

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2013 and 2012

GINNY WEST, FISCAL OFFICER



Dave Yost • Auditor of State

Village Council
Village of Marengo
4442 State Route 229
Marengo, Ohio 43334

We have reviewed the *Independent Auditor's Report* of the Village of Marengo, Morrow County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2013. 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 Marengo 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 9, 2014

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**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

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Julian & Grube, Inc.
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Independent Auditor's Report

Village of Marengo
Morrow County
4442 State Route 229
Marengo, Ohio 43334

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Marengo, Morrow County, Ohio, as of and for the years ended December 31, 2013 and 2012.

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 statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village of Marengo'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 of Marengo'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 opinion.

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

As described in Note 1 of the financial statements, the Village of Marengo 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, to satisfy these requirements.

Members of Council and Mayor
Village of Marengo
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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 of Marengo as of December 31, 2013 and 2012, 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 Marengo, Morrow County, Ohio, as of December 31, 2013 and 2012, 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 July 15, 2014, on our consideration of the Village of Marengo'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 of Marengo's internal control over financial reporting and compliance.



Julian & Grube, Inc.
July 15, 2014

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Property and local taxes	\$ 7,010	\$ -	\$ 7,010
Intergovernmental	14,974	20,108	35,082
Fines, licenses, and permits	1,798	-	1,798
Interest	56	-	56
Miscellaneous	620	-	620
Total cash receipts	<u>24,458</u>	<u>20,108</u>	<u>44,566</u>
Cash disbursements:			
Current:			
Transportation	-	14,509	14,509
General government	19,396	5,893	25,289
Capital outlay	-	700	700
Total cash disbursements	<u>19,396</u>	<u>21,102</u>	<u>40,498</u>
Total cash receipts over/(under) cash disbursements	<u>5,062</u>	<u>(994)</u>	<u>4,068</u>
Other financing receipts:			
Other sources	50	-	50
Total other financing receipts	<u>50</u>	<u>-</u>	<u>50</u>
Net change in fund cash balances	5,112	(994)	4,118
Fund cash balances, January 1, 2013	<u>34,069</u>	<u>36,496</u>	<u>70,565</u>
Fund cash balances, December 31, 2013			
Restricted	-	35,502	35,502
Assigned	39,181	-	39,181
Fund cash balances, December 31, 2013	<u>\$ 39,181</u>	<u>\$ 35,502</u>	<u>\$ 74,683</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 90,543
Total operating cash receipts	<u>90,543</u>
Operating cash disbursements:	
Personal services	24,271
Employee fringe benefits	12,441
Contractual services	13,507
Supplies and materials	<u>23,979</u>
Total operating cash disbursements	<u>74,198</u>
Operating income/(loss)	<u>16,345</u>
Nonoperating cash receipts/(disbursements):	
Special assessments	3,075
Other financing sources	16,225
Debt service:	
Principal	(27,621)
Interest	<u>(11,230)</u>
Total nonoperating cash receipts/(disbursements)	<u>(19,551)</u>
Net income/(loss)	(3,206)
Fund cash balances, January 1, 2013	<u>104,298</u>
Fund cash balances, December 31, 2013	<u><u>\$ 101,092</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Property and local taxes	\$ 7,452	\$ -	\$ 7,452
Intergovernmental	14,788	18,696	33,484
Fines, licenses, and permits	1,760	-	1,760
Interest	104	-	104
Total cash receipts	24,104	18,696	42,800
Cash disbursements:			
Current:			
Transportation	-	14,866	14,866
General government	27,684	5,175	32,859
Capital outlay	14,773	1,280	16,053
Total cash disbursements	42,457	21,321	63,778
Total cash receipts over/(under) cash disbursements	(18,353)	(2,625)	(20,978)
Other financing receipts:			
Other sources	100	130	230
Total other financing receipts	100	130	230
Net change in fund cash balances	(18,253)	(2,495)	(20,748)
Fund cash balances, January 1, 2012	52,322	38,991	91,313
Fund cash balances, December 31, 2012			
Restricted	-	36,496	36,496
Assigned	34,069	-	34,069
Fund cash balances, December 31, 2012	\$ 34,069	\$ 36,496	\$ 70,565

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 87,219
Total operating cash receipts	<u>87,219</u>
Operating cash disbursements:	
Personal services	19,943
Employee fringe benefits	7,181
Contractual services	11,022
Supplies and materials	<u>65,299</u>
Total operating cash disbursements	<u>103,445</u>
Operating income/(loss)	<u>(16,226)</u>
Nonoperating cash receipts/(disbursements):	
Special assessments	1,850
Debt service:	
Principal	(25,694)
Interest	<u>(13,029)</u>
Total nonoperating cash receipts/(disbursements)	<u>(36,873)</u>
Net income/(loss)	(53,099)
Fund cash balances, January 1, 2012	<u>157,397</u>
Fund cash balances, December 31, 2012	<u>\$ 104,298</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 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 Big Walnut Joint Fire District to receive 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 Fund:

