



Mary Taylor, CPA
Auditor of State

Village of Morrow
Warren County, Ohio

Fiscal Watch Analysis
As of December 31, 2006

Local Government Services Section

Village of Morrow, Warren County

Fiscal Watch Analysis

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Declaration of Fiscal Watch

The Auditor of State performed a fiscal analysis of the Village of Morrow pursuant to Section 118.022 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal watch exists at the Village of Morrow as defined in Section 118.022(A)(2) and 118.022(A)(3) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Kathie Koehler, Fiscal Officer of the Village of Morrow; Robert Brown, Mayor of the Village of Morrow; Mike McKeehan, President Pro Tempore of Council for the Village of Morrow; and the Warren County Budget Commission.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 8, 2007

Introduction

As provided for in Section 118.021 of the Ohio Revised Code, the Auditor of State performed an analysis of the Village of Morrow, Warren County, as of December 31, 2006, to determine if the Village should be placed in fiscal watch.

A village is placed in fiscal watch if any one of three conditions described in Section 118.022 of the Ohio Revised Code exists as of December 31. The three conditions are: 1) significant past due accounts payable; 2) substantial deficit balances in village funds; and 3) a sizeable deficiency in the village's treasury when the balance is compared to the positive cash balances of the village's funds.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2006.

Past Due Accounts Payable from the General Fund and All Funds

Section 118.022(A)(1) of the Ohio Revised Code defines a fiscal watch condition as the existence of either of the following situations:

- (a) All accounts that were due and payable from the general fund of a municipal corporation, county, or township at the end of the preceding fiscal year that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year end balance in the general fund, exceeded one-twelfth of the general fund budget for that year.
- (b) All accounts that were due and payable at the end of the preceding fiscal year from all funds of a municipal corporation, county, or township and that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in the respective special funds available to pay such accounts, exceeded one-twelfth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts of the general fund and of all special funds from which such accounts are payable.

We searched for accounts payable as of December 31, 2006, that were due and payable from the General Fund of the Village, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2006, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities including any interest penalties. From this amount, we subtracted the year-end fund balance available in the General Fund to determine if the accounts payable in excess of the available fund balance exceeded one-twelfth of the General Fund revenues for the year. There was no amended certificate of estimated resources completed in 2006; therefore, the actual receipts for 2006 were used instead of General Fund budget.

Village of Morrow, Warren County

Fiscal Watch Analysis

Schedule I

Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.22(A)(1)(a)
As of December 31, 2006

	Payables Over 30 Days Past Due	Fund Balance Available	Payables in Excess of Available Balance	One-Twelfth of Actual Revenues	Excess of General Fund Revenues Over Payables
General Fund	\$7,744	\$0	(\$7,744)	\$46,242	\$38,498

We prepared a second schedule of accounts payable as of December 31, 2006, that were due and payable from all funds of the Village, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2006, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities including any interest penalties. From this amount, we subtracted the year-end fund balance in the general fund and the respective special funds available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-twelfth of the available revenues during 2006, excluding non-recurring receipts, of the general fund and of all special funds from which such accounts are lawfully payable.

Schedule II

Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.22(A)(1)(b)
As of December 31, 2006

	Payables Over 30 Days Past Due	Fund Balance Available	Payables in Excess of Available Balance	One-Twelfth of Available Revenues	Excess of Available Revenues Over Payables
General Fund	\$7,744	\$0	(\$7,744)	\$46,242	\$38,498
Water Operating Fund	401	345,747	0	0	0
	<u>\$8,145</u>	<u>\$345,747</u>	<u>(\$7,744)</u>	<u>\$46,242</u>	<u>\$38,498</u>

Conclusion: A fiscal watch condition does not exist under Section 118.022(A)(1) of the Ohio Revised Code as of December 31, 2006. One-twelfth of the General Fund receipts exceeded the payables in the General Fund at December 31, 2006.

