



**VILLAGE OF MARENGO
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
2nd Floor
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Marengo
Morrow County
4442 State Route 229
PO Box 310
Marengo, Ohio 43334

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, 1999 and December 31, 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2000 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 grants.

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

JIM PETRO
Auditor of State

March 17, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Local Taxes | \$14,224 | \$0 | \$14,224 |
| Intergovernmental Receipts | 17,582 | 25,190 | 42,772 |
| Miscellaneous | 7,739 | 731 | 8,470 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 39,545 | 25,921 | 65,466 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 6,301 | 0 | 6,301 |
| Public Health Services | 76 | 0 | 76 |
| Transportation | 0 | 25,586 | 25,586 |
| General Government | 21,039 | 0 | 21,039 |
| | <hr/> | <hr/> | <hr/> |
| Total Disbursements | 27,416 | 25,586 | 53,002 |
| Total Receipts Over/(Under) Disbursements | 12,129 | 335 | 12,464 |
| Fund cash balances, January 1 | 39,791 | 28,715 | 68,506 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>\$51,920</u> | <u>\$29,050</u> | <u>\$80,970</u> |

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | Enterprise |
|--|-------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$81,972 |
| Total Operating Cash Receipts | 81,972 |
| Operating Cash Disbursements: | |
| Personal Services | 1,938 |
| Contractual Services | 18,000 |
| Supplies and Materials | 17,097 |
| Total Operating Cash Disbursements | 37,035 |
| Operating Income/(Loss) | 44,937 |
| Non-Operating Cash Disbursements: | |
| Debt Service | 39,653 |
| Total Non-Operating Cash Disbursements | 39,653 |
| Net Receipts Over/(Under) Disbursements | 5,284 |
| Fund Cash Balances, January 1 | 21,867 |
| Fund Cash Balances, December 31 | \$27,151 |

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

| | <u>General</u> | <u>Special Revenue</u> | <u>Totals (Memorandum Only)</u> |
|---|------------------------|----------------------------|---|
| Cash Receipts: | | | |
| Local Taxes | \$12,627 | \$0 | \$12,627 |
| Intergovernmental Receipts | 17,234 | 22,882 | 40,116 |
| Miscellaneous | 8,096 | 560 | 8,656 |
| | <u>37,957</u> | <u>23,442</u> | <u>61,399</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 6,294 | 0 | 6,294 |
| Public Health Services | 71 | 0 | 71 |
| Transportation | 0 | 13,078 | 13,078 |
| General Government | 20,830 | 0 | 20,830 |
| | <u>27,195</u> | <u>13,078</u> | <u>40,273</u> |
| Total Receipts Over/(Under) Disbursements | 10,762 | 10,364 | 21,126 |
| Fund cash balances, January 1 | <u>29,029</u> | <u>18,351</u> | <u>47,380</u> |
| Fund Cash Balances, December 31 | <u>\$39,791</u> | <u>\$28,715</u> | <u>\$68,506</u> |

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

| | Enterprise |
|--|-------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$81,634 |
| Miscellaneous | 3,775 |
| Total Operating Cash Receipts | 85,409 |
| Operating Cash Disbursements: | |
| Personal Services | 1,938 |
| Contractual Services | 23,000 |
| Supplies and Materials | 15,686 |
| Total Operating Cash Disbursements | 40,624 |
| Operating Income/(Loss) | 44,785 |
| Non-Operating Cash Disbursements: | |
| Debt Service | 39,653 |
| Total Non-Operating Cash Disbursements | 39,653 |
| Net Receipts Over/(Under) Disbursements | 5,132 |
| Fund Cash Balances, January 1 | 16,735 |
| Fund Cash Balances, December 31 | \$21,867 |

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Marengo, Morrow County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including sewer utilities, street maintenance and repair, and police services. The Village contracts with the Morrow County Sheriff's department to provide security of persons and property.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to 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 to pay 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 that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(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 level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>1999</u> | | <u>1998</u> |
|-----------------|-------------------|----|---------------|
| Demand deposits | \$ <u>108,121</u> | \$ | <u>90,373</u> |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institutions to the Village.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|-----------------|
| General | \$ 34,837 | \$ 39,545 | \$ 4,708 |
| Special Revenue | 21,097 | 25,921 | 4,824 |
| Enterprise | 82,500 | 81,972 | (528) |
| Total | <u>\$ 138,434</u> | <u>\$ 147,438</u> | <u>\$ 9,004</u> |

1999 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|------------------|
| General | \$ 74,555 | \$ 27,416 | \$ 47,139 |
| Special Revenue | 49,761 | 25,586 | 24,175 |
| Enterprise | 104,076 | 76,688 | 27,388 |
| Total | <u>\$ 228,392</u> | <u>\$ 129,690</u> | <u>\$ 98,702</u> |

1998 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|------------------|
| General | \$ 31,201 | \$ 37,957 | \$ 6,756 |
| Special Revenue | 21,228 | 23,442 | 2,214 |
| Enterprise | 84,060 | 85,409 | 1,349 |
| Total | <u>\$ 136,489</u> | <u>\$ 146,808</u> | <u>\$ 10,319</u> |

1998 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|------------------|
| General | \$ 60,229 | \$ 27,195 | \$ 33,034 |
| Special Revenue | 39,578 | 13,078 | 26,500 |
| Enterprise | 100,795 | 80,277 | 20,518 |
| Total | <u>\$ 200,602</u> | <u>\$ 120,550</u> | <u>\$ 80,052</u> |

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

| | Principal | Interest Rate |
|---------------------------------------|------------|------------------|
| Ohio Water Development Authority Loan | \$ 379,477 | 7.50% |

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved \$442,007 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$19,826, including interest, over 25 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by sewer receipts. 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 |
|-----------------------------|--------------|
| 2000 | \$ 19,826 |
| 2001 | 39,653 |
| 2002 | 39,653 |
| 2003 | 39,653 |
| 2004 | 39,653 |
| Subsequent | 515,487 |
| Total | \$ 693,925 |

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. RETIREMENT SYSTEMS

The Village's employees participate in Social Security.

Employees contributed 6.2% of their gross salaries. The Village contributed 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public officials liability

8. RELATED PARTY TRANSACTIONS

The Village Mayor is the owner of the local hardware store from which the Village purchases supplies and materials. The Village paid \$9,724 for these purchases during the audit period. Also, a village council member is the owner of a local propane company from which the Village purchases propane. The Village paid \$1,856 for these purchases during the audit period.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Village of Marengo
Morrow County
4442 State Route 229
PO Box 310
Marengo, Ohio 43334

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, 1999 and December 31, 1998, and have issued our report thereon dated March 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 17, 2000.

This report is intended for the information and use of management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

March 17, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
APRIL 11, 2000**