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

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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 in a timely manner.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Fund Balance

For December 31, 2013, 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**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. 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 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.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

NOTE 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 at December 31 was as follows:

	<u>2013</u>	<u>2012</u>
Demand Deposits	\$ 175,775	\$ 174,863

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

NOTE 3 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

The Village's property tax is unvoted inside millage. The Village has no voted property tax levies.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,000	\$ 24,508	\$ 23,508
Special Revenue	17,000	20,108	3,108
Enterprise	93,000	109,843	16,843
Total	<u>\$ 111,000</u>	<u>\$ 154,459</u>	<u>\$ 43,459</u>

2013 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 60,650	\$ 20,118	\$ 40,532
Special Revenue	42,750	21,314	21,436
Enterprise	178,044	117,757	60,287
Total	<u>\$ 281,444</u>	<u>\$ 159,189</u>	<u>\$ 122,255</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,000	\$ 24,204	\$ 23,204
Special Revenue	16,000	18,826	2,826
Enterprise	93,000	89,069	(3,931)
Total	<u>\$ 110,000</u>	<u>\$ 132,099</u>	<u>\$ 22,099</u>

2012 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 70,650	\$ 43,107	\$ 27,543
Special Revenue	80,250	21,321	58,929
Enterprise	247,513	145,212	102,301
Total	<u>\$ 398,413</u>	<u>\$ 209,640</u>	<u>\$ 188,773</u>

NOTE 5 - DEBT

Debt outstanding at December 31, 2013 is as follows:

2013	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 132,810	7.50%

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 5 - DEBT - (Continued)

Debt transactions for 2013 and 2012 are as follows:

	Balance 12/31/2012	Proceeds	Payments	Balance 12/31/2013
<u>2013</u>				
OWDA	\$ 160,431	\$ -	\$ (27,621)	\$ 132,810
	Balance 12/31/2011	Proceeds	Payments	Balance 12/31/2012
<u>2012</u>				
OWDA	\$ 186,125	\$ -	\$ (25,694)	\$ 160,431

The Village had credit enhancements from OWDA in the amounts of \$802 and \$930, for the years ended December 31, 2013 and 2012, respectively.

The Ohio Water Development Authority (OWDA) loan relates to a water and 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:

Year Ending December 31,	OWDA Loan		
	Principal	Interest	Total
2014	\$ 29,692	\$ 9,960	\$ 39,652
2015	31,920	7,732	39,652
2016	34,312	5,340	39,652
2017	36,886	2,766	39,652
Total	\$ 132,810	\$ 25,798	\$ 158,608

The Village had credit enhancement interest payments in the amounts of \$801 and \$929, respectively, for the years ended December 31, 2013 and 2012.

Under the current payment schedule the loan will be paid in full by December 31, 2017.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 6 - RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

NOTE 7 - RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from the prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011, respectively, which is the latest information available.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 7 - RISK MANAGEMENT - (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	<u>2012</u>	<u>2011</u>
Assets	\$ 13,100,381	\$ 12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Retained Earnings	<u>\$ 6,413,188</u>	<u>\$ 7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

NOTE 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 \$13,794 for materials and supplies in 2013 and \$10,435 in 2012.

Additionally, a Village Council member is the owner of a local fuel distribution company from which the Village purchases fuel. The Village paid \$564 and \$977 in 2013 and 2012, respectively, for fuel from this company.

NOTE 9 - COMPLIANCE

The Village is in noncompliance with Ohio Revised Code Sections 5705.39, 5705.36, 5705.36(A)(4), 5705.41(D) and 9.38.



Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village of Marengo
Morrow County
4442 State Route 229
Marengo, Ohio 43334

To the Members of Council and Mayor:

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 Marengo, Morrow County, Ohio, as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements and have issued our report thereon dated July 15, 2014 wherein we noted the Village of Marengo 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 statements audit, we considered the Village of Marengo's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village of Marengo'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 and responses, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

Members of Council and Mayor
Village of Marengo

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 of Marengo'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 2013-VOM-001 described in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village of Marengo'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 five instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2013-VOM-002, 2013-VOM-003, 2013-VOM-004, 2013-VOM-005 and 2013-VOM-006.

Entity's Response to Findings

The Village of Marengo's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village of Marengo's responses and, accordingly, we express no opinion on them.

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 of Marengo's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village of Marengo's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
July 15, 2014

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2013-VOM-001

Material Weakness - Financial Statement Presentation

The Village had receipts and disbursements that were posted incorrectly according to the Village Handbook and the Ohio Revised Code. Numerous adjustments were made to the financial statements, for the years ended December 31, 2013 and 2012, to properly state receipts and disbursements and fund balances for each year then ended.

The audited financial statements and Village records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, an accounting/consulting firm, the Village Handbook and the Ohio Municipal League and consider obtaining an overall review of the financial statements and notes prior to submitting to the auditor as an additional internal control to help ensure accurate financial reporting.

