in the aggregate per year.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, from the General Reinsurance Corporation.

Property Insurance

Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years. Coverage has not been significantly reduced from the prior year.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available).

<u>Property and Casualty Coverage</u>	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Retained Earnings	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, casualty coverage liabilities noted above include approximately \$12.9 million and \$15.0 million of estimated incurred claims payable. The casualty coverage assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$28,328. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Village of Morrow
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 8 – Risk Management (Continued)

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

<u>Contributions to PEP</u>	
2007	\$22,778
2008	17,110
2009	14,164

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

Note 9 – Compliance

- The Village did not properly encumber funds in accordance with Ohio Revised Code Section 5705.41(D);
- The Village did not properly certify amounts available for expenditure and did not exclude nonexpendable portion of private purpose trust funds in accordance with Ohio Revised Code Section 5705.36;
- The Village had appropriations in excess of available resources which is contrary to Ohio Revised Code Section 5705.36(A)(2);

Note 10 – Fiscal Watch

The Village of Morrow was placed in fiscal watch on November 8, 2007 by the Auditor of State Local Government Services (LGS) division for the year ended December 31, 2006. A fiscal watch condition exists under Section 118.022(A)(2) of the Ohio Revised Code because the adjusted aggregate balance of those funds with a deficit balance at December 31, 2006, did exceed one-twelfth of the General Fund receipts and the receipts of the respective deficit funds. A fiscal watch condition also exists under section 118.022(A)(3) of the Ohio Revised Code as the Village's treasury balance less the positive fund cash balances as of December 31, 2006, exceeded one-twelfth of the treasury receipts for the year.

The Village submitted a Financial Recovery Plan which included the reduction of expenditures and pursuing the collection of delinquent local income taxes.

The Village's fiscal watch status was terminated on September 3, 2009.

Village of Morrow
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 11 – Restatement of Fund Cash Balances

Errors were noted in prior year activity which required restatements of fund cash balances. Those restatements had the follow effects on balances as previously reported.

	General Fund	Special Revenue Funds	Enterprise Fund
Fund Cash Balances, December 31, 2007	\$15,592	\$101,427	\$492,506
Restatements	5,970	901	2,803
Restated Fund Cash Balances, January 1, 2008	<u>\$21,562</u>	<u>\$102,328</u>	<u>\$495,309</u>

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

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

We have audited the financial statements of the Village of Morrow, Warren County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 4, 2010, wherein we noted the Village followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These items are identified as items 2009-1, 2009-2, and 2009-7.

Village of Morrow
Warren County, Ohio

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

Page 2

Internal Control Over Financial Reporting (Continued)

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. These items are identified as items 2009-6, 2009-8, 2009-9, and 2009-10.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2009-3, 2009-4, and 2009-5.

We noted certain matters that we reported to the management of the Village in a separate letter dated June 4, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

June 4, 2010

Village of Morrow
Warren County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

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

FINDING NUMBER 2009-1

Material Weakness – Previous Audit Comments

Accurate record keeping requires the Village to have adequate internal controls and to address findings from previous audits.

Previous audits included findings relating to:

- A finding for recovery against the former Police Sergeant and his bonding company;
- Failure to obtain proper bonding on the Fiscal Officer;
- Failure to record on-behalf receipt and disbursements related to Ohio Public Works Commission funding, Community Development Block grants and Drug Law Enforcement grants;
- Failure to properly address previous audit comments;
- Failure to properly maintain the minute record and related resolutions/ordinances;
- Failure to authorize the necessary tax levies;
- Failure to properly certify the availability of funds;
- Failure to properly reconcile accounting system to bank accounts;
- Lack of sufficient controls over receipts and disbursements;
- Failure to approve and file appropriations;
- Expenditures in excess of appropriations;
- Failure to properly certify amounts available for expenditure;
- Appropriations in excess of available resources;
- Appropriations in excess of estimated resources;
- Existence of negative fund balances;
- Failure to properly maintain documentation; and
- Lack of a policy formalizing procedures regarding needy citizens trust disbursements.

This current audit report for 2009 and 2008 reflects that many of the same findings and recommendations have been reissued. This indicates that the Village Council, Finance Committee and Fiscal Officer are not properly monitoring the operations of the Village.

The Village Council, Finance Committee and Fiscal Officer should address the findings contained in this report to make sure corrective action has been implemented. Furthermore, monitoring of the Village's operations should be an ongoing process documented in the monthly Council meetings.

