



Mary Taylor, CPA
Auditor of State

VILLAGE OF MARENGO
MORROW COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Marengo
Morrow County
P.O. Box 310
Marengo, Ohio 43334-0310

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 1, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Marengo
Morrow County
P.O. Box 310
Marengo, Ohio 43334-0310

To the Village Council:

We have audited the accompanying financial statements of the Village of Marengo, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Marengo, Morrow County, Ohio as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 1, 2010

**VILLAGE OF MARENGO
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 10,331	\$ -	\$ 10,331
Intergovernmental	14,909	18,922	33,831
Fines, Licenses and Permits	2,577	-	2,577
Earnings on Investments	106	-	106
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	27,923	18,922	46,845
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Transportation	-	12,523	12,523
General Government	29,387	4,776	34,163
Capital Outlay	-	210	210
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	29,387	17,509	46,896
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(1,464)	1,413	(51)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Other Financing Sources	16	1,211	1,227
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	16	1,211	1,227
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(1,448)	2,624	1,176
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, January 1	74,567	62,267	136,834
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31	<u>\$ 73,119</u>	<u>\$ 64,891</u>	<u>\$ 138,010</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$ 650</u>	<u>\$ -</u>	<u>\$ 650</u>

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

**MARENGO VILLAGE
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 95,624
Total Operating Cash Receipts	95,624
Operating Cash Disbursements:	
Current:	
Personal Services	19,635
Employee Fringe Benefits	3,034
Contractual Services	8,518
Supplies and Materials	8,802
Total Operating Cash Disbursements	39,989
Operating Income	55,635
Non-Operating Receipts/Disbursements	
Redemption of Principal	(20,682)
Interest and Other Fiscal Charges	(17,706)
Total Non-Operating Receipts/Disbursements	(38,388)
Net Income	17,247
Fund Cash Balance, January 1	123,403
Fund Cash Balance, December 31	\$ 140,650
Reserve for Encumbrances, December 31	\$ 3,044

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

**VILLAGE OF MARENGO
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 10,085	\$ -	\$ 10,085
Intergovernmental	15,628	21,365	36,993
Fines, Licenses and Permits	1,374	-	1,374
Earnings on Investments	3,128	789	3,917
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	30,215	22,154	52,369
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Basic Utility Services	356	-	356
Transportation	-	8,966	8,966
General Government	46,859	4,119	50,978
Capital Outlay	-	1,880	1,880
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	47,215	14,965	62,180
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(17,000)	7,189	(9,811)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Other Financing Sources	256	1,427	1,683
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	256	1,427	1,683
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(16,744)	8,616	(8,128)
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, January 1	91,311	53,651	144,962
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31	<u>\$ 74,567</u>	<u>\$ 62,267</u>	<u>\$ 136,834</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$ 650</u>	<u>\$ -</u>	<u>\$ 650</u>

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

**MARENGO VILLAGE
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 91,283
Total Operating Cash Receipts	91,283
Operating Cash Disbursements:	
Current:	
Personal Services	19,440
Employee Fringe Benefits	6,862
Contractual Services	8,918
Supplies and Materials	17,204
Total Operating Cash Disbursements	52,424
Operating Income	38,859
Non-Operating Receipts/Disbursements	
Special Assessments	469
Redemption of Principal	(19,300)
Interest and Other Fiscal Charges	(18,992)
Total Non-Operating Receipts/Disbursements	(37,823)
Net Income	1,036
Fund Cash Balance, January 1	122,367
Fund Cash Balance, December 31	\$ 123,403
Reserve for Encumbrances, December 31	\$ 3,044

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

**VILLAGE OF MARENGO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 Marengo, Morrow County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities. The Village contracts with the Morrow County Sheriff's department to provide security of persons and property, and contracts with Big Walnut Joint Fire District for fire protection services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

3. Enterprise Fund

This fund accounts 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 Fund:

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

**VILLAGE OF MARENGO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. 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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

E. 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.

2. Equity in Pooled Deposits

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

	<u>2009</u>	<u>2008</u>
Demand deposits	<u>\$278,660</u>	<u>\$260,237</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF MARENGO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,800	\$27,939	\$18,139
Special Revenue	17,400	20,133	2,733
Enterprise	96,058	95,624	(434)
Total	\$123,258	\$143,696	\$20,438

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,547	\$30,037	\$54,510
Special Revenue	78,670	17,509	61,161
Enterprise	225,084	81,421	143,663
Total	\$388,301	\$128,967	\$259,334

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,000	\$30,471	\$15,471
Special Revenue	34,600	23,581	(11,019)
Enterprise	109,500	91,752	(17,748)
Total	\$159,100	\$145,804	(\$13,296)

General	\$112,739	\$47,865	\$64,874
Special Revenue	82,314	14,965	67,349
Enterprise	230,087	93,291	136,796
Total	\$425,140	\$156,121	\$269,019

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.

