

VILLAGE OF MORROW

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 1999 and 1998



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Honorable Mayor and Members of Council
Village of Morrow
Morrow, Ohio

We have reviewed the Independent Auditor's Report of the Village of Morrow, Warren County, prepared by Von Lehman & Company Inc., for the audit period January 1, 1998 to December 31, 1999. 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 Morrow is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 27, 2000

VILLAGE OF MORROW
WARREN COUNTY, OHIO
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VILLAGE OF MORROW
WARREN COUNTY, OHIO

VILLAGE OFFICIALS
December 31, 1999

MAYOR

Robert Brown

COUNCIL MEMBERS

Jodee Bishop

Vic Center

Bob Blankenship

Penny Hahn

Fred Carmack

Robert Kelsey

DEPARTMENT HEADS

Village Administrator

Fred LaFollette

Village Clerk and Treasurer

Jean Mayne

Clerk of Courts Tax Administrator

Cindy Wilmot

Village Police Chief

Russell Kilburn

Village Solicitor

Donald Oda

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of Council
Village of Morrow
Morrow, Ohio

We have audited the accompanying financial statements of the Village of Morrow, Warren County, Ohio, as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. 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 audits.

We have conducted our audits in accordance with generally accepted auditing standards 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 audits 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 made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Village of Morrow prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash and combined fund cash balances of the Village of Morrow, Warren County, Ohio, as of December 31, 1999 and 1998, its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 1.

Honorable Mayor and Members of Council
Village of Morrow
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In accordance with Government Auditing Standards, we have also issued a report dated August 29, 2000 on our consideration of the Village of Morrow's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the management and Council of the Village of Morrow and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company I nc.

Cincinnati, Ohio
August 29, 2000

VILLAGE OF MORROW
COMBINED STATEMENT OF
CASH
AND FUND CASH
BALANCES
ALL FUND TYPES

December 31, 1999

Cash	\$ 247,378
Investments	
Certificates of Deposit	223,000
U. S. Treasury Bonds or Equivalents	238,522
Total	\$ 708,900

FUND CASH BALANCES BY FUND TYPE

Governmental Fund Types	
General Fund	\$ 213,136
Special Revenue Funds	32,953
Proprietary Fund Type	
Enterprise Funds	365,816
Fiduciary Fund Type	
Trust and Agency Funds	96,995
Total - All Funds	\$ 708,900

See accompanying notes.

VILLAGE OF MORROW
 COMBINED STATEMENT OF
 CASH
 AND FUND CASH
 BALANCES
 ALL FUND TYPES

December 31, 1998

Cash	\$ 391,068
Investments	
Certificates of Deposit	223,000
U. S. Treasury Bonds or Equivalents	186,447
Total	\$ 800,515

FUND CASH BALANCES BY FUND TYPE

Governmental Fund Types	
General Fund	\$ 266,878
Special Revenue Funds	85,344
Proprietary Fund Type	
Enterprise Funds	355,055
Fiduciary Fund Type	
Trust and Agency Funds	93,238
Total - All Funds	\$ 800,515

See accompanying notes.

VILLAGE OF MORROW
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND
 TYPES AND SIMILAR FIDUCIARY FUND TYPE

Year Ended December 31, 1999

	Governmental Fund		Fiduciary	Totals (Memorandum Only)
	Types		Fund	
	General	Special	Expendable	
	Fund	Revenue	Trust	
		Funds	Fund	
Receipts				
Taxes	\$ 241,898	\$ 42,799	\$ -	\$ 284,697
Intergovernmental Receipts	76,499	47,605	-	124,104
Charges for Services	98,059	98,596	-	196,655
Fines, Licenses and Permits	10,643	-	-	10,643
Miscellaneous	17,122	4,155	23	21,300
Total Receipts	444,221	193,155	23	637,399
Disbursements				
Security of Persons and Property	176,854	187,092	-	363,946
Public Health Services	-	-	-	-
Leisure Time Activities	-	2,385	-	2,385
Community Environment	3,419	-	-	3,419
Basic Utilities Services	72,229	-	-	72,229
Transportation	41,766	94,355	-	136,121
General Government	167,429	-	-	167,429
Total Disbursements	461,697	283,832	-	745,529
(Deficit) Excess of Receipts Over Disbursements	(17,476)	(90,677)	23	(108,130)
Other Financing Sources (Uses)				
Transfers – In	1,061	38,286	-	39,347
Transfers – Out	(37,327)	-	-	(37,327)
(Deficit) Excess of Receipts and Other Financing Sources Over Disbursements and Other Uses	(53,742)	(52,391)	23	(106,110)
Beginning Fund Cash Balance	266,878	85,344	761	352,983
Ending Fund Cash Balance	\$ 213,136	\$ 32,953	\$ 784	\$ 246,873

