



Mary Taylor, CPA
Auditor of State

VILLAGE OF MORROW
WARREN COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Morrow
Warren County
150 Pike Street
Morrow, Ohio 45152

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 an 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 adverse 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.

Mary Taylor

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November 18, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Morrow
Warren County
150 Pike Street
Morrow, Ohio 45152

To the Village Council:

We have audited the accompanying financial statements of the Village of Morrow, Warren County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006. 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 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.

As discussed in Note 10 to the financial statements, the Village had a negative General Fund balance of \$99,504 at December 31, 2006. Management has submitted a financial recovery plan to address this issue. The General Fund balance as of December 31, 2007 was \$15,592.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years 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 Morrow, Warren County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008, 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.



Mary Taylor, CPA
Auditor of State

November 18, 2008

**VILLAGE OF MORROW
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$29,940	\$0	\$0	\$29,940
Municipal Income Tax	298,466			298,466
Intergovernmental	97,067	79,739	14,275	191,081
Charges for Services	102,013			102,013
Fines, Licenses and Permits	58,362	3,308		61,670
Earnings on Investments	8,691	2,157		10,848
Miscellaneous	19,753	9,540		29,293
Total Cash Receipts	<u>614,292</u>	<u>94,744</u>	<u>14,275</u>	<u>723,311</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	176,442	7,115		183,557
Public Health Services	5,763			5,763
Leisure Time Activities	411	905		1,316
Community Environment	5,809	0		5,809
Basic Utility Service	111,330	3,480		114,810
Transportation	512	43,013		43,525
General Government	192,553			192,553
Debt Service:				
Redemption of Principal		5,820		5,820
Interest and Fiscal Charges		3,875		3,875
Capital Outlay	10,155	20,538	14,275	44,968
Total Cash Disbursements	<u>502,975</u>	<u>84,746</u>	<u>14,275</u>	<u>601,996</u>
Total Receipts Over/(Under) Disbursements	<u>111,317</u>	<u>9,998</u>	<u>0</u>	<u>121,315</u>
Other Financing Receipts / (Disbursements):				
Other Financing Sources	430			430
Other Financing Uses	(651)	(409)		(1,060)
Total Other Financing Receipts / (Disbursements)	<u>(221)</u>	<u>(409)</u>	<u>0</u>	<u>(630)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>111,096</u>	<u>9,589</u>	<u>0</u>	<u>120,685</u>
Fund Cash Balances, January 1	<u>(95,504)</u>	<u>91,838</u>	<u>0</u>	<u>(3,666)</u>
Fund Cash Balances, December 31	<u><u>\$15,592</u></u>	<u><u>\$101,427</u></u>	<u><u>\$0</u></u>	<u><u>\$117,019</u></u>
Reserve for Encumbrances, December 31	<u><u>\$4,218</u></u>	<u><u>\$1,232</u></u>	<u><u>\$0</u></u>	<u><u>\$5,450</u></u>

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

**VILLAGE OF MORROW
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$337,184	\$0	\$0	\$337,184
Miscellaneous	3,188			3,188
Total Operating Cash Receipts	<u>340,372</u>	<u>0</u>	<u>0</u>	<u>340,372</u>
Operating Cash Disbursements:				
Personal Services	61,162			61,162
Employee Fringe Benefits	18,091			18,091
Contractual Services	29,354			29,354
Supplies and Materials	58,368			58,368
Other	27,958			27,958
Total Operating Cash Disbursements	<u>194,933</u>	<u>0</u>	<u>0</u>	<u>194,933</u>
Operating Income/(Loss)	<u>145,439</u>	<u>0</u>	<u>0</u>	<u>145,439</u>
Non-Operating Cash Receipts:				
Earnings on Investments		2,090		2,090
Miscellaneous Receipts	3,670	648		4,318
Other Non-Operating Cash Receipts			55,124	55,124
Total Non-Operating Cash Receipts	<u>3,670</u>	<u>2,738</u>	<u>55,124</u>	<u>61,532</u>
Non-Operating Cash Disbursements:				
Redemption of Principal	27,055			27,055
Interest and Other Fiscal Charges	8,075			8,075
Other Non-Operating Cash Disbursements	6,492	1,805	59,133	67,430
Total Non-Operating Cash Disbursements	<u>41,622</u>	<u>1,805</u>	<u>59,133</u>	<u>102,560</u>
Net Receipts Over/(Under) Disbursements	<u>107,487</u>	<u>933</u>	<u>(4,009)</u>	<u>104,411</u>
Fund Cash Balances, January 1	<u>385,019</u>	<u>106,109</u>	<u>5,174</u>	<u>496,302</u>
Fund Cash Balances, December 31	<u>\$492,506</u>	<u>\$107,042</u>	<u>\$1,165</u>	<u>\$600,713</u>
Reserve for Encumbrances, December 31	<u>\$7,591</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,591</u>

