

**VILLAGE OF MORRISTOWN  
BELMONT COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2005**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Morristown  
P.O. Box 241  
Morristown, OH 4379

We have reviewed the *Independent Accountants' Report* of the Village of Morristown, Belmont County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2005 to December 31, 2005. 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 Accountants' 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 Accountants' 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 Morristown is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 29, 2008

This page is intentionally left blank.

VILLAGE OF MORRISTOWN  
BELMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report. . . . .	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the year ended December 31, 2005 . . . . .	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type For the year ended December 31, 2005. . . . .	4
Notes to the Financial Statements. . . . .	5
Schedule of Federal Awards Expenditures. . . . .	12
Notes to the Schedule of Federal Awards Expenditures. . . . .	13
Independent Accountants' Report on Compliance and on Internal Control Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> . . . . .	15
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> . . . . .	17
Schedule of Findings. . . . .	19
Schedule of Prior Audit Findings. . . . .	20

This page is intentionally left blank.

# KNOX & KNOX

---

## Accountants and Consultants

### Independent Accountants' Report

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

We have audited the accompanying financial statements of the Village of Morristown, Belmont County, Ohio, as of and for the year ended December 31, 2005. 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, if any, 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 its 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 variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005. While the Village of Morristown does not follow GAAP, generally accepted auditing standards require 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 of Morristown has elected not to reformat its statements. Since the Village of Morristown 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Morristown's combined funds as of December 31, 2005, or its changes in financial position or cash flows of its proprietary funds 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 of the Village of Morristown, Belmont County, as of December 31, 2005, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

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 October 8, 2007, on our consideration of the Village of Morristown's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. While we do 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.

We conducted our audit to opine on the financial statements that collectively comprise the Village's basic financial statements. The federal awards expenditure schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

KNOX & KNOX

Orrville Ohio  
October 8, 2007



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, 2005

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>CASH RECEIPTS:</b>				
Property Taxes and Other Local Taxes	\$5,132	\$7,404		\$12,536
Intergovernmental Receipts	34,592	38,956	\$561,107	634,655
Charges for Services		38,130		38,130
Earnings on Investments	308			308
Miscellaneous	1,936	18,868		20,804
	<u>41,968</u>	<u>103,358</u>	<u>561,107</u>	<u>706,433</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
Security of Persons and Property	10,819	44,952		55,771
Public Health Services	837			837
Leisure Time Activities		4,000		4,000
Transportation	4,670	18,008		22,678
General Government	28,228			28,228
Debt Service:				
Principal Payments		44,252		44,252
Interest Payments		20,096		20,096
Capital Outlay		13,158	848,553	861,711
	<u>44,554</u>	<u>144,466</u>	<u>848,553</u>	<u>1,037,573</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(2,586)</u>	<u>(41,108)</u>	<u>(287,446)</u>	<u>(331,140)</u>
<b>OTHER FINANCING RECEIPTS</b>				
Debt Proceeds			348,852	348,852
Fund Cash Balances, January 1	6,944	135,047		141,991
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u><u>\$4,358</u></u>	<u><u>\$93,939</u></u>	<u><u>\$61,406</u></u>	<u><u>\$159,703</u></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, 2005

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>OPERATING CASH RECEIPTS:</b>	
Charges for Services	<u>\$53,294</u>
Total Operating Cash Receipts	<u>53,294</u>
<b>OPERATING CASH DISBURSEMENTS:</b>	
Personal Services	7,782
Fringe Benefits	859
Contractual Services	66,482
Supplies and Materials	2,340
Debt Service:	
Principal Payments	5,429
Interest Payments	<u>1,481</u>
Total Operating Cash Disbursements	<u>84,373</u>
Operating Income/(Loss)	<u>(31,079)</u>
<b>NON-OPERATING CASH RECEIPTS/(DISBURSEMENTS):</b>	
Special Assessments	4,600
Debt Proceeds	52,164
Capital Outlay	<u>(55,314)</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>1,450</u>
Net Receipts over/(Under) Disbursements	(29,629)
Fund Cash Balances, January 1	<u>81,887</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u><u>\$52,258</u></u>

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

VILLAGE OF MORRISTOWN  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Morristown, Belmont County, (the Village) is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. 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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. CASH AND INVESTMENTS

Investments are included in the fund cash balance. 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.