See accompanying notes.

VILLAGE OF MORROW
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
 AND SIMILAR FIDUCIARY FUND TYPES
 Year Ended December 31, 1999

	Proprietary Fund Type Enterprise Funds	Fiduciary Fund Types Non-Expendable Trust Funds	Agency Fund	Totals (Memorandum Only)
Operating Receipts				
Charges for Services	\$ 248,147	\$ -	\$ -	\$ 248,147
Miscellaneous	57,715	5,312	20,872	83,899
Total Operating Receipts	305,862	5,312	20,872	332,046
Operating Disbursements				
Personal Services	78,758	-	-	78,758
Contract Services	103,054	-	-	103,054
Supplies and Materials	105,131	-	-	105,131
Total Operating Disbursements	286,943	-	-	286,943
Operating Income	18,919	5,312	20,872	45,103
Non-Operating Receipts				
Interest Income - Net of Fees	6,736	-	-	6,736
Non-Operating Disbursements				
Debt Service	29,894	-	-	29,894
Other	-	1,071	19,359	20,430
Total Non-Operating Disbursements	29,894	1,071	19,359	50,324
(Deficit) Excess of Receipts Over Disbursements	(4,239)	4,241	1,513	1,515
Other Financing Sources (Uses)				
Proceeds from Bonds	270,000	-	-	270,000
Retirement of Debt	(255,000)	-	-	(255,000)
Transfers - Out	-	(2,020)	-	(2,020)
Total Other Financing Sources (Uses)	15,000	(2,020)	-	12,980
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	10,761	2,221	1,513	14,495
Beginning Fund Cash Balance	355,055	90,518	1,959	447,532
Ending Fund Cash Balance	\$ 365,816	\$ 92,739	\$ 3,472	\$ 462,027

See accompanying notes.

VILLAGE OF MORROW
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND
 TYPES AND SIMILAR FIDUCIARY FUND TYPE

Year Ended December 31, 1998

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Expendable Trust Fund	
Receipts				
Taxes	\$ 201,755	\$ 43,108	\$ -	\$ 244,863
Intergovernmental Receipts	88,893	51,958	-	140,851
Charges for Services	121,049	111,504	-	232,553
Fines, Licenses and Permits	15,411	-	-	15,411
Miscellaneous	59,579	12,123	22	71,724
Total Receipts	486,687	218,693	22	705,402
Disbursements				
Security of Persons and Property	150,356	139,670	-	290,026
Public Health Services	903	-	-	903
Leisure Time Activities	39,640	2,589	-	42,229
Community Environment	2,575	-	-	2,575
Basic Utilities Services	56,661	-	-	56,661
Transportation	-	67,906	-	67,906
General Government	151,291	-	-	151,291
Total Disbursements	401,426	210,165	-	611,591
Excess of Receipts Over Disbursements	85,261	8,528	22	93,811
Other Financing Sources (Uses)				
Transfers - In	390	20,977	-	21,367
Transfers - Out	(20,000)	-	-	(20,000)
Total Other Financing Sources (Uses)	(19,610)	20,977	-	1,367
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	65,651	29,505	22	95,178
Beginning Fund Cash Balance	201,227	55,839	739	257,805
Ending Fund Cash Balance	\$ 266,878	\$ 85,344	\$ 761	\$ 352,983

See accompanying notes.