Village of Morrow, Warren County

Fiscal Watch Analysis

Deficit Fund Balances

Section 118.022(A)(2) of the Ohio Revised Code defines a fiscal watch condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Ohio Revised Code to meet such deficit, exceeded one-twelfth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2006, by subtracting all accounts payable from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-twelfth of the general fund receipts and the revenues lawfully available to those deficit funds. There was no amended certificate of estimated resources completed in 2006; therefore, actual receipts were used. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule III

Deficit Fund Balances
Ohio Revised Code Section 118.22(A)(2)
As of December 31, 2006

	Cash Fund Balance	Less Accounts Payable	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Twelfth of the Fund Receipts	Unprovided Portion of Aggregate Deficit
General Fund	(\$95,503)	\$31,565	(\$127,068)	\$46,242	(\$80,826)
Other Debt Service Fund	(55)	0	(55)	141	0
Subtotal	<u>(\$95,558)</u>	<u>\$31,565</u>	<u>(\$127,123)</u>	<u>\$46,383</u>	<u>(80,826)</u>
Funds Available for Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u><u>(\$80,826)</u></u>

Because the amount of the deficit fund balances was so large, we performed a further analysis to determine if the Village should be declared in fiscal emergency. While a fiscal emergency condition exists at December 31, 2006, the condition did not exist at September 30, 2007. The condition must exist at both dates in order to justify a fiscal emergency declaration.

Conclusion: A fiscal watch condition exists under Section 118.022(A)(2) of the Ohio Revised Code as of December 31, 2006. The adjusted aggregate balance of those funds with a deficit at December 31, 2006, did exceed one-twelfth of the General Fund receipts and the receipts of the respective deficit funds.

Village of Morrow, Warren County

Fiscal Watch Analysis

Treasury Deficiency

Section 118.022(A)(3) of the Ohio Revised Code defines a fiscal watch condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of a municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds, the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-twelfth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciliation of its bank balances to its cash book balance as of December 31, 2006, which included subtracting the outstanding checks and adding other adjusting factors to arrive at the treasury balance. We then determined the aggregate sum of positive cash balances of all funds, the purpose of which the unsegregated treasury is held to meet, to determine if a treasury deficit existed. We then subtracted from the treasury deficit one-twelfth of the 2006 treasury receipts to determine if a treasury deficiency exists.

Treasury Balance Ohio Revised Code Section 118.22(A)(3) As of December 31, 2006	Schedule IV Amounts at December 31, 2006
Bank Cash Balances:	
First National Bank	\$291,299
STAROhio	72,785
Certificate of Deposits	185,000
Total Bank Balance	549,084
Adjustments for:	
Outstanding Checks	(66,990)
Other Adjusting Factors	130
Total Adjustments	(66,860)
Total Treasury Balance	\$482,224
	(continued)

Village of Morrow, Warren County

Fiscal Watch Analysis

Schedule IV

Treasury Balance
Ohio Revised Code Section 118.22(A)(3)
As of December 31, 2006
(continued)

Positive Cash Fund Balances

Street Construction Maintenance & Repair	\$45,607
State Highway	6,323
Recreation - Parks	4,438
Permissive Motor Vehicle License Tax	5,003
Police Enforcement	904
Fire and Life Squad	9,103
The Woodlands at Morrow	12,070
Mayors Court Computer Fund	3,151
Water Operating	346,792
Water Operating Improvements	22,112
Water Tap Ins	16,170
Poor Relief Fund	18,308
Schuerer Trust Fund	87,801
Total Positive Cash Balances	<u>577,782</u>
Treasury Balances Less Positive Fund Cash Balances	(95,558)
One-Twelfth Treasury Receipts	<u>88,768</u>
Treasury Deficiency	<u><u>(\$6,790)</u></u>

Conclusion: A fiscal watch condition exists under Section 118.022(A)(3) of the Ohio Revised Code as of December 31, 2006. The treasury balance less the positive fund cash balances as of December 31, 2006, exceeded one-twelfth of the treasury receipts for the year.

Summary

We have performed the procedures necessary to determine whether any of the three conditions for fiscal watch set forth in Section 118.022 of the Ohio Revised Code existed as of December 31, 2006, at the Village of Morrow, Warren County. The results of our analysis indicate that a fiscal watch exists at the Village of Morrow as defined in Section 118.022(A)(2) and 118.022(A)(3) of the Ohio Revised Code.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MORROW

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2007**