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

VILLAGE OF MORRISTOWN  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (continued)

2. Special Revenue Funds (continued)

*Fire Fund* - This fund receives levy monies to provide fire service 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.

3. Capital Projects Fund

This fund is 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 Capital Projects Fund:

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

4. Enterprise Funds

This funds 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 Enterprise Fund:

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

E. BUDGETARY PROCESS

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the office department or division level of control, and appropriations may not exceed estimated resources. The 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

VILLAGE OF MORRISTOWN  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY PROCESS (continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 budgetary activity appears in Note 3.

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2005 was as follows:

Demand deposits	\$200,741
Certificates of deposit	<u>11,220</u>
 Total deposits	 <u><u>\$211,961</u></u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 follows:

Fund Type	2005 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$59,658	\$41,968	(\$17,690)
Special Revenue	134,609	103,358	(31,251)
Capital Projects		909,959	909,959
Enterprise	<u>133,212</u>	<u>110,058</u>	<u>(23,154)</u>
 Total	 <u><u>\$327,479</u></u>	 <u><u>\$1,165,343</u></u>	 <u><u>\$837,864</u></u>

VILLAGE OF MORRISTOWN  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

3. BUDGETARY ACTIVITY (Continued)

Fund Type	2005 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,892	\$44,554	\$21,338
Special Revenue	144,466	144,466	
Capital Projects	1,037,991	848,553	189,438
Enterprise	155,241	139,687	15,554
Total	\$1,403,590	\$1,177,260	\$226,330

Contrary to Ohio law, appropriations exceeded estimated resources in the Capital Projects Fund.

4. PROPERTY TAX

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission - Water Plant Expansion	\$5,060	0.00%
WesBanco Commercial Loan - Water Improvements	66,374	7.00%
Ohio Department of Commerce - Fire Truck	36,000	0.00%
Ohio Water Development Authority - Sewer Construction	498,937	5.54%
General Obligation Bonds - Fire Truck	100,943	4.25%
WesBanco Commercial Loan - Backhoe	46,736	5.08%
Total	\$754,050	

VILLAGE OF MORRISTOWN  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

5. DEBT (Continued)

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 payments 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 construction of a wastewater facility. The OWDA has approved up to \$797,725 in loans to the Village and the Village has drawn \$498,937 on this amount at December 31, 2005. 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.

In 2005, the Village borrowed \$52,164 to purchase a backhoe. The commercial loan will be repaid over sixty months with monthly payments of \$986.

Amortization of the above debt follows:

		Ohio Public Works Commission		
For the year ending	December 31	Principal	Interest	Total
	2006	\$920		\$920
	2007	920		920
	2008	920		920
	2009	920		920
	2010	920		920
	2011	460		460
	Total	\$5,060		\$5,060

		Commercial Loan - Water Line		
For the year ending	December 31	Principal	Interest	Total
	2006	\$6,910	\$4,427	\$11,337
	2007	7,410	3,928	11,338
	2008	7,945	3,392	11,337
	2009	8,520	2,818	11,338
	2010	9,135	2,202	11,337
	2011-2015	26,454	2,514	28,968
	Total	\$66,374	\$19,281	\$85,655

VILLAGE OF MORRISTOWN  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

5. DEBT (Continued)

<u>Commercial Loan - Backhoe</u>			
For the year ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$9,867	\$1,970	\$11,837
2007	10,190	1,647	11,837
2008	10,720	1,117	11,837
2009	11,277	560	11,837
2010	4,682	241	4,923
Total	<u>\$46,736</u>	<u>\$5,535</u>	<u>\$52,271</u>

