

***VILLAGE OF MORRISTOWN
BELMONT COUNTY, OHIO***

AUDIT REPORT

For the Years Ended December 31, 2012 and 2011





Dave Yost • Auditor of State

Village Council
Village of Morristown
P.O. Box 241
Morristown, Ohio 43759

We have reviewed the *Report of Independent Accountants* of the Village of Morristown, Belmont County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. 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 Morristown is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

August 14, 2013

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VILLAGE OF MORRISTOWN
BELMONT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2012 and 2011

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Morristown, Belmont County (the Village) as of and for the years ended December 31, 2011 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Morristown, Belmont County as of December 31, 2011 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 20, 2013

VILLAGE OF MORRISTOWN
 BELMONT COUNTY
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 5,533	\$ 6,313	-	\$ 11,846
Intergovernmental	27,017	22,866	-	49,883
Charges for Services	-	49,071	-	49,071
Earnings on Investments	61	-	-	61
Miscellaneous	394,550	800	-	395,350
Total Cash Receipts	427,161	79,050	-	506,211
Cash Disbursements:				
Current:				
Security of Persons & Property	5,631	17,186	-	22,817
Public Health Services	1,200	-	-	1,200
Transportation	1,818	9,531	-	11,349
General Government	29,729	-	-	29,729
Capital Outlay	-	-	\$ 9,228	9,228
Debt Service:				
Principal Payments	2,227	23,628	-	25,855
Interest and Fiscal Charges	-	1,612	-	1,612
Total Cash Disbursements	40,605	51,957	9,228	101,790
Total Receipts Over/(Under) Disbursements	386,556	27,093	(9,228)	404,421
Fund Cash Balances, January 1	680	106,046	21,707	128,433
Fund Cash Balances, December 31				
Restricted	-	133,139	12,479	145,618
Unassigned	387,236	-	-	387,236
Fund Cash Balances, December 31	\$ 387,236	\$ 133,139	\$ 12,479	\$ 532,854

See accompanying Notes to the Financial Statements.

**VILLAGE OF MORRISTOWN
 BELMONT COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types
	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$ 139,626
Miscellaneous	899
	140,525
Total Operating Cash Receipts	140,525
Operating Cash Disbursements:	
Personal Services	7,727
Employee Fringe Benefits	758
Contractual Services	77,542
Supplies & Materials	5,802
	91,829
Total Operating Cash Disbursements	91,829
Operating Income/(Loss)	48,696
Non-Operating Cash Receipts/(Disbursements):	
Principal Retirement	(44,034)
Interest and Other Fiscal Charges	(1,020)
	(45,054)
Total Non-Operating Cash Receipts/ (Disbursements)	(45,054)
Net Change in Fund Balance	3,642
Fund Cash Balance, January 1	46,219
	49,861
Fund Cash Balance, December 31	\$ 49,861

See accompanying Notes to the Financial Statements.

**VILLAGE OF MORRISTOWN
BELMONT COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 5,400	\$ 6,360	-	\$ 11,760
Intergovernmental	25,402	31,824	-	57,226
Charges for Services	-	46,698	-	46,698
Earnings on Investments	97	-	-	97
Miscellaneous	252	4,658	-	4,910
Total Cash Receipts	31,151	89,540	-	120,691
Cash Disbursements:				
Current:				
Security of Persons & Property	5,671	29,844	-	35,515
Public Health Services	935	-	-	935
Leisure Time Activities	-	4,160	-	4,160
Transportation	-	13,851	-	13,851
General Government	24,566	-	-	24,566
Debt Service:				
Principal Payment	2,851	25,923	-	28,774
Interest and Fiscal Charges	-	2,106	-	2,106
Total Cash Disbursements	34,023	75,884	-	109,907
Total Receipts Over/(Under) Disbursements	(2,872)	13,656	-	10,784
Fund Cash Balances, January 1	3,552	92,390	\$ 21,707	117,649
Fund Cash Balances, December 31				
Restricted	-	106,046	21,707	127,753
Unassigned	680	-	-	680
Fund Cash Balances, December 31	\$ 680	\$ 106,046	\$ 21,707	\$ 128,433

See accompanying Notes to the Financial Statements.

**VILLAGE OF MORRISTOWN
BELMONT COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types
	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$ 138,316
Miscellaneous	1,299
	139,615
Operating Cash Disbursements:	
Personal Services	9,501
Employee Fringe Benefits	986
Contractual Services	63,584
Supplies & Materials	2,852
	76,923
Operating Income/(Loss)	62,692
Non-Operating Cash Receipts/(Disbursements):	
Principal Retirement	(46,567)
Interest and Other Fiscal Charges	(2,865)
	(49,432)
Total Non-Operating Cash Receipts/ (Disbursements)	(49,432)
Net Change in Fund Balances	13,260
Fund Cash Balance, January 1	32,959
	46,219
Fund Cash Balance, December 31	\$ 46,219

See accompanying Notes to the Financial Statements.

**VILLAGE OF MORRISTOWN
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Morristown, Belmont County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council. The Village provides water and sewer utilities, fire protection, and police services.

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

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following 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.)

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

C. CASH AND INVESTMENTS

Investments are recorded as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. 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 restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF MORRISTOWN
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

D. **FUND ACCOUNTING** (continued)

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has the following significant Special Revenue funds:

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

Fire Fund – This fund receives levy monies to provide fire services through a volunteer fire department.