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

**VILLAGE OF MORROW
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$25,305	\$0	\$0	\$25,305
Municipal Income Tax	203,178			203,178
Intergovernmental	40,008	82,137	158,234	280,379
Special Assessments		123		123
Charges for Services	98,674			98,674
Fines, Licenses and Permits	37,426	1,149		38,575
Earnings on Investments	10,563	1,682		12,245
Miscellaneous	8,969	5,897		14,866
	<u>424,123</u>	<u>90,988</u>	<u>158,234</u>	<u>673,345</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	192,021	3,431		195,452
Public Health Services	2,544			2,544
Leisure Time Activities		3,960		3,960
Community Environment	4,757	6,967		11,724
Basic Utility Service	111,940			111,940
Transportation		58,595		58,595
General Government	294,311			294,311
Debt Service:				
Redemption of Principal		5,000		5,000
Interest and Fiscal Charges		3,875		3,875
Capital Outlay	10,155	28,000	158,234	196,389
	<u>615,728</u>	<u>109,828</u>	<u>158,234</u>	<u>883,790</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(191,605)</u>	<u>(18,840)</u>	<u>0</u>	<u>(210,445)</u>
Other Financing Receipts / (Disbursements):				
Transfers-Out	(3,570)			(3,570)
Other Financing Sources	235			235
Other Financing Uses	(350)			(350)
	<u>(3,685)</u>	<u>0</u>	<u>0</u>	<u>(3,685)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(195,290)	(18,840)	0	(214,130)
Fund Cash Balances, January 1	99,786	110,678	0	210,464
Fund Cash Balances, December 31	<u>(\$95,504)</u>	<u>\$91,838</u>	<u>\$0</u>	<u>(\$3,666)</u>
Reserve for Encumbrances, December 31	<u>\$26,218</u>	<u>\$1,178</u>	<u>\$0</u>	<u>\$27,396</u>

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

**VILLAGE OF MORROW
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>Agency</u>	
Operating Cash Receipts:				
Charges for Services	\$400,817	\$0	\$0	\$400,817
Fines, Licenses and Permits	\$14,400			14,400
Miscellaneous	4,094	1,800		5,894
Total Operating Cash Receipts	<u>419,311</u>	<u>1,800</u>	<u>0</u>	<u>421,111</u>
Operating Cash Disbursements:				
Personal Services	59,980			59,980
Employee Fringe Benefits	15,390			15,390
Contractual Services	3,853			3,853
Supplies and Materials	94,318			94,318
Total Operating Cash Disbursements	<u>173,541</u>	<u>0</u>	<u>0</u>	<u>173,541</u>
Operating Income/(Loss)	<u>245,770</u>	<u>1,800</u>	<u>0</u>	<u>247,570</u>
Non-Operating Cash Receipts:				
Miscellaneous Receipts	15,189	461		15,650
Other Non-Operating Cash Receipts	124	883	46,559	47,566
Total Non-Operating Cash Receipts	<u>15,313</u>	<u>1,344</u>	<u>46,559</u>	<u>63,216</u>
Non-Operating Cash Disbursements:				
Capital Outlay	48,110			48,110
Redemption of Principal	25,000			25,000
Interest and Other Fiscal Charges	7,952			7,952
Other Non-Operating Cash Disbursements			42,736	42,736
Total Non-Operating Cash Disbursements	<u>81,062</u>	<u>0</u>	<u>42,736</u>	<u>123,798</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	180,021	3,144	3,823	186,988
Transfers-In	3,570			3,570
Net Receipts Over/(Under) Disbursements	183,591	3,144	3,823	190,558
Fund Cash Balances, January 1	<u>201,428</u>	<u>102,965</u>	<u>1,351</u>	<u>305,744</u>
Fund Cash Balances, December 31	<u>\$385,019</u>	<u>\$106,109</u>	<u>\$5,174</u>	<u>\$496,302</u>
Reserve for Encumbrances, December 31	<u>\$1,599</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,599</u>

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

**VILLAGE OF MORROW
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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

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

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

B. Accounting Basis

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. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

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

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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.

**VILLAGE OF MORROW
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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

3. Capital Project Funds

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

The Ohio Public Works Commission (OPWC) Fund – This fund is to account for OPWC on behalf money that is paid by the OPWC to a contractor for the benefit of the Village. The money was used for the Virginia Hopkins storm improvements. The Village failed to account for this money on its ledgers as required by Ohio Revised code. The accompanying financial statements have been adjusted accordingly.

4. 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 Fund — This fund receives charges for services from residents to cover water service costs.

5. Fiduciary Funds

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

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

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

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

**VILLAGE OF MORROW
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. The Village did not budget for 2006.

1. Appropriations

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

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 individual 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.

A summary of 2007 and 2006 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.

G. Accumulated Leave

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

**VILLAGE OF MORROW
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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:

	2007	2006
Demand deposits	\$456,188	\$234,851
Certificates of deposit	185,000	185,000
Total deposits	641,188	419,851
U.S. Treasury Notes		
STAR Ohio	76,544	72,785
Total investments	76,544	72,785
Total deposits and investments	\$717,732	\$492,636

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

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

3. Budgetary Activity

Budgetary activity, except for the Agency Fund, for the years ending 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$561,995	\$614,722	\$52,727
Special Revenue	68,149	94,744	26,595
Capital Projects	0	14,275	14,275
Enterprise	476,000	344,042	(131,958)
Permanent	2,000	2,737	737
Total	\$1,108,144	\$1,070,520	(\$37,624)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$445,593	\$535,491	(\$89,898)
Special Revenue	218,604	86,387	132,217
Capital Projects	0	14,275	(14,275)
Enterprise	452,675	216,499	236,176
Permanent	7,388	1,805	5,583
Total	\$1,124,260	\$854,457	\$269,803

**VILLAGE OF MORROW
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$424,358	\$424,358
Special Revenue	0	90,988	90,988
Capital Projects	0	158,234	158,234
Enterprise	0	438,194	438,194
Permanent	0	3,144	3,144
Total	\$0	\$1,114,918	\$1,114,918

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$645,866	(\$645,866)
Special Revenue	0	111,006	(111,006)
Capital Projects	0	158,234	(158,234)
Enterprise	0	256,202	(256,202)
Permanent	0	0	0
Total	\$0	\$1,171,308	(\$1,171,308)

Contrary to Ohio law, the Village did not establish a special fund and budget for Ohio Public Works Commission (OWPC) and Community Development Block Grant (CDBG) for money spent on behalf of the Village.