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.

**VILLAGE OF MARENGO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax (Continued)

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, 2009 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$232,259	7.50%
Total	\$232,259	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$442,008 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$19,826, including interest, over 20 years. The OWDA will adjust the scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

	OWDA Loan		
	Principal	Interest	Total
Year ending December 31:			
2010	\$22,234	\$17,419	\$39,653
2011	23,900	15,752	39,652
2012	25,694	13,028	38,722
2013	27,620	12,032	39,652
2014	29,692	9,960	39,652
2015-2017	103,119	15,840	118,959
Total	\$232,259	\$84,031	\$316,290

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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF MARENGO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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.

8. Related Party Transactions

The Village Mayor is the owner of the local hardware store from which the Village purchases materials and supplies. The Village paid \$9,540 for materials and supplies in 2009 and \$12,719 in 2008.

Additionally, a Village Council member is the owner of a local propane company from which the Village purchases propane. The Village paid \$1,329 and \$2,898 in 2009 and 2008, respectively, for propane from this company.

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Mary Taylor, CPA

Auditor of State

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

Village of Marengo
Morrow County
4442 St Rt 229
Marengo, Ohio 43334

To the Village Council:

We have audited the financial statements of the Village of Marengo, Morrow County, Ohio (the Village) as of and for the years ended December 31, 2009 and December 31, 2008, and have issued our report thereon dated October 1, 2010 wherein we noted 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 also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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, and another deficiency we consider to be a significant deficiency.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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 2009-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 1, 2010.

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



Mary Taylor, CPA
Auditor of State

October 1, 2010

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2009-001

Material Weakness – Financial Statement Adjustments

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information is provided to the readers of the financial statements is complete and accurate.

The following reclassification was made to the December 31, 2009 financial statements:

1. An entry within the General Fund to reclassify \$7,350 of receipts from Property Taxes to Intergovernmental Receipts.

The following audit adjustments were made to the December 31, 2008 financial statements and the Village's accounting records:

1. Adjustments to increase beginning fund balance in the General Fund by \$1,819, the Street Construction Maintenance and Repair Fund by \$1,797, and decrease beginning fund balance in the Sewer Fund by \$3,616.
2. Adjustment to reduce Charges for Services receipts in the Sewer Fund by \$3,231 and reclassify these receipts as Property Taxes in the General Fund.
3. Adjustment to reduce Charges for Services in the Sewer Fund by \$1,374 and reclassify these receipts as Fines Licenses & Permits in the General Fund.

In addition to the adjustments noted above, the following items were inconsequential to the overall financial statements of the Village and were not posted to the December 31, 2009 and 2008 financial statements:

- Entries to post property taxes at the gross amounts, with a corresponding memo expenditure for related fees.
- An entry to reclassify receipts from special assessments to property taxes.

Although the Village has implemented various controls over financial reporting, the need to issue audit adjustments and reclassifications suggests controls may not be effective or may not be operating as management intended.

We recommend the Village analyze controls currently in place over financial reporting and determine that controls are functioning as intended and are adequate to reduce the risk of reporting incomplete or inaccurate financial information within the financial statements.

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002

Significant Deficiency – Council Monitoring

Implementing internal controls is an important responsibility of management. In addition, Council must periodically monitor management's control procedures to verify they are functioning effectively. To serve as informed overseers of the financial reporting process, the Village Council, at minimum, should periodically convene to perform the following functions:

- Review monthly financial reports
- Review monthly reconciliations
- Review the financial statements
- Approve financial transactions
- Assure that audit results are addressed

The members review and approve the monthly bills; however, they do not receive bank reconciliations, monthly financial reports or financial statements.

By not reviewing monthly reports and reconciliations and not being involved in the operations of the Village, errors and irregularities could occur and not be detected in a timely manner.

It is vital that there is Council oversight in an entity that lacks segregation of duties as all accounting functions of the Village are controlled by two individuals. We recommend the Fiscal Officer provide to the Village Council a monthly bank statement, monthly financial reports and financial statements for review and approval. Approval should be indicated by a formal vote in the meeting minutes.

FINDING NUMBER 2009-003

Material Non-Compliance – Prior Certification of Expenditures

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003

Material Non-Compliance – Prior Certification of Expenditures

1. “Then and Now” certificates - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Village.

2. Blanket certificates - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operation expense. This certification is not to extend beyond the current year. More than one so-called “super blanket” certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to the purchase commitment for 61% percent of 2009 expenditures tested and for 87% of 2008 expenditures tested.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Fiscal Officer. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

We did not receive responses from Officials to the findings denoted above.

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Significant Deficiency – Council Monitoring	No	Not corrected; re-issued as Finding 2009-002.
2007-002	Noncompliance Citation – Amending Certificates of Estimated Resources (5705.36)	No	Partially Corrected; re-issued in management letter.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MARENGO

MORROW COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2010**