Client Response:

All citations due to previous audit period listed; there were many recommendations due to the previous audit. These recommendations have been worked on diligently and have been corrected during this audit period. Current staff is moving forward and will continue to make corrections. The last audit did not come until November 2008.

FINDING NUMBER 2009-2

Material Weakness – Minute Record

White v. Clinton Cty Bd. Of Commrs' (1996), 76 Ohio St. 3d 416, and Ohio Revised Code Sections 121.22 and 149.43, impose a duty on the Village to maintain a full and accurate record of their proceedings. Further, minutes of meetings must be promptly recorded and open for public inspection in accordance with State ex re. Fairfield Leader v. Ricketts (1990), 56 Ohio St. 3d 97.

Village of Morrow
Warren County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

FINDING NUMBER 2009-2 (Continued)

Ohio Revised Code Section 121.22(C) states, in part, that all meetings of any public body are to be open to the public at all times. The minutes of a regular or special meeting of any such public body shall be promptly prepared, filed and maintained and shall be open to public inspection.

Ohio Revised Code Section 731.20 states that ordinances, resolutions, and bylaws shall be authenticated by the signature of the presiding officer and clerk of the legislative authority of the municipal corporation.

Ordinances of a general nature or providing for improvements shall be published as provided by sections 731.21 and 731.22 of the Ohio Revised Code before going into operation. No ordinance shall take effect until the expiration of ten days after the first publication of such notice. As soon as a bylaw, resolution or ordinance is passed and signed, it shall be recorded by the clerk in a book furnished by the legislative authority for that purpose.

The following items were noted in the Village's minute record:

- The Mayor did not sign the minutes for three meetings in 2008.
- The Fiscal Officer did not sign the minutes for one meeting in 2008.
- Personnel actions and employee pay actions were vague.
- Council is not receiving, examining, nor approving the Fiscal Officer's bank reconciliations.
- Council entered into two executive sessions during 2009 without stating a purpose.

Properly maintained minutes records can provide management with references for informed decision-making and be available for the public inspection to document the legislative decisions of the Village Council. In addition, proper documentation of Council's actions can prevent illegal transactions or payments that could occur without the knowledge of the Village officials.

As the Council speaks only through its minute record, the Village should implement the following:

- All actions of the Village should be documented in the minute record.
- Minutes should be reviewed and signed by Village officials.
- Council should explicitly state the reasons for entering executive session.
- Council should review and approve monthly reconciliations and other financial reports.
- Council should properly document all pay rates.
- Pay rates and amounts of raises should be clearly stated.

Client Response:

The Village hired a Clerk of Council in 2009 to maintain minute record.

FINDING NUMBER 2009-3

Noncompliance – Proper Certification of Funds

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The statute provides the following exceptions to this basic requirement:

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

Village of Morrow
Warren County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

FINDING NUMBER 2009-3 (Continued)

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

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

Client Response:

Current staff is moving forward and will continue to make corrections. The last audit did not come until November 2008.

FINDING NUMBER 2009-4

Noncompliance – Certification of Amounts Available for Expenditure

Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Except, a taxing authority shall *exclude* the following from unencumbered fund balances:

- Budget stabilization reserves [§ 5705.13, 5705.29(G)]
- Nonexpendable trust principal balances and any additions to principal not from the fund's reinvested earnings [§ 5705.131]
- The balance in a township reserve balance account established under section 5705.132 of the Ohio Rev. Code.

The Village failed to certify sources available in a timely fashion. The Village also included its nonexpendable trust principal balances in the certificate. The Village should implement procedures, such as the use of a tickler file, to ensure that certifications are prepared and filed timely in accordance with state statute. The Village should also ensure that principal balances of nonexpendable trusts are properly excluded from certified available balances.

Client Response:

Current staff is moving forward and will continue to make corrections. The last audit did not come until November 2008.

FINDING NUMBER 2009-5

Noncompliance – Appropriations in Excess of Available Resources

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Village of Morrow
Warren County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

FINDING NUMBER 2009-5 (Continued)

Available resources fell below appropriation levels in a few funds during 2008 and 2009. The Village failed to obtain a reduced amended certificate of estimated resources and corresponding reduced appropriations when available resources were not collected at the anticipated level within the fiscal year. The Village should implement budgetary monitoring procedures to ensure that overspending does not occur by amending the budget when appropriate.