Contrary to Ohio law, the Village did not pass a resolution authorizing the necessary tax levies and certify to the County Auditor for 2007 and 2006.

Contrary to Ohio law, the Village did not pass an appropriation resolution for 2006. For 2007, expenditures and outstanding encumbrances exceeded appropriations for the General Fund, Recreation Fund and the OPWC Fund.

Contrary to Ohio law, the Village did not certify to the County Auditor the total amount from all sources available for expenditure.

Contrary to Ohio law, the Village in 2007 had appropriations which exceeded estimated revenue for the General Fund (\$1,717), Street Construction Maintenance and Repair (\$48,393) and the State Highway Fund (\$41,563).

The Village did not obtain an amended certificate of estimated resources for 2006.

**VILLAGE OF MORROW
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Property Tax

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.

5. Local Income Tax

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

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

6. Debt

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$25,380	0%
General Obligation Water System Bonds	230,000	4.75%
2006 Ford Expedition Police Cruiser Lease	9,508	6.80%
2006 Ford F550 Dump Truck Lease	19,366	6.05%
Total	<u>\$284,254</u>	

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

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

**VILLAGE OF MORROW
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Debt (Continued)

The 2006 Ford Expedition lease/purchase agreement from Ford Credit is for the purchase of a vehicle to be used by the Police Department. The vehicle serves as collateral.

The 2006 Ford F550 Dump Truck lease/purchase agreement from Ford Credit is for the purchase of a dump truck used by many departments of the Village. The vehicle serves as collateral.

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

Year ending December 31:	OPWC	Loan	General Obligation Water Bonds	2006 Ford Expedition Lease/Purchase	2006 Ford Dump Truck Lease/Purchase
2008		\$2,820	\$45,925	\$10,155	\$20,538
2009		2,820	44,263		
2010		2,820	42,600		
2011		2,820	45,937		
2012		2,820	44,038		
2013 – 2017		11,280	47,138		
Total		<u>\$25,380</u>	<u>\$269,901</u>	<u>\$10,155</u>	<u>\$20,538</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

**VILLAGE OF MORROW
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. Risk Management (Continued)

Casualty Coverage

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

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	\$20,219,246	\$19,384,290

**VILLAGE OF MORROW
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. Risk Management (Continued)

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$26.195. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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

Contributions to PEP	
2005	\$20,524
2006	20,717
2007	22,778

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

9. Compliance

- The current Village Clerk/Treasurer was not bonded from October of 2006 through December 31, 2007.
- The Village minutes were not complete
- The Village minutes were not always signed.
- The Village did not exhibit accurate financial statements, did not maintain accurate records, nor did they maintain an accounting system in accordance with Ohio law.
- The Village did not always certify the availability of funds prior to expenditure.
- The Village had negative fund balance in the General Fund at December 31, 2006 (\$95,504).
- Contrary to Ohio law, Village Council did not approve resolutions for transfers made.

**VILLAGE OF MORROW
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. Fiscal Watch

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

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



Mary Taylor, CPA

Auditor of State

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

Village of Morrow
Warren County
150 Pike Street
Morrow, Ohio 45152

To the Village Council:

We have audited the financial statements of the Village of Morrow, Warren County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated November 18, 2008, 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 Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Governmental Auditing Standards* consider this service to impair the Auditor of State's independence to audit the Township. However, *Governmental 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 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*.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-003 through 2007-005, 2007-008 through 2007-011, 2007-013, 2007-014, 2007-016, and 2007-018.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe findings 2007-003 through 2007-005, 2007-008 through 2007-011, and 2007-016 are also material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated November 18, 2008.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-003, 2007-005 through 2007-007 and 2007-009 through 2007-017.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 18, 2008.

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



Mary Taylor, CPA
Auditor of State

November 18, 2008

VILLAGE OF MORROW
WARREN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2007-001

Noncompliance Citation/Finding for Recovery

Ryan Hunt, Former Police Sergeant, authorized the purchase of a Samsung L60 camera from the Provident Camera Shop. This item was paid using an off-the-books fund that Former Sergeant Hunt established outside the supervision of the Village, contrary to Ohio Administrative Code Section 117-2-02.

Village Officials, including the Police Chief, have indicated that they did not authorize the purchase of this camera.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against Ryan Hunt, former Police Sergeant, and Ohio Casualty Insurance Company, his bonding company, jointly and severally and in favor of the Village of Morrow Drug Law Enforcement Fund in the amount of one hundred ninety nine dollars and ninety nine cents (\$199.99).

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code, §§ 705.27, 733.69, 733.70 and 3929.14, provide that each officer of a municipal corporation required by law or ordinance to give bond shall do so before entering upon the duties of the office, except as otherwise provided in Title VII of the Revised Code. The legislative authority thereof may at any time require each officer to give a new or additional bond. Each bond except that of the municipal auditor or municipal clerk, upon its approval, shall be delivered to the auditor or clerk, who shall immediately record it in a record provided for that purpose and file and carefully preserve it in his office. The bond of the auditor or clerk shall be delivered to the municipal treasurer, who shall in like manner record and preserve it.