Fire Truck and Equipment Fund – This fund receives levy monies designated for the purchase of fire trucks and firefighting equipment.

Capital Projects: These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project fund:

Capital Project – This fund receives grant and loan funds for wastewater plant facilities construction.

Proprietary Fund Types:

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 water service costs.

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

E. **BUDGETARY PROCESS**

1. **Appropriations**

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

VILLAGE OF MORRISTOWN
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

E. **BUDGETARY PROCESS** (continued)

2. **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.

3. **Encumbrances**

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

H. **FUND BALANCE**

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

1. **Nonspendable**

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

VILLAGE OF MORRISTOWN
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. FUND BALANCE (continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**VILLAGE OF MORRISTOWN
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2012	2011
Demand Deposits	\$ 582,715	\$ 174,652
Total deposits and investments	\$ 582,715	\$ 174,652

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2012 as follows:

Fund Type	2011 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,883	\$ 31,151	\$ (10,732)
Special Revenue	112,990	89,540	(23,450)
Capital Projects	-	-	-
Enterprise	125,600	139,615	14,015

**VILLAGE OF MORRISTOWN
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

4. BUDGETARY ACTIVITY (continued)

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 35,700	\$ 34,023	\$ 1,677
Special Revenue	177,555	75,884	101,671
Capital Projects	21,707	-	21,707
Enterprise	157,426	126,355	31,071

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 397,654	\$ 427,161	\$ 29,507
Special Revenue	80,854	79,050	(1,804)
Capital Projects	-	-	-
Enterprise	140,600	140,525	(75)

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 100,000	\$ 40,605	\$ 59,395
Special Revenue	161,036	51,957	109,079
Capital Projects	21,707	9,228	12,479
Enterprise	157,956	136,883	21,073

5. RETIREMENT SYSTEM

Employees of the Village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10% of their gross pay while the Village contributed an amount equal to 14% of covered payroll. The Village paid all required contributions through 2012.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded coverage in the past 3 years nor has the Village reduced its coverage from last year.

**VILLAGE OF MORRISTOWN
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

7. DEBT

Debt outstanding at December 31, 2012 is as follows:

Description	Principal	Interest Rate
OWDA Loan - 4343	\$ 486,667	0.00%
OPWC Loan - CT73H	7,462	0.00%
General Obligation Bonds-Fire Truck	25,807	4.25%
Ohio Dept. of Commerce-Fire Truck	8,000	0.00%
	<u>\$ 527,936</u>	

The Ohio Water Development Authority (OWDA) loan #4343 relates to the planning and construction of a wastewater facility. The OWDA has approved up to \$747,725 in loans to the Village. The loan is collateralized by wastewater rates. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The general obligation bonds were issued to purchase a fire truck with related equipment. The Village's taxing authority collateralizes general obligation bonds.

The Ohio Department of Commerce loan relates to the purchase of a new fire truck. The loan will be repaid in quarterly payments of \$1,000 over a fifteen year period. This loan is collateralized solely by the Village's taxing authority.

The Ohio Public Works Commission (OPWC) loan #CT73H was issued for the Morristown Sanitary Sewer Collection System. The original issue of the loan was \$9,950 and will be repaid in semiannual installments of \$249, over 20 years. The loan is collateralized by water receipts.

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

Year Ended:	OWDA Loan #4343	OPWC Loan #CT73H	Ohio Dept. of Commerce Loan	General Obligation Bonds
2013	\$ 37,386	\$ 497	\$ 4,000	\$ 13,731
2014	37,386	497	4,000	13,731
2015	37,386	497	-	-
2016	37,386	497	-	-
2017	37,386	497	-	-
2018-2022	186,930	2,487	-	-
2023-2027	112,807	2,490	-	-
Total	<u>\$ 486,667</u>	<u>\$ 7,462</u>	<u>\$ 8,000</u>	<u>\$ 27,462</u>

**VILLAGE OF MORRISTOWN
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

7. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

8. CHANGE IN ACCOUNTING PRINCIPLE

In 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Morristown, Belmont County (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 20, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Village implemented Governmental Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters that we reported to management in a separate letter dated June 20, 2013.

Entity's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
June 20, 2013

VILLAGE OF MORRISTOWN
BELMONT COUNTY

SCHEDULE OF FINDINGS
December 31, 2012 and 2011

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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Finding Number 2012-01 – Material Weakness

During 2011 and 2012, the Village had various posting errors, the more significant of which were as follows:

- Enterprise bulk sales were recorded as capital contributions.
- Principal and interest were not allocated properly between the two line items or were recorded in other line items.
- A contractual service payment was posted to interest and other fiscal charges.

All differences noted above were adjusted in the Village's books and the audited financial statements.

We recommend that the Village post all receipts and disbursements in the proper line item per the Village Officers' Handbook, the Ohio Revised Code and Uniform Accounting Network manual. Also, we recommend that the Fiscal Officer review all financial reports and evaluate postings for accuracy.

Management's Response:

The fiscal officer will correct the line items as established by the former clerk to be in accordance with the audit recommendations.



Dave Yost • Auditor of State

VILLAGE OF MORRISTOWN

BELMONT 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 27, 2013**