

**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

*Financial Statements*  
**(Audited)**

For The Years Ended  
December 31, 2015 and 2014

**HILLARY OSTROM, FISCAL OFFICER**





# Dave Yost • Auditor of State

Village Council  
Village of Marengo  
PO Box 310  
Marengo, OH 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, 2014 through December 31, 2015. 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 21, 2016

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**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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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 of the cash balances, receipts and disbursements by fund type and related notes of the Village of Marengo, Morrow County, Ohio, as of and for the years ended December 31, 2015 and 2014.

***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 (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Marengo as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 12, 2016, 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 12, 2016

**VILLAGE OF MARENGO  
CRAWFORD COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Property and Local taxes	\$ 7,656	\$ -	\$ 7,656
Intergovernmental	18,326	24,548	42,874
Fines, licenses and permits	1,197	-	1,197
Earnings on Investments	11	1	12
Total cash receipts	<u>27,190</u>	<u>24,549</u>	<u>51,739</u>
Cash disbursements:			
Current:			
Transportation	-	20,217	20,217
General government	14,508	5,990	20,498
Capital outlay	-	3,688	3,688
Total cash disbursements	<u>14,508</u>	<u>29,895</u>	<u>44,403</u>
Total cash receipts over/(under) cash disbursements	<u>12,682</u>	<u>(5,346)</u>	<u>7,336</u>
Other financing receipts:			
Other sources	607	93	700
Total other financing receipts	<u>607</u>	<u>93</u>	<u>700</u>
Net change in fund cash balances	13,289	(5,253)	8,036
Fund cash balances, January 1, 2015	<u>44,081</u>	<u>29,524</u>	<u>73,605</u>
Fund cash balances, December 31, 2015			
Restricted	-	24,271	24,271
Unassigned	57,370	-	57,370
Fund cash balances, December 31, 2015	<u>\$ 57,370</u>	<u>\$ 24,271</u>	<u>\$ 81,641</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, 2015

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 93,161
Total operating cash receipts	<u>93,161</u>
Operating cash disbursements:	
Personal services	30,699
Fringe benefits	12,040
Contractual services	5,207
Supplies and materials	37,829
Total operating cash disbursements	<u>85,775</u>
Operating income/(loss)	<u>7,386</u>
Nonoperating cash receipts/(disbursements):	
Debt service:	
Principal	(31,919)
Interest	(7,218)
Other financing sources	1,131
Total nonoperating cash receipts/(disbursements)	<u>(38,006)</u>
Net income/(loss)	(30,620)
Fund cash balances, January 1, 2015	<u>73,099</u>
Fund cash balances, December 31, 2015	<u><u>\$ 42,479</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, 2014

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Property and other taxes	\$ 11,742	\$ -	\$ 11,742
Intergovernmental	13,753	14,384	28,137
Fines, licenses and permits	1,691	-	1,691
Earnings on Investments	16	-	16
Total cash receipts	<u>27,202</u>	<u>14,384</u>	<u>41,586</u>
Cash disbursements:			
Current:			
Transportation	-	13,613	13,613
General government	28,558	6,748	35,306
Total cash disbursements	<u>28,558</u>	<u>20,361</u>	<u>48,919</u>
Total cash receipts over/(under) cash disbursements	<u>(1,356)</u>	<u>(5,977)</u>	<u>(7,333)</u>
Other financing receipts:			
Other sources	6,255	-	6,255
Total other financing receipts	<u>6,255</u>	<u>-</u>	<u>6,255</u>
Net change in fund cash balances	4,899	(5,977)	(1,078)
Fund cash balances, January 1, 2014	<u>39,182</u>	<u>35,501</u>	<u>74,683</u>
Fund cash balances, December 31, 2014			
Restricted	-	29,524	29,524
Unassigned	44,081	-	44,081
Fund cash balances, December 31, 2014	<u>\$ 44,081</u>	<u>\$ 29,524</u>	<u>\$ 73,605</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, 2014

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 87,314
Total operating cash receipts	<u>87,314</u>
Operating cash disbursements:	
Personal services	25,015
Fringe benefits	13,119
Contractual services	14,425
Supplies and materials	24,605
Total operating cash disbursements	<u>77,164</u>
Operating income/(loss)	<u>10,150</u>
Nonoperating cash receipts/(disbursements):	
Intergovernmental	72
Special assessments	774
Debt service:	
Principal	(29,692)
Interest	(9,297)
Total nonoperating cash receipts/(disbursements)	<u>(38,143)</u>
Net income/(loss)	(27,993)
Fund cash balances, January 1, 2014	<u>101,092</u>
Fund cash balances, December 31, 2014	<u>\$ 73,099</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, 2015 AND 2014

**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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. 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 that are restricted to expenditure for specific purposes other than from private-purpose trusts or for capital projects. 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, 2015 AND 2014

**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 re-appropriated. The Village did not encumber all commitments required by Ohio law in a timely manner.