The current Clerk/Treasurer assumed office in October of 2006, but was not bonded until January of 2008.

We recommend the Village bond its Clerk/Treasurer in accordance with the aforementioned Ohio Revised Code Sections. Failure to do so could result in a loss of funds to the Village.

FINDING NUMBER 2007-003

Noncompliance Citation/Material Weakness

Ohio Rev. Code, § 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than general property tax, which the law requires to be used for a specific purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village's appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Village shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to the Village recording the appropriations, Ohio Revised Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

FINDING NUMBER 2007-003
(Continued)

The Village did not record Ohio Public Works Commission (OPWC) monies disbursed on behalf of the Village nor was the monies included in the appropriations by the Village for fiscal year 2007 of \$14,275 and for fiscal year 2006 of \$158,234. The Village did not record \$28,000 in Community Development Block Grant (CDBG) in 2006. The Village also did not record the proceeds (\$8,986) and expenditures (\$8,652) from a Drug Law Enforcement Fund.

Not properly recording these transactions could lead to the Village misstating their budgetary documents and possible loss of grant monies. We recommend the Township follow the accounting treatment as prescribed in Auditor of State Bulletin 2000-008 for on-behalf grants or improvement projects, which states, in part, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The aforementioned amounts have been added to the accompanying financial statements.

FINDING NUMBER 2007-004

Material Weakness

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

Previous audits included findings relating to:

- Disbursements in excess of appropriations;
- Failure to post all activity to its system and erroneous cash balances.
- Failure to update appropriations as needed;
- Failure to certify the tax levies to the County Auditor;
- Failure to notify about a budgetary hearing;
- Failure to code expenditures to the proper funds
- Lack of organization of records.
- Improper destruction of records:
- Lack of proper encumbering;
- Expenditures exceeding appropriations;
- Lack of Council approval for amending appropriations;
- Improper payments from a trust fund;
- Lack of formal approval of wage increases by ordinance.
- A finding for recovery against a council member and village clerk;
- Lack of completion and filing of required budgetary documents;

This current audit report for 2007 and 2006 reflects that many of the same findings and recommendations have been reissued. This indicates that the Village Council, Finance Committee and the Clerk/Treasurer(s) are not properly monitoring the operations of the Village. This contributed significantly to the Village being placed in fiscal watch on November 8, 2007

We recommend that Village Council, Finance Committee, and the Clerk/Treasurer(s) address the findings contained in this report to make sure corrective action has been implemented. It is further recommended that monitoring of the Village's operations be an ongoing process documented in the monthly council meetings.

FINDING NUMBER 2007-005

Noncompliance Citation/Material Weakness

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

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

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

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

The following items were noted in the Village's Minute Records:

- The Mayor did not sign the minutes for four meetings in 2007;
- The Clerk/Treasurer did not sign the minutes for 4 meetings in 2006 and one in 2007;
- Significant financial information, including appropriations or certificates of estimated resources, transfers, authorization of necessary tax levies and contract awards, was not recorded as part of the minutes;
- Personnel actions and employee pay actions were vague.
- Council is not receiving, examining, nor approving the Clerk's bank reconciliations.

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

As the Council speaks only through its record of proceedings (minutes), we recommend the following:

- All actions of the Village should be documented in the minute records.
- Minutes should be reviewed and signed by the Village officials;
- All council actions should be indexed under proper headings;
- All resolutions and ordinances should be numbered and made a part of a permanent record of proceedings;

**FINDING NUMBER 2007-005
(Continued)**

- Each topic, resolution, motion, etc. should be sub-headed or identified either in the margin or at the head of each paragraph;
- Approved resolutions should be placed in a Resolution book.
- Council should explicitly state the reasons for entering Executive Session.
- Review of the annual financial data, including budgets, appropriations, transfers, required reports, and any advertisements for the same, should be documented as a permanent part of the minute records.
- Council should review and approve all monthly reconciliations.
- Council should sufficiently and consistently document decisions concerning approval of budgetary documents.
- Council should properly document all pay rates.
- Pay rates and amounts of raises should be clearly stated.

FINDING NUMBER 2007-006

Noncompliance Citation

Ohio Rev. Code, § 5705.34, states that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner.

Ohio Rev. Code, § 5705.36(A)(2), allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The Village did not pass a resolution to authorize the necessary tax levies for 2007 and 2006. Legally, the County Auditor should not levy taxes without the authorization; and therefore, the Village technically should be without tax revenue for these years. The effect would not be a delay of the distribution but rather the loss of the revenue completely. In addition, the Village did not obtain an amended certificate for 2006.

We recommend the Village pass the annual resolution to authorize the necessary tax levies by the required date. This citation was also issued in the prior audit period management letter. We also recommend that the Village regularly monitor revenue, expenditures and fund balances and obtain an amended certificate if needed.

FINDING NUMBER 2007-007

Noncompliance Citation

Ohio Rev. Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. 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 the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 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** – The Clerk/Treasurer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.
- 3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Clerk/Treasurer 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 for purchase commitments for 96 percent and 100 percent of expenditures tested, respectively, for 2007 and 2006 and none of the exceptions above applied. 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/Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2007-007
(Continued)**

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 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2007-008

Material Weakness

Ohio Admin. Code § 117-2-01(D) states, in part, that when designing the public office's system of internal control and the specific control activities, management should consider the following: verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Accurate reconciliations of bank accounts and investments to the Village's book/fund balances are a basic and essential internal control component for sound fiscal management. Village officials rely on accurate reconciliations to make sound financial decisions.

