



**VILLAGE OF MARENGO  
MORROW COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001-2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF MARENGO  
MORROW COUNTY

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
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  
P.O. Box 310  
Marengo, Ohio 43334-0310

To the Village Council:

We have audited the accompanying financial statements of the Village of Marengo, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2001, and December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of Marengo as of December 31, 2001, and December 31, 2000, 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 29, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

**JIM PETRO**  
Auditor of State of Ohio

March 29, 2002

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**VILLAGE OF MARENGO  
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$15,385	\$2,799	\$18,184
Intergovernmental Receipts	19,264	28,612	47,876
Fines, Licenses, and Permits	7,626	0	7,626
Earnings on Investments	1,569	311	1,880
Miscellaneous	1,631	0	1,631
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	45,475	31,722	77,197
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	6,652	0	6,652
Public Health Services	87	0	87
Transportation	0	20,337	20,337
General Government	17,356	0	17,356
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	24,095	20,337	44,432
Total Cash Receipts Over Cash Disbursements	21,380	11,385	32,765
Fund Cash Balances, January 1	61,813	21,415	83,228
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$83,193</u></b>	<b><u>\$32,800</u></b>	<b><u>\$115,993</u></b>

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

VILLAGE OF MARENGO  
MORROW COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$83,726
Miscellaneous	<u>255</u>
Total Operating Cash Receipts	<u>83,981</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	13,472
Contractual Services	5,969
Supplies and Materials	<u>35,498</u>
Total Operating Cash Disbursements	<u>54,939</u>
Operating Income/(Loss)	<u>29,042</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Special Assessments	3,129
Debt Service	<u>(19,826)</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>(16,697)</u>
Net Receipts Over Disbursements	12,345
Fund Cash Balances, January 1	<u>36,495</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$48,840</u></u></b>

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



**VILLAGE OF MAREGNO  
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$14,690	\$2,632	\$17,322
Intergovernmental Receipts	17,898	26,896	44,794
Fines, Licenses, and Permits	5,699	0	5,699
Earnings on Investments	1,171	464	1,635
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	39,458	29,992	69,450
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	6,284	0	6,284
Public Health Services	78	0	78
Transportation	0	37,627	37,627
General Government	23,203	0	23,203
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	29,565	37,627	67,192
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	9,893	(7,635)	2,258
Fund Cash Balances January 1	51,920	29,050	80,970
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$61,813</u></b>	<b><u>\$21,415</u></b>	<b><u>\$83,228</u></b>

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

VILLAGE OF MARENGO  
MORROW COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$84,885</u>
Total Operating Cash Receipts	<u>84,885</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	1,938
Contractual Services	18,000
Supplies and Materials	<u>18,166</u>
Total Operating Cash Disbursements	<u>38,104</u>
Operating Income/(Loss)	<u>46,781</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Special Assessments	2,216
Debt Service	<u>(39,653)</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>(37,437)</u>
Net Receipts Over Disbursements	9,344
Fund Cash Balances, January 1	<u>27,151</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$36,495</b></u>

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

**VILLAGE OF MARENGO  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**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 sewer utilities. The Village contracts with the Morrow County Sheriff's department to provide policing services.

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 Fund**

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 Funds:

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

**3. Enterprise Fund**

This fund accounts for operations that are similar to private business enterprises where management intends 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.

**VILLAGE OF MARENGO  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 and object 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 commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2001 and 2000 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**

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>2001</u>	<u>2000</u>
Demand deposits	\$ 164,833	\$ 119,723
Total deposits	<u>164,833</u>	<u>119,723</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF MARENGO  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001, and December 31, 2000 follows:

**2001 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,058	\$45,475	\$8,417
Special Revenue	35,183	31,722	(3,461)
Enterprise	75,000	87,110	12,110
Total	<u>\$147,241</u>	<u>\$164,307</u>	<u>\$17,066</u>