VILLAGE OF MORROW
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
 AND SIMILAR FIDUCIARY FUND TYPES

Year Ended December 31, 1998

	Proprietary Fund Type	Fiduciary Fund Types Non-Expendable	Agency Fund	Totals (Memorandum Only)
	Enterprise Funds	Trust Funds		
Operating Receipts				
Charges for Services	\$ 259,162	\$ -	\$ -	\$ 259,162
Miscellaneous	1,723	4,957	31,147	37,827
Total Operating Receipts	260,885	4,957	31,147	296,989
Operating Disbursements				
Personal Services	59,163	-	-	59,163
Contract Services	3,460	-	-	3,460
Supplies and Materials	90,663	-	-	90,663
Total Operating Disbursements	153,286	-	-	153,286
Operating Income	107,599	4,957	31,147	143,703
Non-Operating Receipts				
Interest Income - Net of Fees	11,606	-	-	11,606
Non-Operating Disbursements				
Debt Service	63,640	-	-	63,640
Other	-	1,278	31,629	32,907
Total Non-Operating Disbursements	63,640	1,278	31,629	96,547
Excess (Deficit) of Receipts Over Disbursements	55,565	3,679	(482)	58,762
Other Financing Uses				
Transfers - Out	-	(1,367)	-	(1,367)
Excess (Deficit) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	55,565	2,312	(482)	57,395
Beginning Fund Cash Balance	299,490	88,206	2,441	390,137
Ending Fund Cash Balance	\$ 355,055	\$ 90,518	\$ 1,959	\$ 447,532

See accompanying notes.

VILLAGE OF MORROW
 COMBINED STATEMENT OF RECEIPTS
 BUDGET AND ACTUAL

Year Ended December 31, 1999

Fund Types/Funds	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Types			
General Fund	\$ 397,309	\$ 445,282	47,973
Special Revenue Funds	200,312	231,441	31,129
Proprietary Fund Type			
Enterprise Funds	401,001	582,598	181,597
Fiduciary Fund Type			
Trust Funds	7,501	5,335	(2,166)
Totals (Memorandum Only)	\$ 1,006,123	\$ 1,264,656	258,533

See accompanying notes.

VILLAGE OF MORROW
 COMBINED STATEMENT OF RECEIPTS
 BUDGET AND ACTUAL

Year Ended December 31, 1998

Fund Type/Funds	Budget	Actual	Variance Favorable
Governmental Fund Types			
General Fund	\$ 278,275	\$ 487,077	208,802
Special Revenue Funds	99,096	239,670	140,574
Proprietary Fund Type			
Enterprise Fund	139,475	272,491	133,016
Fiduciary Fund Type			
Trust Funds	2,112	4,979	2,867
Totals (Memorandum Only)	\$ 518,958	\$ 1,004,217	485,259

See accompanying notes.

VILLAGE OF
MORROW
COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES
COMPARED WITH EXPENDITURE
AUTHORITY

Fund Type/Funds	Prior Year Carryover Appropriations	1999 Appropriations	Total	Actual 1999 Disbursements	Encumbrances Outstanding at 12/31/99	Total	Variance Favorable (Unfavorable)
Governmental Fund Types							
General Fund	\$ 29,854	\$ 672,375	\$ 702,229	\$ 499,024	\$ 30,716	\$ 529,740	\$ 172,489
Special Revenue Funds	-	297,393	297,393	283,832	-	283,832	13,561
Proprietary Fund Type							
Enterprise Funds	-	1,264,776	1,264,776	571,837	-	571,837	692,939
Fiduciary Fund Type							
Trust Funds	-	98,018	98,018	3,091	-	3,091	94,927
December 31, 1999							
(Memorandum Only)	\$ 29,854	\$ 2,332,562	\$ 2,362,416	\$ 1,357,784	\$ 30,716	\$ 1,388,500	\$ 973,916

See accompanying
notes.