In 2006, the Village Clerk/Treasurer(s) only performed two reconciliations of bank accounts and investments to the fund balances. One was completed in January which showed "other adjusting factors" of \$197,607 with no supporting documentation. The second was performed in December and showed "other adjusting factors" with no supporting documentation. In 2007, bank to book reconciliations were performed every month but had "other adjusting factors" ranging from \$261,351 in July to \$2,940 in December (when the Auditor of State Local Government Services was assisting the Village). None of the "other adjusting factors" had supporting documentation. The Clerk/Treasurer(s) used "other adjusting factors" as a plug to make the reconciliations look accurate.

The Auditor of State Local Government Services Division placed the Village in fiscal watch because of the lack of accurate reconciliations contributed to the Village's General Fund having a deficit balance of (\$95,503) as of December 31, 2006.

We recommend that the Village Clerk/Treasurer reconcile properly on a monthly basis. The Village's Uniform Accounting Network (UAN) computerized accounting system allows the reconciliations to be printed. These reconciliations should be presented to Council each month for their review and approval. The review process should include tracing the primary account amount to the bank statement, the investment amount to STAROhio and the Certificate(s) of Deposit, Deposits in Transit to bank deposit slips, and outstanding checks to the outstanding checklist (generated by the UAN system). Any "other adjusting factors" should be fully investigated and accounted for. The UAN bank reconciliation provides 10 signature lines with the heading "Governing Board Signatures." After the monthly reconciliation review is completed, the reviewers should sign on the signature lines.

FINDING NUMBER 2007-009

Noncompliance Citation/Material Weakness

Ohio Rev. Code, § 733.28, provides that the Village Clerk/Treasurer shall keep the books of the Village; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived there from.

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

Ohio Admin. Code, §117-2-02(D), states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
- (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - a. Payroll records including:
 - i. W-2's, W-4's and other withholding records and authorizations;
 - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
 - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
 - iv. Information regarding non-monetary benefits such as car usage and life insurance
 - v. Information, by employee, regarding leave balances and usage
 - b. Utilities billing records including:
 - i. Master file of service address, account numbers, billing address, type of services provided, and billing rates;
 - ii. Accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and non-cash adjustments, each maintained by date and amount;
 - iii. Cash receipts records, recording cash received and date received on each account. This information should be used to post payments to individual accounts in the accounts receivable ledger described above

FINDING NUMBER 2007-009
(Continued)

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

- 749 of 2,062 checks were marked "voided" in the Village's computerized accounting system, the Uniform Accounting Network (UAN), but actually cleared the bank. This includes payroll checks.
- In 2007, there were 12 checks with check numbers recorded on the UAN system that did not match the actual check used. For 2006, there were 53 checks that did not match.
- In 2007, there were 20 voided checks that could not be accounted for. In 2006, there were 45. These checks did not clear the bank based on bank statements.
- 31 checks that cleared the bank were not recorded in the system in 2006. This may have occurred when the previous Clerk/Treasurer generated the checks on the UAN system, printed them and then hit the delete key.
- The Village's expenditures included many late fees and related penalties. Correspondence indicates that the Village's health insurance company threatened to cancel employee coverage due to non-payment.
- During the first 8 months of 2006, the Village paid all health insurance premiums (\$41,898) from the General Fund even though some employees were paid from Special Revenue and Enterprise Funds.
- On December 27, 2006, the Village paid \$3,636.54 of a \$6,399.59 health insurance premium from "STAROhio Debt Service" fund. Expenditures from a debt service fund should only be used for the redemption of principal and interest for which the fund was established.
- The departments receiving goods did not approve invoices to be paid by indicating the goods and/or services were actually received and in satisfactory condition.
- Purchase orders are signed by the Village Clerk/Treasurer only, rather than including an additional signature as required by Council.
- A Police Ford Expedition lease payment of \$10,154.88 was made from the Village Water Fund.
- Village disbursement records were in disarray. Canceled checks were not filed in numerical order. Purchase Orders were not consistently filed with Voucher packets. Invoices were not consistently filed with voucher packets..

The issues noted above affected the Village's ability reconcile. We recommend:

- Council monitor the disbursement process including the UAN ledgers.
- All checks, voided included, should be accounted for. The check copy, purchase order, requisition, and invoice should all be included in the voucher package.
- Bills should be paid in a timely fashion to avoid late fees and penalties.
- Invoices should be marked OK to pay by the receiving employee.
- Members of the Village Finance Committee or Council should sign the purchase
- The Village should file its disbursements by sequential check number with the invoice(s) attached.

**FINDING NUMBER 2007-009
(Continued)**

- The Village Clerk/Treasurer should receive training in Village finances and the use of the Uniform Accounting Network.

FINDING NUMBER 2007-010

Noncompliance Citation/Material Weakness

Ohio Rev. Code, § 733.28, provides that the Village Clerk/Treasurer shall keep the books of the Village; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived therefrom.