<u>General Obligation Bonds</u>			
For the year ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$9,441	\$4,290	\$13,731
2007	9,842	3,889	13,731
2008	10,261	3,471	13,732
2009	10,697	3,034	13,731
2010	11,151	2,580	13,731
2011-2014	49,551	5,374	54,925
Total	<u>\$100,943</u>	<u>\$22,638</u>	<u>\$123,581</u>

<u>Ohio Department of Commerce</u>			
For the year ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$4,000		\$4,000
2007	4,000		4,000
2008	4,000		4,000
2009	4,000		4,000
2010	4,000		4,000
2011-2014	16,000		16,000
Total	<u>\$36,000</u>		<u>\$36,000</u>

6. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a 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.

Contributions rates are also prescribed by the Ohio Revised Code. For 2005, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.



VILLAGE OF MORRISTOWN  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Commercial property and general liability;
- Vehicles; and
- Errors and omissions

8. SUBSEQUENT EVENTS

During 2006, the Village borrowed an additional \$230,741 from the Ohio Water Development Authority to finance its wastewater treatment project.

VILLAGE OF MORRISTOWN  
BELMONT COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>FEDERAL GRANTOR</u> <i>Pass Through Grantor</i> <u>Program Title</u>	<u>Pass Through</u> <u>Entity</u> <u>Number</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Disbursements</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY <i>Direct Assistance</i>			
State and Tribal Assistance	N/A	66.606	<u>\$561,107</u>
Total Federal Awards Expenditures			<u><u>\$561,107</u></u>

*The accompanying notes are an integral part of this schedule.*

VILLAGE OF MORRISTOWN  
BELMONT COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's Federal Award Programs. The Schedule has been prepared on the cash basis of accounting.

2. MATCHING REQUIREMENTS

Certain federal programs require that the Village contribute non-federal funds (matching funds) to support the federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

This page is intentionally left blank.

# KNOX & KNOX

---

Accountants and Consultants

**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 accompanying financial statements of the Village of Morristown, Belmont County, Ohio, (the Village) as of and for the year ended December 31, 2005, and have issued our report thereon dated October 8, 2007 wherein we note the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather 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 audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement. The results of our tests disclosed no material weakness. We disclosed other matters to the Village in a separate letter dated October 8, 2007

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance whether the Village of Morristown'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note a certain noncompliance that we reported to the Village in a separate letter dated October 8, 2007.

We intend this report for the information and use of the audit committee, management, and the Village Council. We intend it for no one other than these specified parties.

*KNOX & KNOX*

Orrville, Ohio  
October 8, 2007

# KNOX & KNOX

---

Accountants and Consultants

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Village Council:

COMPLIANCE

We have audited the compliance of the Village of Morristown, Belmont County, Ohio (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that apply to its major federal program for the year ended December 31, 2005. The summary of the auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Morristown, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

INTERNAL CONTROL OVER COMPLIANCE

The Village's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Village of Morristown  
Belmont County  
Independent Accountants' Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
Page 2

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 noncompliance with applicable requirements, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We noted no material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies. It is not intended for anyone other than these specified parties.

*KNOX & KNOX*

Orrville, Ohio  
October 8, 2007



VILLAGE OF MORRISTOWN  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF AUDIT RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Regulatory - Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .501	No
(d)(1)(vi)	Major Programs (list):	State and Tribal Assistance CFDA # 66.606
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

VILLAGE OF MORRISTOWN  
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-02	Ohio Revised Code § 5705.41(D) Failure to properly encumber	Yes	Finding is no longer valid.
2004-01	Ohio Revised Code § 5705.41(B) Expenditures exceeding appropriations	Yes	Finding is no longer valid.



**Mary Taylor, CPA**  
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  
MARCH 13, 2008**