



**Auditor of State  
Betty Montgomery**



VILLAGE OF MORRISTOWN  
BELMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2004 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2003 .....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings .....	19

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

September 12, 2005

**This page intentionally left blank**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Morristown, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. 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 the Comptroller General of the United States *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also presenting larger (ie. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

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 Morristown, Belmont County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

September 12, 2005



**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$4,364	\$6,229	\$10,593
Intergovernmental Receipts	34,918	87,231	122,149
Charges for Services		60,820	60,820
Earnings on Investments	655		655
Miscellaneous	101	19,457	19,558
	<u>40,038</u>	<u>173,737</u>	<u>213,775</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	11,144	86,335	97,479
Public Health Services	873		873
Leisure Time Activities		2,500	2,500
Community Environment	84		84
Transportation	6,677	22,350	29,027
General Government	35,244		35,244
Debt Service:			
Principal Payments		6,696	6,696
Capital Outlay		156,101	156,101
	<u>54,022</u>	<u>273,982</u>	<u>328,004</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(13,984)</u>	<u>(100,245)</u>	<u>(114,229)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Other Debt Proceeds		110,000	110,000
Other Financing Sources		2,600	2,600
	<u>0</u>	<u>112,600</u>	<u>112,600</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(13,984)	12,355	(1,629)
Fund Cash Balances, January 1	<u>20,928</u>	<u>122,692</u>	<u>143,620</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$6,944</u></b>	<b><u>\$135,047</u></b>	<b><u>\$141,991</u></b>

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

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$77,098
Miscellaneous	
	77,098
Total Operating Cash Receipts	77,098
<b>Operating Cash Disbursements:</b>	
Personal Services	7,286
Fringe Benefits	886
Contractual Services	64,008
Supplies and Materials	2,010
Other	150
	74,340
Total Operating Cash Disbursements	74,340
Operating Income/(Loss)	2,758
<b>Non-Operating Cash Receipts:</b>	
Other Debt Proceeds	38,706
	38,706
Total Non-Operating Cash Receipts	38,706
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Redemption of Principal	6,509
Interest and Fiscal Charges	5,811
	12,320
Total Non-Operating Cash Disbursements	12,320
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	29,144
Fund Cash Balances, January 1	52,743
<b>Fund Cash Balances, December 31</b>	<b>\$81,887</b>

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

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$4,742	\$6,786	\$11,528
Intergovernmental Receipts	34,626	25,714	60,340
Charges for Services	7,783	46,810	54,593
Earnings on Investments	425	281	706
Miscellaneous	54	472	526
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	47,630	80,063	127,693
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	9,603	30,189	39,792
Public Health Services	909		909
Community Environment	86		86
Transportation	5,595	12,450	18,045
General Government	37,608		37,608
Debt Service:			
Principal Payments		4,000	4,000
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	53,801	46,639	100,440
Total Cash Receipts Over/(Under) Cash Disbursements	(6,171)	33,424	27,253
Fund Cash Balances, January 1	27,099	89,268	116,367
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$20,928</u></b>	<b><u>\$122,692</u></b>	<b><u>\$143,620</u></b>
Reserves for Encumbrances, December 31	<u>\$415</u>	<u>\$2,183</u>	<u>\$2,598</u>

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

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$80,104
	80,104
Total Operating Cash Receipts	80,104
<b>Operating Cash Disbursements:</b>	
Personal Services	6,486
Fringe Benefits	832
Contractual Services	104,078
Supplies and Materials	3,220
	114,616
Total Operating Cash Disbursements	114,616
Operating Income/(Loss)	(34,512)
<b>Non-Operating Cash Receipts:</b>	
Other Debt Proceeds	74,276
	74,276
Total Non-Operating Cash Receipts	74,276
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	12,320
	12,320
Total Non-Operating Cash Disbursements	12,320
Net Receipts Over/(Under) Disbursements	27,444
Fund Cash Balances, January 1	25,299
<b>Fund Cash Balances, December 31</b>	<b>\$52,743</b>

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

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Morristown, Belmont County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water 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**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

The Village values certificates of deposit at cost.

**D. 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:

**1. General Fund**

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

**2. Special Revenue Fund**

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

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

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund (Continued)**

Fire Fund -This fund receives fire levy monies to provide fire service through a volunteer fire department.

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

**3. Enterprise Funds**

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

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

Sewer Engineering Fund - This fund receives grant and loan proceeds from the Ohio Water Development Authority to finance a sewer project.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. 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.

**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 over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**E. Budgetary Process (Continued)**

**3. Encumbrances (Continued)**

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. 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.

