

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Morristown, Belmont County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2006 to December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Morristown is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 29, 2008

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VILLAGE OF MORRISTOWN
BELMONT COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

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

We have audited the accompanying financial statements of the Village of Morristown, Belmont County, Ohio, (the Village) as of and for the year ended December 31, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2006. In addition to the accompanying financial statements present for 2006, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require 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 governments 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 year ended December 31, 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, 2006, or its changes in financial position and cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Morristown, Belmont County, as of December 31, 2006, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2007, on our consideration of the Village'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 do not opine on the internal control over financial reporting or on compliance, that reports 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 *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

KNOX & KNOX

Orrville Ohio
October 8, 2007

VILLAGE OF MORRISTOWN
BELMONT COUNTY

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
CASH RECEIPTS:				
Property Taxes and Other Local Taxes	\$4,674	\$6,961		\$11,635
Intergovernmental Receipts	35,821	52,988		88,809
Charges for Services		45,650		45,650
Earnings on Investments	311			311
Miscellaneous	3,819	8,946		12,765
	<u>44,625</u>	<u>114,545</u>		<u>159,170</u>
CASH DISBURSEMENTS:				
Current:				
Security of Persons and Property	10,779	22,262		33,041
Public Health Services	93			93
Leisure Time Activities		2,500		2,500
Community Environment	826			826
Transportation	3,418	21,411		24,829
General Government	29,016			29,016
Capital Outlay		16,724	204,841	221,565
Debt Service:				
Principal Payments		12,962		12,962
Interest Payments		25,586		25,586
	<u>44,132</u>	<u>101,445</u>	<u>204,841</u>	<u>350,418</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>493</u>	<u>13,100</u>	<u>(204,841)</u>	<u>(191,248)</u>
OTHER FINANCING RECEIPTS				
Debt Proceeds			230,741	230,741
			<u>230,741</u>	<u>230,741</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements				
	493	13,100	25,900	39,493
Fund Cash Balances, January 1	<u>4,358</u>	<u>93,939</u>	<u>61,406</u>	<u>159,703</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$4,851</u>	<u>\$107,039</u>	<u>87,306</u>	<u>\$199,196</u>

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

VILLAGE OF MORRISTOWN
BELMONT COUNTY

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

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	\$94,722
Miscellaneous	<u>223</u>
Total Operating Cash Receipts	<u>94,945</u>
OPERATING CASH DISBURSEMENTS:	
Personal Services	7,285
Fringe Benefits	653
Contractual Services	63,304
Supplies and Materials	3,800
Other	<u>9,359</u>
Total Operating Cash Disbursements	<u>84,401</u>
Operating Income/(Loss)	<u>10,544</u>
NON-OPERATING CASH RECEIPTS:	
Special Assessments	<u>61,740</u>
Total Non-Operating Cash Receipts	<u>61,740</u>
NON-OPERATING CASH DISBURSEMENTS:	
Debt Service:	
Redemption of Principal	18,176
Interest and Other Fiscal Charges	<u>12,526</u>
Total Non-Operating Cash Disbursements	<u>30,702</u>
Excess of Receipts Over/(Under) Disbursements	<u>41,582</u>
Fund Cash Balances, January 1	<u>52,258</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$93,840</u></u>

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

VILLAGE OF MORRISTOWN
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. CASH AND INVESTMENTS

Investments are included in the fund cash balance. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. FUND ACCOUNTING

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

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

VILLAGE OF MORRISTOWN
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (continued)

2. Special Revenue Funds (continued)

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

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

3. Capital Projects Fund

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

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

4. Enterprise Funds

This funds for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following Enterprise Fund:

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

Sewer Fund - This fund receives charges for services from residents to cover wastewater service costs.