Client Response:

Will ensure we correct before next audit.

FINDING NUMBER 2009-6

Significant Deficiency – Scheurer Trust

The Scheurer Trust agreement states the trust income can be spent two thirds for the needy citizens of the Village and one third is to be equally divided among the Street Light and Fire funds. The Village does have an informal procedure of completing an application for needy citizens to receive relief; however the Village does not have a formal policy in place. Furthermore, as of the end of 2007, the Village had accumulated excess funds in the Scheurer Trust fund indicating that interest was not properly credited to the funds as stated above. Lack of a policy to determine eligibility of needy citizens could allow the Village to expend monies for purposes not permitted under the trust agreement. Lack of monitoring interest earnings could result in the Village violating the trust agreement. The Village should implement additional monitoring procedures to ensure interest is properly credited to the appropriate funds in accordance with the trust agreement and should adopt a formal policy regarding the determination of eligibility of needy citizens.

Client Response:

Previous interest from the past was not properly credited correctly. The interest in this audit has been correct. The prior year break down of the interest has been completed and the Village will continue to ensure proper credit to the correct fund.

FINDING NUMBER 2009-7

Material Weakness – Payroll Disbursements

Ohio Revised Code Section 733.28 provides that the Village Fiscal Officer shall keep the books of the Village, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived therefrom.

Ohio Administrative Code Section 117-2-02(A) states that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Ohio Administrative Code.

We noted the following when testing the Village's payroll:

- Employee time sheets were not signed by the supervisor.
- Employee pay rates were not documented by Council.
- The Council and Administrator did not perform evaluations of employees.
- Leave records for the accumulation and use of vacation and sick leave were not accurately maintained.
- Late fees and penalties were paid to the Internal Revenue Service during the audit period.

Village of Morrow
Warren County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

FINDING NUMBER 2009-7 (Continued)

- For one pay period, a manual check was issued to one employee but the net wages and related deductions were not entered into the accounting system. Therefore, expenses were understated and deductions appear to have not been remitted on the employee's behalf.
- Necessary payroll forms were absent from employee personnel files.
- Previous pay period dates were inadvertently entered into the accounting system for three employees' pay periods and as a result retirement was not calculated and remitted on the employees' behalves.

Lack of adequate leave records and salary documentation could adversely affect the Village's ability to prove that employees were paid properly and that required deductions were submitted on the employee's behalf. The Village's lack of proper submission of required forms and amounts to the appropriate agencies could lead to additional penalties and interest assessed to the Village.

The Village should implement the following procedures:

- Council should monitor the payroll process including the UAN ledgers.
- Employee time sheets should be signed by the relevant supervisor indicating approval of the employee's hours worked.
- Employee pay rates should be approved by Council by ordinance or resolution. The ordinance or resolution should show the beginning wage rate, the amount of the increase and the ending wage rate. A copy of the ordinance or resolution should be placed in the employee's personnel file.
- Accurate leave records should be maintained. The Village's UAN system is designed to track leave accumulation and usage. Leave request forms should be completed for all leave time used for all employees. The relevant supervisor should approve or disapprove the leave request as evidenced by their signature.
- Evaluations should be performed for all employees and placed into their personnel files.
- The Village should use due professional care when completing forms for the Internal Revenue Service.
- The Village should investigate and resolve the unreported and unremitted employee deductions.
- The Village should ensure that all necessary payroll-related forms are included in personnel files.
- The Village should ensure that payroll information is correctly entered into the accounting system to ensure all computed items such as retirement withholdings and contributions are properly calculated and included in remittances.

Client Response:

Accumulated leave issue has been addressed. Current staff is moving forward and will continue to make corrections. The last audit did not come until November 2008.

FINDING NUMBER 2009-8

Significant Deficiency – Unrecorded Investments

The Village held common stock since at least 2007, which they did not become aware of until 2009. The stock had never been recorded on the Village's books. After thorough investigation, the Village could not determine the source of the stock and subsequently sold the stock. The stock was valued at \$1,737.60 at the time of the sale; however, the financial institution withheld \$486.52 income taxes from the Village's payment. Because the Village could not determine the source of the stock, it is possible the trust agreement could have been violated by selling the stock. Also, the Village erroneously allowed the financial institution to withhold income taxes from the sale of the stock. The Village should implement additional monitoring procedures to ensure all assets are accounted for and the source of the assets. The Village needs to follow up with the financial institution to retrieve the income tax monies withheld from the sale of the stock and further investigate the original source of the stock.