VILLAGE OF
MORROW
COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES
COMPARED WITH EXPENDITURE
AUTHORITY

Fund Type/Funds	Prior Year Carryover Appropriations	1998 Appropriations	Total	Actual 1998 Disbursements	Encumbrances Outstanding at 12/31/98	Total	Variance Favorable (Unfavorable)
Governmental Fund Types							
General Fund	\$ 37,935	\$ 338,622	\$ 376,557	\$ 421,426	\$ 29,854	\$ 451,280	\$ (74,723)
Special Revenue Funds	-	136,721	136,721	210,165	-	210,165	(73,444)
Proprietary Fund Type							
Enterprise Funds	-	250,284	250,284	216,926	-	216,926	33,358
Fiduciary Fund Type							
Trust Funds	-	5,678	5,678	2,645	-	2,645	3,033
December 31, 1998							
(Memorandum Only)	\$ 37,935	\$ 731,305	\$ 769,240	\$ 851,162	\$ 29,854	\$ 881,016	(111,776)

See accompanying
notes.

VILLAGE OF MORROW
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING POLICIES

The Village of Morrow, Warren County, Ohio (the "Village") is a body 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 operates under a council-mayor form of government and provides security of persons and property, public health and welfare and community development. Educational services are provided by Little Miami Local School District. The District is a separate governmental entity and its financial statements are not included in those presented in this report.

The Village's management believes these financial statements present all activities for which the Village of Morrow, Warren County, Ohio is financially accountable.

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.

Cash

The Village's cash balances consisted of cash in checking accounts.

Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Village classifies its funds into the following types:

General Fund

The General fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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 disbursements for specific purposes.

NOTE 1 - ACCOUNTING POLICIES (Continued)

These funds include the following:

Street Construction Maintenance and Repair Fund
Street Highway Improvement Fund
Fire and Life Fund
Recreation Fund

Enterprise Funds

These funds account 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 significant enterprise funds:

Water Fund

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

Subfunds of this fund include the following:

Water System Bond Reserve Account
Water System Bond Paying Account
Water Replacement and Improvement Fund

Water System Debt Service Fund

This fund received the initial loan proceeds from the National Bank & Trust Company for Mortgage Revenue Bonds to improve the municipal water system, advance refund certain outstanding Waterworks System First Mortgage Revenue Bonds and retire certain outstanding bond anticipation notes. This debt will be repaid from utility charges, also accounted for in this fund.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds.

The Trust and Agency funds are as follows:

Trust

Phegley Trust Fund (expendable)
Scheurer Trust Fund (non-expendable)
Scheurer Poor Relief Fund (non-expendable)

NOTE 1 - ACCOUNTING POLICIES (Continued)

Agency

Mayor's Court

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

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.

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Estimated Resources

Estimated resources include estimates of cash to be received (budget periods) plus cash as of January 1. The County Budget Commission must also approve estimated resources. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to December 31, the Village must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include prior year unencumbered fund balances. However, those fund balances are available for appropriation.

NOTE 1 - ACCOUNTING POLICIES (Continued)

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Property, Plant and Equipment

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

Unpaid Vacation and Personal Time

Employees are entitled to cash payments for unused vacation and personal time in certain circumstances, such as upon leaving employment. Unpaid vacation and personal time are not reflected as liabilities under the basis of accounting used by the Village.

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

Investments

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost, and interest earned is recognized and recorded when received.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

The Village of Morrow maintains a cash and investments pool used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash and Fund Cash Balances" as "Fund Cash Balances by Fund Type". The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 1999 and 1998 was as follows:

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Demand Deposits	<u>\$650,000</u>	<u>\$650,000</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or are otherwise collateralized by the financial institution where the money is on deposit. At December 31, 1999 and 1998, all deposits were insured or collateralized, in compliance with Chapter 135, Ohio Revised Code.

NOTE 3 - BUDGETARY ACTIVITY

For the year ended December 31, 1998, the general fund and special revenue fund had disbursements in excess of appropriations of \$44,869 and \$73,444, respectively. This is not in compliance with Section 5705.41(b), Ohio Revised Code, which states that no subdivision or taxing unit is to expend money unless it has been appropriated.

NOTE 4 - PROPERTY TAX

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by Warren County. 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 semi-annual payment, 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.