**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:

	2004	2003
Demand deposits	\$212,758	\$185,243
Certificates of deposit	11,120	11,120
Total deposits	\$223,878	\$196,363

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,564	\$40,038	(\$20,526)
Special Revenue	348,572	286,337	(62,235)
Enterprise	1,045,145	115,804	(929,341)
Total	\$1,454,281	\$442,179	(\$1,012,102)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,531	\$54,022	\$26,509
Special Revenue	281,934	273,982	7,952
Enterprise	1,059,233	86,660	972,573
Total	\$1,421,698	\$414,664	\$1,007,034

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,290	\$47,630	(\$16,660)
Special Revenue	86,062	80,063	(5,999)
Enterprise	177,319	154,380	(22,939)
Total	\$327,671	\$282,073	(\$45,598)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,390	\$54,216	\$25,174
Special Revenue	168,270	48,822	119,448
Enterprise	128,341	126,936	1,405
Total	\$376,001	\$229,974	\$146,027

Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the Street Maintenance and Repair Fund by \$895 and the Sewer Engineering Fund by \$12,694 for the year ended December 31, 2003. In addition, budgetary expenditures exceeded appropriation authority in the State Fire Grant Fund by \$9,570 and the Fire Truck and Equipment Fund by \$108,779.

Contrary to Ohio Revised Code Section 5705.41(D), the Village did not consistently obtain the Clerk's prior certification before a purchase commitment.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.



**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission - Water Plant Expansion	\$6,900	0.00%
WesBanco Commercial Loan - Water Improvements	66,306	7.00%
Ohio Department of Commerce - Fire Truck	40,000	0.00%
Ohio Water Development Authority - Sewer Planning #2056	179,509	5.54%
General Obligation Bonds - Fire Truck	110,000	4.25%
Total	<u>\$402,715</u>	

The Ohio Public Works Commission (OPWC) loan relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency regulations. The loan will be repaid in semiannual installments of \$460, over a twenty year period. The loan is collateralized by water receipts.

The commercial loan was issued to finance a water improvement project.

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

The Ohio Water Development Authority (OWDA) loan relates to the planning and design of a wastewater treatment facility. The OWDA has approved up to \$183,942 in loans to the Village and the Village has drawn \$179,509 on this amount at December 31, 2004. The loan is collateralized by wastewater rates. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Repayment terms have not been developed, as the project has not been completed, and are not included in the amortization schedule below.

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

Amortization of the above debt, including interest, follows:

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. DEBT (Continued)**

<u>Year ending December 31:</u>	<u>OPWC Loan</u>	<u>Commercial Loan</u>	<u>Ohio Department of Commerce Loan</u>	<u>General Obligation Bonds - Fire Truck</u>
2005	\$920	\$11,337	\$4,000	\$13,731
2006	920	11,337	4,000	13,731
2007	920	11,337	4,000	13,731
2008	920	11,337	4,000	13,731
2009	920	11,337	4,000	13,731
2010-2014	2,300	29,079	20,000	68,657
Total	<u>\$6,900</u>	<u>\$85,764</u>	<u>\$40,000</u>	<u>\$137,312</u>

**6. RETIREMENT SYSTEM**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Village of Morristown, Belmont County, Ohio (the Village), as of and for the year ended December 31, 2004 and 2003, and have issued our report thereon dated September 12, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested operates UAN. 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 the Comptroller of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **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, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government and Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-002. In a separate letter to the Village's management dated September 12, 2005, we reported other matters related to noncompliance we deemed immaterial.

Village of Morristown  
Belmont County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management and village council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 12, 2005

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2004-001**

**Noncompliance Citation**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

The following funds had expenditures which exceeded appropriations at the legal level of control at December 31, 2003:

Street Maintenance and Repair Fund	\$ 895
Sewer Engineering Fund	12,694

The following funds had expenditures which exceeded appropriations at the legal level of control at December 31, 2004:

State Fire Grant Fund	\$ 9,570
Fire Truck & Equipment Fund	108,779

Some of these variances resulted from posting of audit adjustments necessary to agree legislatively-approved appropriations to amounts posted to the appropriation ledger.

We recommend the Clerk only post appropriations that are legislatively-approved by the Village Council. The Village Clerk should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

Ohio Rev. Code § 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2004-002 (Continued)**

**Noncompliance Citation (Continued)**

**Ohio Rev. Code § 5705.41(D) (1) (Continued)**

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**2. Blanket Certificate** - Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

**3. Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 44% of the expenditures tested in 2004 and 85% of expenditures tested in 2003. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-001	Ohio Rev. Code § 5705.41(D) Failure to properly encumber	No	Repeated as finding 2004-002
2002-002	Ohio Rev Code § 5705.41(B) Expenditures exceeding appropriations	No	Repeated as finding 2004-001







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
OCTOBER 13, 2005**