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

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

- Employee time sheets were not signed by the supervisor.
- Employee pay rates were not documented by council.
- The Village Council and Administrators did not perform evaluations of employees.
- Leave records for the accumulation and use of vacation and sick leave were not accurately maintained.
- Late fees and penalties in the amount of \$1,116.75 were paid to the Internal Revenue Service during the audit period.
- The Village received a letter from the IRS on January 29, 2007, informing the Village that they had overpaid their taxes for the tax period ended March 31, 2006, by \$8,288.17. The IRS applied this overpayment to the tax obligation for the period ended June 30, 2005.
- The Village received a letter from the IRS on January 29, 2007, informing the Village that they overpaid their taxes for the tax period ended September 30, 2006, by \$11,345.24. The IRS applied \$7,005.27 of this overpayment to the tax obligation for the period ended June 30, 2005. The remaining \$4,339.97 was applied to Village obligations.
- The Village received a letter from the IRS on March 5, 2007 informing the Village that their 941 Federal Employment Tax Return for the period ended December 31, 2006 differed from the amount the IRS credited to the Village's account. This resulted in the Village paying an additional \$1,118.47.
- The Village received a letter from the IRS on March 17, 2008 informing the Village that they overpaid their taxes for the period ended December 31, 2007 by \$2.18. This was applied to the tax obligation for the period ended December 31, 2004.

FINDING NUMBER 2007-010

Noncompliance Citation/Material Weakness

- On June 1, 2007, the Village received a letter marked “second request” from the Social Security Administration (SSA) that the W-2 wage totals on the SSA’s records and the wage total on the Village’s IRS Forms 941, 943 or Schedule H do not match for tax year 2005. On June 16, 2008, the Village received a follow-up letter from the IRS reflecting a potential penalty amount of \$25,161.50.
- On June 23, 2007, the Village received a letter from the Ohio Department of Taxation for not filing a 2006 “Ohio Employer’s Annual Reconciliation of Income Tax Withheld Return” (form IT-941) for the year 2006. On July 17, 2008, the Village received the same letter for the year 2007.
- On March 31, 2008, the Village received a letter from the Ohio Attorney General’s Office of Revenue Recovery Services Collection Enforcement. The letter further states “This assessment is because the Department of Taxation does not have tax records for the period in question (2006). It will be necessary for you to provide us with signed State of Ohio withholding tax returns.” The estimated amount due was \$65.88. On April 18, 2008, the Village received a follow-up letter stating the amount is still due. The letter also states “Please be advised that even if full payment is made, this matter may not be finalized until all tax records have been submitted and reviewed by the Ohio Department of Taxation”.
- On March 26, 2007, the Village received a letter from the Ohio Public Employees Retirement System (OPERS) that OPERS received a check on December 14, 2006 for \$6,433.99 without complete allocation instructions. The letter advises the Village to “ensure that the total of your reported contributions equal the total amount remitted as payment for employee and/or employer contributions.” On April 16, 2007, the Village received a second letter addressing \$718.30 from August 11, 2006; \$4,213.09 from October 10, 2006 and the \$6,433.99 were repeated.
- On December 13, 2006, the Village received a \$1,610 check the Treasurer of State for overpayment of the Village Employees’ Public Deferred Compensation contributions. The Village marked this check “Void” and it was never cashed.

Lack of adequate leave records and salary documentation could adversely affect the Village’s ability to prove that employees were paid properly and that required deductions were submitted on their employee’s behalf. The Village’s lack of proper submission of required forms and amounts to the various State and Federal agencies could lead to additional penalties and interest assessed to the Village, and could affect individual employees retirement accounts.

We recommend:

- Council should monitor the payroll process including the UAN ledgers.
- Employee time sheets should be signed by the relevant supervisor indicating approval of the employee’s hours worked.
- Employee pay rates should be approved by Village Council by ordinance or resolution. The ordinance or resolution should show the beginning wage rate, the amount of the increase and the ending wage rate. A copy of the ordinance or resolution should be placed in the employee’s personnel file.
- Accurate leave records should be maintained. The Village’s UAN system is designed to track leave accumulation and usage. Leave request forms should be completed for all leave time used for all employees. The relevant supervisor should approve or disapprove the leave request as evidenced by their signature.

**FINDING NUMBER 2007-010
(Continued)**

- Evaluations should be performed for all employees and placed into their personnel files.
- The Village should use due professional care when completing forms for the Internal Revenue Service, Social Security Administration, Ohio Department of Taxation, Ohio Public Employees Retirement System, and the Ohio Deferred Compensation Program.
- The Village should deposit all checks received from governmental agencies. The Village should contact the Secretary of State's office and the Public Employees Deferred Compensation Fund to resolve these issues.

FINDING NUMBER 2007-011

Noncompliance Citation/Material Weakness

Ohio Rev. Code, § 733.28, provides that the Village Clerk/Treasurer shall keep the books of the Village; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived there from.

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

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

- The Village did not maintain an accurate record of all moneys received. Many adjustments were made by the Clerk when errors and mispostings were discovered by both Local Government Services and the auditors.
- The Clerk/Treasurer(s) posted six tax settlement sheets and intergovernmental revenue incorrectly between the General, State Highway and Street Funds. Adjustments were made to the financial statements as presented.
- The Clerk/Treasurer(s) posted all tax settlement sheets at net instead of gross. The financial statements were not adjusted because these errors did not result in a material misstatement or material revenue transaction line items.
- Interest revenue for 2006 was not posted to the Village's computerized accounting system. The accompanying financial statements have been adjusted accordingly.
- The Village's portion of Mayor's Court fines was often posted as Charges for Services instead of Fines, Licenses and Permits. The financial statements were not adjusted because these errors did not result in a material misstatement or material revenue transaction line items.
- Some of the trash collection receipts were posted to the Water Operating Fund instead of the General Fund. The accompanying financial statements have been adjusted accordingly.

