

VILLAGE OF MORRISTOWN

BELMONT COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2014 and 2013





Dave Yost • Auditor of State

Village Council
Village of Morristown
PO Box 241
Morristown, OH 43759

We have reviewed the *Independent Auditor's Report* of the Village of Morristown, Belmont County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. 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.

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 1, 2015

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VILLAGE OF MORRISTOWN
BELMONT COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Morristown
Belmont County
PO Box 241
Morristown, Ohio 43759

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Morristown, Belmont County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United State of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles


In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Morristown, Belmont County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 19, 2015

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 6,467	\$ 6,671	\$ 13,138
Intergovernmental	20,547	41,265	61,812
Charges for Services	-	56,180	56,180
Earnings on Investments	126	6	132
Miscellaneous	4,317	7,358	11,675
	<u>31,457</u>	<u>111,480</u>	<u>142,937</u>
Cash Disbursements			
Current:			
Security of Persons and Property	6,394	38,108	44,502
Public Health Services	2,239	-	2,239
Transportation	-	52,620	52,620
General Government	59,450	-	59,450
Debt Service:			
Principal Retirement	-	4,000	4,000
	<u>68,083</u>	<u>94,728</u>	<u>162,811</u>
<i>Total Cash Disbursements</i>	<u>68,083</u>	<u>94,728</u>	<u>162,811</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(36,626)	16,752	(19,874)
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	247,863	-	247,863
Transfers Out	(7,500)	-	(7,500)
	<u>240,363</u>	<u>-</u>	<u>240,363</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>240,363</u>	<u>-</u>	<u>240,363</u>
<i>Net Change in Fund Cash Balances</i>	203,737	16,752	220,489
<i>Fund Cash Balances, January 1</i>	<u>294,689</u>	<u>147,192</u>	<u>441,881</u>
Fund Cash Balances, December 31			
Restricted	-	163,944	163,944
Assigned	41,042	-	41,042
Unassigned	457,384	-	457,384
	<u>498,426</u>	<u>163,944</u>	<u>662,370</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 498,426</u>	<u>\$ 163,944</u>	<u>\$ 662,370</u>

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

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 143,488
Miscellaneous	385
	143,873
<i>Total Operating Cash Receipts</i>	<i>143,873</i>
Operating Cash Disbursements	
Personal Services	5,804
Employee Fringe Benefits	545
Contractual Services	89,603
Supplies and Materials	2,971
Other	600
	99,523
<i>Total Operating Cash Disbursements</i>	<i>99,523</i>
<i>Operating Income (Loss)</i>	<i>44,350</i>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(30,214)
	(30,214)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(30,214)</i>
<i>Income (Loss) before Transfers</i>	<i>14,136</i>
Transfers In	7,500
	21,636
<i>Net Change in Fund Cash Balances</i>	<i>21,636</i>
<i>Fund Cash Balances, January 1</i>	<i>67,728</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 89,364</i>

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

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 5,830	\$ 6,164	\$ -	\$ 11,994
Intergovernmental	21,009	20,574	-	41,583
Charges for Services	-	56,020	-	56,020
Earnings on Investments	122	6	-	128
Miscellaneous	4,006	12,907	-	16,913
<i>Total Cash Receipts</i>	<u>30,967</u>	<u>95,671</u>	<u>-</u>	<u>126,638</u>
Cash Disbursements				
Current:				
Security of Persons and Property	8,086	38,593	-	46,679
Public Health Services	1,360	-	-	1,360
Transportation	2,095	12,630	-	14,725
General Government	37,448	-	-	37,448
Capital Outlay	24,525	-	12,479	37,004
Debt Service:				
Principal Retirement	-	29,807	-	29,807
Interest and Fiscal Charges	-	588	-	588
<i>Total Cash Disbursements</i>	<u>73,514</u>	<u>81,618</u>	<u>12,479</u>	<u>167,611</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(42,547)	14,053	(12,479)	(40,973)
Other Financing Receipts (Disbursements)				
Other Financing Uses	(50,000)	-	-	(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
<i>Net Change in Fund Cash Balances</i>	(92,547)	14,053	(12,479)	(90,973)
<i>Fund Cash Balances, January 1</i>	<u>387,236</u>	<u>133,139</u>	<u>12,479</u>	<u>532,854</u>
Fund Cash Balances, December 31				
Restricted	-	147,192	-	147,192
Assigned	1,156	-	-	1,156
Unassigned	293,533	-	-	293,533
<i>Fund Cash Balances, December 31</i>	<u>\$ 294,689</u>	<u>\$ 147,192</u>	<u>\$ -</u>	<u>\$ 441,881</u>

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

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 136,350
Miscellaneous	1,071
	<u>137,421</u>
<i>Total Operating Cash Receipts</i>	<u>137,421</u>
Operating Cash Disbursements	
Personal Services	5,485
Employee Fringe Benefits	542
Contractual Services	71,062
Supplies and Materials	4,246
Other	335
	<u>81,670</u>
<i>Total Operating Cash Disbursements</i>	<u>81,670</u>
<i>Operating Income (Loss)</i>	55,751
Non-Operating Receipts (Disbursements)	
Principal Retirement	(37,884)
	<u>(37,884)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(37,884)</u>
<i>Net Change in Fund Cash Balances</i>	17,867
<i>Fund Cash Balances, January 1</i>	<u>49,861</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 67,728</u>

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

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Morristown, Belmont County, Ohio (the Village) as a body corporate and politic. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, maintenance of Village roads and bridges, 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. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. The Village pooled all other money into demand deposits.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Fire Fund - This fund receives property tax money to provide fire services through a volunteer fire department.