Village of Morrow
Warren County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

FINDING NUMBER 2009-8 (Continued)

Client Response:

The Village will continue to investigate and resolve this matter.

FINDING NUMBER 2009-9

Significant Deficiency – Controls Over Bank Reconciliations

The Village Fiscal Officer prepares the general account reconciliation. The Mayor's Court Clerk prepares the Mayor's Court account reconciliation. Neither reconciliation is reviewed or approved by the governing board or other management personnel. The general account reconciliation routinely had unreconciled differences which remained unresolved until 2009 year end. At 2009 year end, erroneous fund balance adjustments were made to eliminate these differences. Lack of review of the reconciliations and lack of investigating and resolving unreconciled differences can result in errors and/or irregularities going undetected for a long period of time. The Village should implement additional monitoring procedures to ensure proper segregation of duties and accurate and timely account reconciliations.

Client Response:

The Village is now reconciling monthly without unreconciled differences.

FINDING NUMBER 2009-10

Significant Deficiency – Audit Adjustments and Misclassifications

The Village misclassified principal and interest disbursements in 2008 and 2009, incorrectly posted capital outlay as general government expense, misclassified various receipts by line item and in instances by fund, and made erroneous fund balance adjustments in 2009, all of which were corrected in the accompanying financial statements. A monitoring system by the Village should be in place to prevent or detect misstatements for the accurate presentation of the Village's financial statements. The Village should implement these additional monitoring procedures to ensure receipts and disbursements are properly recorded and that fund balance adjustments are only made with concrete supporting documentation.

Client Response:

The Village incorrectly posted capital outlay as a general expense. This was the expense for the closing cost to First National Bank for the purchase of the Morrow/Salem Fire Building. The Village will continue to ensure proper credit to line items and funds. There were many adjustments made due to prior year differences. The adjustments were unable to be made until October 2009 upon the approval of Local Government Services. There were only a few in 2009, during the current Fiscal Officer's audit period. The Village will ensure proper correction for the other adjustments.

Village of Morrow
Warren County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Finding for recovery of \$199.99 issued against the former Police Sergeant	Yes	
2007-002	ORC Section 705.27, 773.69, 733.70 and 3929.14 - Failure to obtain proper bonding on the Fiscal Officer	Yes	
2007-003	Failure to record on-behalf receipt and disbursements related to Ohio Public Works Commission funding, Community Development Block grants and Drug Law Enforcement grants	Yes	
2007-004	Failure to properly address previous audit comments	No	Reissued as Finding 2009-1
2007-005	Failure to properly maintain the minute record and related resolutions/ordinances	No	Reissued as Finding 2009-2
2007-006	Failure to authorize the necessary tax levies	Yes	
2007-007	Failure to properly certify the availability of funds	No	Reissued as Finding 2009-3
2007-008	Failure to properly reconcile accounting system to bank accounts	No	Partially Corrected – Reissued, in part, as Finding 2009-9
2007-009	ORC 733.28 - Lack of sufficient controls over non-payroll-related disbursements	No	Partially Corrected – Reissued, in part, as Finding 2009-10
2007-010	ORC 733.28 - Lack of sufficient controls over payroll-related disbursements	No	Reissued as Finding 2009-7
2007-011	ORC 733.28 - Lack of sufficient controls over receipts	No	Partially Corrected – Reissued, in part, as Finding 2009-10
2007-012	ORC 5705.38 – Failure to approve and file appropriations and expenditures in excess of appropriations	Yes	
2007-013	ORC 5705.36 and 5705.131 – Failure to properly certify amounts available for expenditure	No	Reissued as Finding 2009-4
2007-014	ORC 5705.36 – Failure to file amended certificates and lack of budgetary monitoring	No	Partially Corrected – Reissued, in part, as Finding 2009-5
2007-015	ORC 5705.39 – Appropriations in excess of estimated resources	No	Partially Corrected - Reissued in management letter
2007-016	ORC 5705.10 – Existence of negative fund balances	Yes	
2007-017	ORC 149.351(A) and 149.39 – Failure to properly maintain documentation	Yes	
2007-018	Lack of a policy formalizing procedures regarding needy citizens trust disbursements	No	Reissued as Finding 2009-6



Mary Taylor, CPA
Auditor of State

VILLAGE OF MORROW

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2010**