A summary of 2015 and 2014 budgetary activity appears in Note 4.

**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

**E. Fund Balance**

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

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

The Village 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, 2015 AND 2014**

**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>2015</u>	<u>2014</u>
Demand Deposits	\$ 124,120	\$ 146,704

**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, 2015 AND 2014

**NOTE 4 - BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 60,000	\$ 27,797	\$ (32,203)
Special Revenue	48,000	24,642	(23,358)
Enterprise	200,000	94,292	(105,708)
Total	<u>\$ 308,000</u>	<u>\$ 146,731</u>	<u>\$ (161,269)</u>

2015 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,707	\$ 20,516	\$ 25,191
Special Revenue	43,420	37,153	6,267
Enterprise	179,083	147,341	31,742
Total	<u>\$ 268,210</u>	<u>\$ 205,010</u>	<u>\$ 63,200</u>

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 53,682	\$ 33,457	\$ (20,225)
Special Revenue	52,501	14,384	(38,117)
Enterprise	206,592	88,160	(118,432)
Total	<u>\$ 312,775</u>	<u>\$ 136,001</u>	<u>\$ (176,774)</u>

2014 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,722	\$ 29,265	\$ 16,457
Special Revenue	43,012	20,781	22,231
Enterprise	179,708	120,236	59,472
Total	<u>\$ 268,442</u>	<u>\$ 170,282</u>	<u>\$ 98,160</u>

**NOTE 5 - DEBT**

Debt outstanding at December 31, 2015 is as follows:

2015	Principal	Interest Rate
Ohio Water Development Authority	\$ 71,199	7.50%



**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

**NOTE 5 - DEBT - (Continued)**

Debt transactions for 2015 and 2014 are as follows:

	Balance 12/31/2014	Proceeds	Payments	Balance 12/31/2015
<u>2015</u>				
OWDA	\$ 103,118	\$ -	\$ (31,919)	\$ 71,199
	Balance 12/31/2013	Proceeds	Payments	Balance 12/31/2014
<u>2014</u>				
OWDA	\$ 132,810	\$ -	\$ (29,692)	\$ 103,118

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
2016	\$ 34,313	\$ 5,340	\$ 39,653
2017	36,886	2,766	39,652
Total	\$ 71,199	\$ 8,106	\$ 79,305

The Village had credit enhancement interest payments in the amounts of \$516 and \$664, respectively, for the years ended December 31, 2015 and 2014.

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, 2015 AND 2014**

**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 2015 and 2014, 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, 2015.

**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 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from 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 774 and 783 members as of December 31, 2013 and 2014 respectively.

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.

**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 7 - RISK MANAGEMENT - (Continued)**

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014 (the latest information available).

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**NOTE 8 - RELATED PARTY TRANSACTIONS**

The former Village Mayor was the owner of the local hardware store from which the Village purchased materials and supplies. The former Village Mayor left office on March 11, 2015 terminating his status as a party related to the Village. The Village paid \$6,558 for materials and supplies in 2015 and \$5,346 in 2014.

Additionally, a Village Council member is the owner of a local fuel distribution company from which the Village purchases fuel. The Village paid \$999 and \$1,051 in 2015 and 2014, respectively, for fuel from this company.

**NOTE 9 - COMPLIANCE**

The Village is in noncompliance with Ohio Revised Code Sections 5705.41(D), 2941.42(A)(4) 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 cash balances, receipts and disbursements by fund type of the Village of Marengo, Morrow County, Ohio, as of and for the years ended December 31, 2015 and 2014 and the related notes to the financial statements and have issued our report thereon dated July 12, 2016, 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 statement 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2015-001 through 2015-003 to be material weaknesses.

Members of Council and Mayor  
Village of Marengo

***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 statements 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompany schedule of findings and responses as items 2015-004 through 2015-006.

***Village of Marengo'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 12, 2016

**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2015-001
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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, 2015 and 2014, 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	2015-002
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Material Weakness/Noncompliance - Lack of Monitoring

Ohio Administrative Code § 117-2-01 (A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Section (B) defines "Internal control" as a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Reliability of financial reporting;
2. Effectiveness and efficiency of operations;
3. Compliance with applicable laws and regulations; and,
4. Safeguarding of assets.