NOTE 5 - RISK MANAGEMENT

The Village of Morrow is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Village assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Village has obtained commercial insurance for the following risks:

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

NOTE 6 - LOCAL INCOME TAX

This locally levied tax of 1% is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) who worked in the Village. It also applies to net income of business organizations' earnings conducted within the Village. Income tax receipts credited to the general fund amounted to \$221,385 and \$181,129 in 1999 and 1998, respectively.

NOTE 7 - RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement health care and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999, 1998 and 1997, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages for all three years (\$6,145, \$8,570 and \$8,647, respectively). For 1999, 1998 and 1997, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for all three years (\$25,037, \$28,730 and \$20,344, respectively). The Village has paid all contributions required through December 31, 1999.

NOTE 8 - LONG-TERM DEBT

Long-term debt at December 31, 1999 and 1998 was as follows:

	<u>December 31,</u>	
	1999 <u>(New)</u>	1998 <u>(Retired)</u>
Mortgage Revenue Bonds		
Principal	\$270,000	\$255,000
Interest	<u>37,575</u>	<u>106,320</u>
	<u>\$307,575</u>	<u>\$361,320</u>

The mortgage revenue bonds are designated as "water system first mortgage revenue refunding and improving bonds". The bonds were issued by The National Bank & Trust Company, Wilmington, Ohio, as fully registered bonds in the denomination of \$5,000 each or any multiple thereof. The bonds were dated October 1, 1988 and were retired early at a 2% call premium (\$5,100) in 1999. New bonds were issued in 1999, also as fully registered bonds in the denomination of \$5,000 each or any multiple thereof. The bonds are dated June 1, 1999 and bear interest as stated below:

<u>Due September 1,</u>	<u>Amount</u>	<u>Interest Rate per Annum</u>
2000	\$ 50,000	4.5 %
2001	50,000	4.5
2002	55,000	4.5
2003	55,000	4.5
2004	<u>60,000</u>	4.5
	<u>\$270,000</u>	

The mortgage revenue bonds have interest payable semi-annually on March 1 and September 1, and the principal is not subject to early redemption.

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

<u>Years Ending December 31,</u>	<u>Amount</u>
2000	\$ 62,150
2001	59,900
2002	62,650
2003	60,175
2004	<u>62,700</u>
	<u>\$307,575</u>

OTHER INFORMATION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of Council
Village of Morrow
Morrow, Ohio

We have audited the financial statements of the Village of Morrow as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 29, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Morrow's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village of Morrow's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Morrow's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as follows in Items 1 through 4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described below is a material weakness.

1. The Village maintains fidelity bonds of \$5,000 or less on certain key employees. The bonds are well below the level of cash assets held by the Village and managed by key employees, and would not provide adequate protection for the Village in the event that assets were misappropriated. This is especially important due to limited accounting staff and the lack of segregation of duties. The Village should consider raising its fidelity bond limits to between \$100,000 and \$200,000 in order to provide greater insurance in the event that fraud should occur (repeated from 1997 and 1996 audit).
2. The Village incurred actual disbursements in excess of its appropriations for the general fund and special revenue fund in 1998, in violation of Ohio statute 5705.41(b) of the Ohio Revised Code. If the Village anticipates that its fund disbursements will exceed fund appropriations, it must raise its appropriations by vote of the Village council (repeated from 1997 and 1996 audit).
3. The Village began using automated accounting software in July, 1998, but failed to post its manually recorded activity for the first half of the year. As a result, the receipts and disbursements were misstated. This failure (and other omissions noted below) caused a delay in performing and finalizing the audit. The Village now uses its automated accounting system for all funds but its agency fund, so this problem should not recur.
4. The Village failed to record certain water bond activity in 1998 and 1999, which resulted in the reporting of erroneous cash balances. The Village had previously received outside assistance in recording this activity, which it no longer got in 1998 and 1999. The Village should take the necessary steps to be certain it records all cash activity and that cash balances are properly reported throughout the year.

This report is intended solely for the information and use of the management and Council of the Village of Morrow and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company I nc.

Cincinnati, Ohio
August 29, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
DECEMBER 7, 2000**