E. BUDGETARY PROCESS

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

1. Appropriations

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

VILLAGE OF MORRISTOWN
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY PROCESS (continued)

2. Estimated Resources

Estimated Resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2006 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2006 was as follows:

Demand deposits	\$281,916
Certificates of deposit	<u>11,120</u>
 Total deposits	 <u><u>\$293,036</u></u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 follows:

Fund Type	2006 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$58,674	\$44,625	(\$14,049)
Special Revenue	97,770	114,545	16,775
Capital Projects		230,741	230,741
Enterprise	<u>123,963</u>	<u>156,685</u>	<u>32,722</u>
Total	<u><u>\$280,407</u></u>	<u><u>\$546,596</u></u>	<u><u>\$266,189</u></u>

VILLAGE OF MORRISTOWN
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

3. BUDGETARY ACTIVITY (Continued)

Fund Type	2006 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,542	\$44,132	\$19,410
Special Revenue	202,819	101,445	101,374
Capital Projects	294,435	204,841	89,594
Enterprise	134,875	115,103	19,772
Total	\$695,671	\$465,521	\$230,150

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission - Water Plant Expansion	\$4,140	0.00%
WesBanco Commercial Loan - Water Improvements	59,464	7.00%
Ohio Department of Commerce - Fire Truck	32,000	0.00%
Ohio Water Development Authority - Sewer Construction	729,678	5.54%
General Obligation Bonds - Fire Truck	91,502	4.25%
WesBanco Commercial Loan - Backhoe	36,869	5.08%
Total	\$953,653	

VILLAGE OF MORRISTOWN
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

5. DEBT (Continued)

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

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

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

The Ohio Water Development Authority (OWDA) loan relates to the planning and construction of a wastewater facility. The OWDA has approved up to \$747,725 in loans to the Village and the Village has drawn \$729,678 on this amount at December 31, 2006. The loan is collateralized by wastewater rates. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Repayment terms have not been developed, as the project has not been completed, and are not included in the amortization schedule below.

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

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

Amortization of the above debt follows:

Ohio Public Works Commission			
For the year ending December 31	Principal	Interest	Total
2007	920		920
2008	920		920
2009	920		920
2010	920		920
2011	460		460
Total	\$4,140		\$4,140

Commercial Loan - Water Line			
For the year ending December 31	Principal	Interest	Total
2007	7,410	3,928	11,338
2008	7,945	3,392	11,337
2009	8,520	2,818	11,338
2010	9,135	2,202	11,337
2011	9,803	930	10,733
2012-2015	16,651	1,584	18,235
Total	\$59,464	\$14,854	\$74,318

VILLAGE OF MORRISTOWN
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

5. DEBT (Continued)

<u>Commercial Loan - Backhoe</u>			
For the year ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	10,190	1,647	11,837
2008	10,720	1,117	11,837
2009	11,277	560	11,837
2010	4,682	241	4,923
Total	<u>\$36,869</u>	<u>\$3,565</u>	<u>\$40,434</u>

<u>General Obligation Bonds</u>			
For the year ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	9,842	3,889	13,731
2008	10,261	3,471	13,732
2009	10,697	3,034	13,731
2010	11,151	2,580	13,731
2011	11,625	2,106	13,731
2012-2014	37,926	3,268	41,194
Total	<u>\$91,502</u>	<u>\$18,348</u>	<u>\$109,850</u>

<u>Ohio Department of Commerce</u>			
For the year ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$4,000		\$4,000
2008	4,000		4,000
2009	4,000		4,000
2010	4,000		4,000
2011	4,000		4,000
2012-2014	12,000		12,000
Total	<u>\$32,000</u>		<u>\$32,000</u>

6. RETIREMENT SYSTEM

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

Contributions rates are also prescribed by the Ohio Revised Code. For 2006, OPERS members contributed 9% of their wages. The Village contributed an amount equal to 13.7% of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

VILLAGE OF MORRISTOWN
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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KNOX & KNOX

Accountants and Consultants

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Morristown, Belmont County, Ohio, (the Village) as of and for the year ended December 31, 2006, and have issued our report thereon dated October 8, 2007 wherein we note the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we reported to the Village in a separate letter dated October 8, 2007.

COMPLIANCE AND OTHER MATTERS

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

We did note a certain noncompliance that we reported to the Village' management in a separate letter dated October 8, 2007.

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

KNOX & KNOX

Orrville, Ohio
October 8, 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF MORRISTOWN

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2008**