**FINDING NUMBER 2007-011
(Continued)**

- The Village Clerk/Treasurer(s) did not correctly allocate interest revenue per the trust agreement. The accompanying financial statements have been adjusted accordingly.

Improper posting of receipts and lack of oversight led to the inability of the Clerk to reconcile the books. Lack of proper posting of receipts can lead to lack of fund integrity and loss of funds due to misappropriation. We recommend:

- The Village should maintain an accurate record of all monies received. This will assist in the reconciling process and help maintain individual fund integrity.
- The source document for the receipt should be maintained and attached to the receipt or deposit slip.
- Village revenue should be deposited promptly. This reduces the chance of misappropriation of assets, maximizes interest earned and reduces the risk that revenue is not posted properly.
- Interest revenue generated by the Trust Fund should be allocated and spent as per the trust agreement.

FINDING NUMBER 2007-012

Noncompliance Citation

Ohio Rev. Code, § 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Village did not approve or file appropriations with the County Auditor for the fiscal year 2006. The minutes indicated temporary appropriations were passed by Council on January 10, 2005 via Ordinance 02-06 but this Ordinance could not be located and it was not filed with the County Auditor.

Ohio Rev. Code, § 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations:

**FINDING NUMBER 2007-012
(Continued)**

2006	Appropriations	Expenditures + Outstanding Encumbrances	Variance
General Fund	\$0	\$645,866	(\$645,866)
Street Construction, Maintenance & Repair	0	65,221	(65,221)
State Highway	0	3,427	(3,427)
Recreation	0	7,309	(7,309)
Drug Law Enforcement	0	3,193	(3,193)
Fire & Life Squad	0	282	(282)
The Woodlands	0	3,574	(3,574)
STAROhio Debt Service	0	3,637	(3,637)
Water Operating Fund	0	219,689	(219,689)
Water Operating Improvement	0	36,513	(36,513)
Ohio Public Works Commission Fund	0	158,234	(158,234)
Community Development Block Grant	0	28,000	(28,000)
2007			
General Fund	\$445,593	\$507,877	(\$62,251)
Recreation	0	506	(506)
Ohio Public Works Commission Fund	0	14,275	(14,275)
Drug Law Enforcement	0	5,459	(5,459)

Failure of the Village to approve and file appropriations does not allow the Village officials to monitor its budgetary position. In addition, failure to monitor budgetary activity can result in overspending and negative fund balances.

We recommend the Clerk/Treasurer deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. Village Council should monitor the Village's budgetary receipts and expenditures by having the clerk provide budgetary reports at least quarterly. By regularly monitoring its budgetary position throughout the year, the Village will be able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

FINDING NUMBER 2007-013

Noncompliance/Significant Deficiency

Ohio Rev. Code, § 5705.36, states on or about the first day of each fiscal year, the fiscal officer of the subdivision and other taxing units are required to certify to the County Auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Ohio Rev. Code, § 5705.131, states nonexpendable trust principal balances and any additions to principal not from the fund's reinvested earnings shall be excluded.

**FINDING NUMBER 2007-013
 (Continued)**

The Village did not file the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year certificate for 2006. For 2007, the certificate was not filed until May 25. The 2007 total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year certificate included the principal amount for the nonexpendable trust fund Schuerer Trust Fund. These nonexpendable trust funds do not allow for the principal to be spent, only the interest income.

Failure to properly certify the amounts available for expenditure or excluding the principal for nonexpendable trust funds can result in an overspending of funds and negative fund balances. We recommend that the Village certify to the County Auditor an accurate and timely certificate.

FINDING NUMBER 2007-014

Noncompliance/Significant Deficiency

Ohio Rev. Code, § 5705.36(A)(2), allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The Village did not file any amended certificates of estimated resources in 2006. The following table shows the variances between the Village's final amended certificate of estimated resources in 2007, filed December 13, 2007 and the amounts reflected on the computerized accounting system, the Uniform Accounting Network (UAN).

<u>FUND</u>	<u>ESTIMATED RECEIPTS PER OFFICIAL CERTIFICATE</u>	<u>ESTIMATED RECEIPTS PER UAN SYSTEM</u>	<u>VARIANCE</u>
General Fund	\$561,995	\$443,100	(\$118,895)
Street Construction, Maintenance & Repair Fund	56,000	101,000	45,000
Permissive Motor Vehicle Tax	2,449	1,000	(1,449)
The Woodlands Fund	1,000	15,000	14,000
Poor Relief Fund	2,000	200	(1,800)

The Village did not file any appropriations with the County Auditor in 2006. The following table shows the variances between the Village's final appropriation resolution filed with the County Auditor on December 13, 2007 and the amounts reflected on the computerized accounting system.

<u>FUND</u>	<u>APPROPRIATIONS PER OFFICIAL RESOLUTION</u>	<u>APPROPRIATIONS PER UAN SYSTEM</u>	<u>VARIANCE</u>
General Fund	\$445,593	\$527,993	\$82,400
Street Construction, Maintenance & Repair Fund	150,000	82,440	(67,560)
State Highway Fund	54,512	7,000	(47,512)
Recreation-Parks Fund	0	2,000	2,000
Water Operating Fund	452,675	479,175	26,500

**FINDING NUMBER 2007-014
 (Continued)**

Budgetary versus actual reports from the UAN system are not being submitted to Council for its review and approval at the monthly meetings. The UAN system allows the Village Clerk/Treasurer to print off reports (Comparison of Budget and Actual Receipts and the Comparison of Disbursements/Encumbrances) which would allow Council to monitor the budgetary process.