Subsection (C)(5) provides that internal control consists of the following component, among others: monitoring, which is a process that assesses the quality of internal control performance over time.

**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2015-002 - (Continued)

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management’s objectives are being achieved. Effective monitoring controls assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring controls should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring controls include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual fluctuations;
- Identification of unusual fluctuations;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non-payroll transactions);
- Ensuring that an adequate segregation of duties exists; and,
- Review of monthly bank reconciliations by someone independent of their preparation.

The lack of effective monitoring controls contributed to an environment which allowed for incomplete Sewer revenue records. The Village was unable to locate its manual ledger for the year ending December 31, 2014, and the manual ledger was therefore not available for review during the audit. Alternative procedures were performed.

Furthermore, the lack of effective monitoring controls allowed for errors related to posting transactions and account classifications. Numerous adjustments were made to the financial statements for the years ending December 31, 2014 and December 31, 2015, to properly state financial statement amounts.

In general, the Village’s system of internal control should assist management and those charged with governance to properly account for and monitor the activity of the Village. The present system lacks effective monitoring controls and fails to provide timely and accurate reports to be used by management and those charged with governance.

We recommend the Village take the necessary measures to strengthen its control environment as well as its ability to effectively monitor controls. In addition, we recommend the Village review the financial statements, monthly cash reports, revenue ledgers, disbursement ledgers, and utility reports to help ensure all amounts are properly classified as reported.

**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2015-002 - (Continued)

*Client Response:* The Village will continue to work on strengthening its control structure to eliminate deficiencies and audit adjustments.

Finding Number	2015-003
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Material weakness – Utility Accounts Receivable System

The Village operates an enterprise fund which operates similar to a public enterprise business. The Village bills residents a fixed fee for sanitary services provided. It is critical the Village maintain a system to accurately record and present up to date information on the status of utility accounts receivable. At a minimum, the system should include the ability to:

- Monitor and track delinquent accounts
- Post adjustments to user accounts
- Provide system reports for management and those charged with governance
- Safeguard financial and personal information
- Investigate discrepancies or issues
- Reconcile to the general ledger

The Village currently accounts for this activity manually without the aid of a computerized system.

By using a manual system of tracking all utility-related activity, the Village exposes itself to increased risk of clerical errors or fraud, and is unable to provide management with timely reports to assist with the monitoring of utility activity.

We recommend the Village implement an electronic utility system in order to reduce the risk of error or fraud and provide up to date information for the review and supervision by Village management and those charged with governance.

*Client Response:* The Village is implementing an electronic utility accounts system to improve operation of the enterprise fund.

Finding Number	2015-004
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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.



**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2015-004 - (Continued)

The Village had 36% of expenditures that were not timely certified for the year ended December 31, 2014.

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	2015-005
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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.

Finding Number	2015-006
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Ohio Revised Code Section 2941.42(A)(4) requires no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the Village with the public official is connected.

While serving on Village Council, Earl Bennet, sole owner of Bennet Distributing, made a motion on January 9, 2014 to approve and pay bills, including payments to his company.

**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2015-006 - (Continued)

By allowing members of Council to vote to approve payments to companies which they have a personal interest, the Village risks taking actions that are not in the best interest of the Village and could be in violation of ethics as well as the Ohio Revised Code.

We recommend the Village keep track of the personal financial interest of members of Village Council and members of Council abstain from voting when entering into contracts or approving payments to companies which they are connected to.

*Client Response:* In a Ohio Ethics Commission settlement agreement issued on February 4, 2015, Earl Bennet acknowledges that the Village's purchases of goods and services from Bennet Distributing violated the public contract provision of Ohio Revised Code Section 2921.42(A)(4). Earl Bennet agrees he will no longer vote to pay bills submitted by Bennet Distributing.

**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2013-VOM-001	<u>Material Weakness - Financial Statement Presentation</u> - The Village had receipts and disbursements that were posted incorrectly according to the Village Handbook and the Ohio Revised Code.	No	Repeated as finding 2015-001
2013-VOM-002	Ohio Revised Code Section 5705.39 in part requires that appropriation from each fund should not exceed estimated resources.	Yes	N/A
2013-VOM-003	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.	Yes	N/A
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.	Yes	N/A

**VILLAGE OF MARENGO  
MORROW COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
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.	No	Repeated as finding 2015-004
2013-VOM-006	Ohio Revised Code Section 9.38 requires that deposits of public money be made in a timely manner.	No	Repeated as finding 2015-005



# 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  
OCTOBER 4, 2016**