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (continued)

Fire Truck and Equipment Fund - This fund receives property tax money designated for the purchase of fire trucks and firefighting equipment.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

OWDA Sewage Fund - This fund receives loan monies for wastewater plant facilities construction.

OPWC Sewage Fund - This fund receives loan monies for wastewater plant facilities construction.

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (continued)

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (continued)

G. 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.

H. 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.

2. Equity in Pooled Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2014	2013
Demand deposits	\$ 401,507	\$ 159,497
STAR Ohio	350,227	350,112
Total deposits and investments	\$ 751,734	\$ 509,609

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. All of the Village's deposits were insured or collateralized.

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 28,400	\$ 279,320	\$ 250,920
Special Revenue	100,300	111,480	11,180
Enterprise	143,000	151,373	8,373

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 186,250	\$ 116,625	\$ 69,625
Special Revenue	132,298	95,916	36,382
Enterprise	160,000	130,503	29,497

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 25,000	\$ 30,967	\$ 5,967
Special Revenue	102,556	95,671	(6,885)
Capital Projects	-	-	-
Enterprise	148,018	137,421	(10,597)

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 140,000	\$ 124,670	\$ 15,330
Special Revenue	176,600	85,975	90,625
Capital Projects	12,479	12,479	-
Enterprise	162,000	127,238	34,762

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.

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, 2014 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$ 6,467	0%
Ohio Water Development Authority Loan	419,564	0%
Total	\$ 426,031	

On June 30, 2005, the Village executed an Ohio Development Water Authority (OWDA) loan for a total amount of \$729,678. The Village will repay the loan in semiannual installments of \$18,242 over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village executed a loan on July 1, 2008 with the Ohio Public Works Commission (OPWC) for the improvement of the sanitary sewer collection system for a total amount of \$9,950. The Village will repay the loan in semiannual installments of \$249 over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Debt (continued)

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

Year ending December 31:	OPWC Loan	OWDA Loan
2015	\$ 497	\$ 36,484
2016	497	36,484
2017	497	36,484
2018	497	36,484
2019	497	36,484
2020-2024	2,487	182,419
2025-2029	1,495	54,725
Total	\$ 6,467	\$ 419,564

6. Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2014 and 2013, OPERS members contributed 10% of their earnable salaries and the Village contributed an amount equaling 14% of participants' earnable salaries. The Village has paid all contributions required through December 31, 2014.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

There have been no settlements paid in excess of insurance coverage nor has insurance coverage been significantly reduced in the past three years.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

8. Contingent Liabilities

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Morristown, Belmont County (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 19, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 19, 2015.

Entity's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
June 19, 2015

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2014-001 – Material Weakness

Mispostings and Misclassifications Resulting in Financial Statement Adjustments

Ohio Administrative Code Section 117-2-02(A) provides that all local public offices should 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, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Auditor of State provides suggested account classifications which classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During the audit, the following misclassifications were noted:

- During 2014 and 2013, homestead rollbacks were incorrectly posted as Property Tax revenues instead of Intergovernmental revenues.
- During 2014 and 2013, contractual service payments were incorrectly posted to Interest and Other Fiscal Charges instead of Contractual Services.
- During 2013, debt services payments were not allocated properly to the Principal Retirement and Interest and Other Fiscal Charges line items.
- During 2013, bulk water sales were recorded as Capital Contributions instead of Charges for Services.
- During 2013, expenses related to the roofing of a Village building were incorrectly posted as General Government expenses and Other Financing Uses instead of Capital Outlay.
- During 2014, a reimbursement received from the County Auditor for a portion of a paving project completed by the Village was incorrectly recorded as Charges for Services instead of Intergovernmental revenue.
- During 2014, the proceeds from the sale of the Village's old Village offices was incorrectly recorded as Miscellaneous revenue instead of Sale of Capital Assets.
- During 2014, bulk water sales were recorded as Special Assessments instead of Charges for Services.

Management agrees with these adjustments and they were adjusted in the Village's records and the accompanying financial statements.

We recommend that management review the draft financial statements to help ensure that they are supported by sufficient and accurate documentation and free of obvious errors and omissions. We also recommend use of the UAN Accounting Manual for proper classifications and guidance provided by the Auditor of State.

**VILLAGE OF MORRISTOWN
BELMONT COUNTY**

**SCHEDULE OF FINDINGS (Continued)
DECEMBER 31, 2014 AND 2013**

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

Finding Number: 2014-001 – Material Weakness (continued)

Management’s Response:

The Village will make the recommended adjustments to the Village chart of accounts for future postings.

VILLAGE OF MORRISTOWN
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2014 and 2013

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-01	Mispostings and Misclassifications	No	Repeated as 2014-001



Dave Yost • 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
SEPTEMBER 10, 2015**