**2001 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,963	\$24,095	\$53,868
Special Revenue	77,507	20,337	57,170
Enterprise	111,439	74,765	36,674
Total	<u>\$266,909</u>	<u>\$119,197</u>	<u>\$147,712</u>

**2000 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,449	\$39,458	\$5,009
Special Revenue	25,190	29,992	4,802
Enterprise	72,000	87,101	15,101
Total	<u>\$131,639</u>	<u>\$156,551</u>	<u>\$24,912</u>

**2000 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,001	\$29,565	\$59,436
Special Revenue	51,608	37,627	13,981
Enterprise	99,151	77,757	21,394
Total	<u>\$239,760</u>	<u>\$144,949</u>	<u>\$94,811</u>

**VILLAGE OF MARENGO  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$362,487	7.50%
Total	\$362,487	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA loaned \$442,007 to the Village for this project. The loan will be repaid in semiannual installments of \$19,826, including interest, over 25 years. 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
2002	\$39,653
2003	39,653
2004	39,653
2005	39,653
2006	39,653
2007 - 2017	436,182
Total	\$634,447

**VILLAGE OF MARENGO  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. RETIREMENT SYSTEM AND SOCIAL SECURITY**

Certain village employees participate in Social Security. Those employees contributed 6.2% of their gross salaries. The Village also contributed 6.2% of participant's gross salaries. The Village has paid all contributions required through December 31, 2001.

Other village employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

**8. RELATED PARTY TRANSACTIONS**

The Village Mayor is the owner of the local hardware store from which the Village purchases supplies and materials. The Village paid \$1,523 for supplies and materials in 2001 and \$6,399 in 2000. Also, a Village council member is the owner of a local propane company from which the Village purchases propane. The Village paid \$1,560 in 2001 and \$906 in 2000 for propane from this company.

**9. SUBSEQUENT EVENTS**

In December 2001, the Village sold by auction its old village hall building for \$21,000. The sale proceeds, however, were not received by the Village until January 2002.

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

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

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Marengo, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated March 29, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2001-30659-001 and 2001-30659-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 29, 2002.

**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 29, 2002.

Village of Marengo  
Morrow County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**JIM PETRO**  
Auditor of State of Ohio

March 29, 2002

**VILLAGE OF MARENGO**  
**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>2001-30659-001</b>	
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**Prevailing Wages**

Ohio Rev. Code Sections 4115.04 and 4115.05 essentially require an entity to obtain the prevailing wages in their area for the types of labor required to complete the project that they are going to bid before such project is bid and again when the contract is awarded, if the award is made more than 90 days after the original prevailing wage is determined. They then need to make sure that the contractors who are awarded the contracts agree, in the contract, to pay the prevailing wage.

The Village did not require the contractor to agree in the contract to pay prevailing wages for the 2000 road paving project or the 2001 curb/sidewalk replacement project.

We recommend the Village require contractors to agree, in writing, to pay prevailing wages for all contracts involving labor.

<b>2001-30659-002</b>	
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**Revenue Posting**

Ohio Rev. Code Section 5705.09 requires each subdivision to establish a special fund for each special levy. Ohio Rev. Code Section 5705.10 also requires that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made.

Although the Village currently collects taxes from a fire levy approved by the Village residents in 1992, the Village has not established a fire fund. The Village received \$2,632 and \$2,799 of proceeds from the levy in 2000 and 2001, respectively. The Clerk made an adjustment to post these amounts to a special revenue fire fund and that adjustment is reflected in the financial statements.

Since the inception of the levy in 1992, approximately \$22,076 has been generated. The Village spent \$4,650 for the installation of fire hydrants in 1993. Since the Village no longer incurs any expenses relating to providing fire protection services and has not remitted the remaining proceeds from the fire levy to the Big Walnut Fire District, the entity for which the tax was levied. We recommend the Village contact the County Budget Commission and the County Prosecuting Attorney to obtain a ruling on the disposition of these monies and the fire levy from which they are generated.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
JULY 16, 2002**