We recommend that Council monitor the Village’s budgetary process at the monthly meetings. This would include making sure the Village has an official budget that is filed with the County Auditor and that the official budget is accurately and timely entered into the Village’s computerized accounting system. Council should also use the Budget versus Actual reports to determine if there budget is realistic and if it requires modification.

FINDING NUMBER 2007-015

Noncompliance Citation

Ohio Rev. Code, § 5705.39, provides that the total appropriations from each fund shall not exceed the total estimated revenue. Appropriations exceeded estimated resources for 2007 as follows:

	Estimated Resources	Appropriations	Variance
General Fund	\$443,876	\$445,593	\$(1,717)
Street Construction, Maintenance & Repair	101,607	150,000	(48,393)
State Highway	12,949	54,512	(41,563)

Failure to limit appropriations to total estimated revenue may result in the Village incurring obligations that exceed their available resources and negative fund balances.

We recommend that the Village limit appropriations to the total estimated revenue per fund.

FINDING NUMBER 2007-016

Noncompliance Citation/Material Weakness

Ohio Rev. Code, § 5705.10(H), requires that money paid into any fund shall be used only for the purpose for which such fund is established.

During 2006, the Village paid more out of its General Fund than was available in the General Fund. At year end, the General Fund had a negative balance of (\$95,503).

By making expenditures out of a fund that does not have the monies to pay, the Village, in effect used cash from other funds to pay the obligations of the negative fund. We recommend the Village adopt procedures to properly monitor fund balances and their budget in order to prevent negative fund balances from occurring..

FINDING NUMBER 2007-017

Noncompliance Citation

Ohio Rev. Code, § 149.351(A), provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Revised Code.

In addition, **Ohio Rev. Code, § 149.39**, provides in part, that when records have been approved for disposal by the records commission, a copy of such records list shall be sent to the Ohio Historical Society for its review. The Ohio Historical Society shall be informed and given the opportunity for a period of sixty days to select for its custody or disposal such records as it considered to be of continuing historical value. The Ohio historical society shall review the application or schedule within a period of not more than sixty days after its receipt of it. Upon completion of its review, the Ohio historical society shall forward the application for one-time disposal of obsolete records or the schedule of records retention and disposition to the Auditor of State. The Auditor shall approve or disapprove the application or schedule within a period of not more than sixty days. Before public records are to be disposed of, the commission shall inform the Ohio historical society of the disposal through the submission of a certificate of records disposal and shall give the society the opportunity for a period of fifteen business days to select for its custody those public records that it considers to be of continuing historical value.

We noted the following:

- The Village could not locate the lease/purchase agreement for a 2006 Ford Expedition,
- Twenty-eight invoices of 728 disbursement transactions were missing from 2006 (but the Village was able to get copies or otherwise confirm that the Village received the items/services in question).
- Revenue and expenditure documentation was missing for two of the transactions of the off-books police account.

We recommend the Village maintain all records as required by law, including:

- Keeping a file for a lease agreements.
- Properly storing invoices that support transactions.
- Not allowing any off –books accounts, and maintaining any revenue and expenditure documentation. All documentation should be properly filed in an orderly, neat fashion, that allows access to the records by auditors or the public.

Lack of proper storage of documentation could lead to audit Findings in future audits, or Findings for Recovery.

FINDING NUMBER 2007-018

Significant Deficiency

The Scheurer Trust agreement states the trust income can be spent two thirds for the needy citizens in the Village. (One third is equally divided among the Light and Fire Funds). The Village does have an informal procedure of completing an application for needy citizens to receive relief which it typically uses; however, the Village does not have a policy requiring this procedure for all of the needy citizens trust disbursements.

**FINDING NUMBER 2007-018
(Continued)**

Lack of a policy to determine eligibility of needy citizens could allow the Village to expend monies for purposes not allowed under the trust.

We recommend that the Village formally adopt a policy requiring an application be completed and approved for all disbursements from the Sheurer Trust fund. This will assure the Village avoids disbursing funds for causes that do not meet the guidelines of the agreement.

We did not receive a response from officials to the findings reported above.

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**VILLAGE OF MORROW
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Finding for Recovery of \$1,800 repaid while under audit.	Yes	
2005-002	ORC § 5705.41(D), Failure to properly certify the availability of funds.	No	Reissued as finding 2007-007.
2005-003	ORC § 5705.39, Failure to approve or file a Certificate of Estimated Resources,	No	Reissued as finding 2007-015.
2005-004	ORC § 5705.41(B), expenditures exceeding appropriations.	No	Reissued as finding 2007-012.
2005-005	ORC § 5705.40, appropriation modifications not approved by Village Council.	No	Reissued as finding 2007-012. The Village did not approve or file appropriations for 2006 as required by ORC 5705.38.
2005-006	ORC § 733.28, not accurately maintaining records.	No	Reissued as finding 2007-009, 010, and 011.
2005-007	ORC § 5735.29, allowable expenditures for monies from fuel excise taxes.	Yes	
2005-008	ORC § 5705.14, illegal transfers made.	No	Partially corrected. Reported in the 2007-2006 management letter.
2005-009	No formal approval process for disbursements from a trust agreement.	No	Reissued as finding 2007-018.



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
JANUARY 8, 2009**