Client Response: The Fiscal Officer continues to work to provide a sound fiscal environment for the Village and has implemented policies and procedures to help with financial statement presentation.

Finding Number	2013-VOM-002
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Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

At December 31, 2013 and 2012, the total appropriations exceeded the total estimated resources in the following funds:

<u>2013</u> <u>Funds</u>	<u>Appropriations</u>	<u>Estimated</u> <u>Resources</u>	<u>Excess</u>
General	\$ 60,650	\$ 35,069	\$ 25,581

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2013-VOM-002 - (Continued)

<u>2012</u> <u>Funds</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
General	\$ 70,650	\$ 53,322	\$ 17,328
<u>Special Revenue Funds:</u>			
Street Construction, Maintenance and Repair	77,000	52,483	24,517
State Highway	3,250	2,508	742

With appropriations exceeding estimated resources, the Village is appropriating monies that are either not in the Treasury, process of collection or have been properly certified to the Budget Commission, which could cause a fund deficit to occur.

We recommend that the Village comply with the Ohio Revised Code monitoring appropriations so they do not exceed estimated revenue. This may be achieved by monitoring the budget more closely on a continued basis and amending estimated resources or appropriations as necessary.

Client Response: The Village Fiscal Officer will attempt to request amended certificates when deemed necessary.

Finding Number	2013-VOM-003
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Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased amended certificates of estimated resources if the legislative authority intends to appropriate and expend excess revenue.

Throughout the fiscal year the Village had appropriations exceeding estimated resources. Thus, the Village did not request enough amended certificates throughout the year or by fiscal year end upon notice of increased or decreased resources in order to equal or exceed appropriations.

The Village is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the Village review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the Village's appropriation process.

Client Response: The Village Fiscal Officer will attempt to request amended certificates when deemed necessary.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2013-VOM-004

Ohio Revised Code Section 5705.36(A)(4) states that upon a determination by the Fiscal Officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the Fiscal Officer shall certify the amount of the deficiency to the commission and the commission shall certify an amended certificate reflecting the deficiency.

At year end, the Village had appropriations that were greater than actual resources, which consist of actual revenues, beginning fund balance and prior year encumbrances appropriated, in the following funds:

<u>2013</u>	<u>Actual</u>		
<u>Funds</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General	\$ 58,577	\$ 60,650	\$ 2,073
<u>Special Revenue Funds:</u>			
State Highway	2,499	2,750	251

<u>2012</u>	<u>Actual</u>		
<u>Funds</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>			
Street Construction, Maintenance and Repair	\$ 55,325	\$ 77,000	\$ 21,675
State Highway	2,492	3,250	758

By appropriating more funds than actual resources, the Village is at risk of spending more money than is available. This may result in negative fund balances.

We recommend the Village monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State bulletin 97-010.

Client Response: The Village Fiscal Officer will attempt to request amended certificates when deemed necessary.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2013-VOM-005

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Village had 52% and 36% of expenditures that were not timely certified for the years ended December 31, 2013 and December 31, 2012, respectively.

Without timely certification, the Village may expend more funds than available in the Treasury, in the process of collection or in the funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using “Then” and “Now” certificates where applicable.

Client Response: The Village is attempting to use blanket certificates and ‘then and now’ certificates when applicable.

Finding Number	2013-VOM-006
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Ohio Revised Code Section 9.38 requires that deposits of public money be made in a timely manner.

Funds collected for the Sewer Fund were held at the local hardware store and post office for days longer than allowed. In addition, the Village has no depository policy.

As a result, there is a risk of loss from burglary, misplacement, or misappropriation, and the cash is not available for expenditures or investment.

We recommend the Village develop and adopt a depository policy and make an effort to deposit funds in the bank more timely.

Client Response: The Village Fiscal Officer and Mayor will attempt to deposit more timely.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-001	<u>Approving Appropriations and Amendments - Noncompliance Finding and Material Weakness</u> - Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. The Village Council could not provide evidence of 2010 approved appropriation.	Yes	N/A
2011-002	<u>Supporting Documentation - Noncompliance Finding and Significant Deficiency</u> - Ohio Revised Code Section 149.351 states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions. The Village could not provide documentation for certain receipts and disbursements.	Yes	N/A
2011-003	<u>Appropriations Exceeding Estimated and Actual Resources - Noncompliance Finding</u> - Ohio Revised Code Section 5705.39 states that total appropriations from each fund should not exceed total estimated revenue. The Village had appropriations over resources for 2010 and 2011.	No	Repeated as finding 2013-VOM-002

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-004	<u>Certification of Funds - Noncompliance Finding</u> - Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contact or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Village did not certify all funds.	No	Repeated as finding 2013-VOM-005
2011-005	<u>Financial Reporting - Material Weakness</u> - Sound financial reporting is the responsibility of the Village's Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Village had audit adjustments to 2011 and 2010 financial statements.	No	Repeated as finding 2013-VOM-001

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Dave Yost • 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
SEPTEMBER 23, 2014**