



Dave Yost • Auditor of State

VILLAGE OF MARENGO
MORROW COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Statement of Receipts, Disbursements, and Change in Fund Balance (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2011	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2010	7
Statement of Receipts, Disbursements, and Change in Fund Balance (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2010.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	26

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Dave Yost • Auditor of State

Village of Marengo
Morrow County
4442 St. Route 229
Marengo, OH 43334

To the Village Council:

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 8, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Marengo
Morrow County
4442 St Route 229
Marengo, OH 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, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Marengo, Morrow County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

February 8, 2013

**VILLAGE OF MARENGO
MORROW COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 10,221	\$ -	\$ 10,221
Intergovernmental	14,221	19,655	33,876
Special Assessments	2,430	-	2,430
Fines, Licenses and Permits	50	-	50
Earnings on Investments	135	-	135
Miscellaneous	1,352	-	1,352
<i>Total Cash Receipts</i>	<u>28,409</u>	<u>19,655</u>	<u>48,064</u>
Cash Disbursements			
Current:			
Security of Persons and Property	-	5,111	5,111
Basic Utility	2,156	-	2,156
Transportation	-	46,157	46,157
General Government	23,827	453	24,280
Capital Outlay	-	4,660	4,660
<i>Total Cash Disbursements</i>	<u>25,983</u>	<u>56,381</u>	<u>82,364</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,426</u>	<u>(36,726)</u>	<u>(34,300)</u>
<i>Fund Cash Balances, January 1</i>	<u>49,896</u>	<u>75,717</u>	<u>125,613</u>
Fund Cash Balances, December 31			
Restricted	-	38,991	38,991
Unassigned (Deficit)	52,322	-	52,322
<i>Fund Cash Balances, December 31</i>	<u>\$ 52,322</u>	<u>\$ 38,991</u>	<u>\$ 91,313</u>

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

VILLAGE OF MARENGO
MORROW COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$ 102,336</u>
<i>Total Operating Cash Receipts</i>	<u>102,336</u>
Operating Cash Disbursements	
Personal Services	19,350
Employee Fringe Benefits	8,122
Contractual Services	15,864
Supplies and Materials	<u>10,809</u>
<i>Total Operating Cash Disbursements</i>	<u>54,145</u>
<i>Operating Income</i>	<u>48,191</u>
Non-Operating Disbursements	
Principal Retirement	(23,901)
Interest and Other Fiscal Charges	<u>(14,702)</u>
<i>Total Non-Operating Disbursements</i>	<u>(38,603)</u>
Net Income	9,588
<i>Fund Cash Balances, January 1</i>	<u>147,809</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 157,397</u></u>

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

**VILLAGE OF MARENGO
MORROW COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 10,351	\$ -	\$ 10,351
Intergovernmental	17,692	21,591	39,283
Special Assessments	6,739	-	6,739
Earnings on Investments	136	-	136
<i>Total Cash Receipts</i>	<u>34,918</u>	<u>21,591</u>	<u>56,509</u>
Cash Disbursements			
Current:			
Security of Persons and Property	8,148	4,863	13,011
Basic Utility Services	1,828	-	1,828
Transportation	-	5,438	5,438
General Government	48,165	464	48,629
<i>Total Cash Disbursements</i>	<u>58,141</u>	<u>10,765</u>	<u>68,906</u>
<i>Total Receipts Over (under) Disbursements</i>	<u>(23,223)</u>	<u>10,826</u>	<u>(12,397)</u>
<i>Fund Cash Balances, January 1</i>	<u>73,119</u>	<u>64,891</u>	<u>138,010</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 49,896</u>	<u>\$ 75,717</u>	<u>\$ 125,613</u>
Reserve for Encumbrances	<u>\$ 650</u>	<u>\$ -</u>	<u>\$ 650</u>

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

**VILLAGE OF MARENGO
MORROW COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 95,206
<i>Total Operating Cash Receipts</i>	95,206
Operating Cash Disbursements	
Personal Services	21,225
Employee Fringe Benefits	11,752
Contractual Services	14,032
Supplies and Materials	2,547
<i>Total Operating Cash Disbursements</i>	49,556
<i>Operating Income</i>	45,650
Non-Operating Disbursements	
Principal Retirement	(22,233)
Interest and Other Fiscal Charges	(16,258)
Total Non-Operating Disbursements	(38,491)
Net Income	7,159
<i>Fund Cash Balances, January 1</i>	140,650
<i>Fund Cash Balances, December 31</i>	\$ 147,809
Reserve for Encumbrances	\$ 3,044

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

**VILLAGE OF MARENGO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Morrow County Sheriff's department provides security of persons and property to the Village. 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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (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.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

E. Fund Balance

For December 31, 2011 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:

**VILLAGE OF MARENGO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

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.

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.

**VILLAGE OF MARENGO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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 and investments at December 31 was as follows:

	2011	2010
Demand deposits	\$248,710	\$273,422

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,050	\$28,409	\$27,359
Special Revenue	16,000	19,655	3,655
Enterprise	93,000	102,336	9,336
Total	\$110,050	\$150,400	\$40,350

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,000	\$26,633	\$43,367
Special Revenue	78,000	56,381	21,619
Enterprise	230,000	95,792	134,208
Total	\$378,000	\$178,806	\$199,194

**VILLAGE OF MARENGO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,800	\$34,918	\$25,118
Special Revenue	17,400	21,591	4,191
Enterprise	96,058	95,206	(852)
Total	\$123,258	\$151,715	\$28,457

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,474	\$58,791	\$22,683
Special Revenue	83,087	10,765	72,322
Enterprise	242,507	91,091	151,416
Total	\$407,068	\$160,647	\$246,421

Contrary to Ohio law, appropriations exceeded estimated resources for 2010 in the Street Construction Fund for \$596, State Highway Fund for \$200, and Sewer Fund for \$5,799 and for 2011 in the General Fund for \$18,468. Also contrary to Ohio law during 2010 appropriations exceeded actual resources in the State Highway and Sewer Funds by \$865 and \$6,651, respectively. Additionally contrary to Ohio law the Village did not receive Council approval of appropriation amendments or submit amended appropriations to the County Budget Commission.

4. Property Tax

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

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. Tangible personal property tax is being phased out – the assessment percentage for all property including inventory will be reduced to zero for 2011.

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

**VILLAGE OF MARENGO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	186,125	7.50%
Total	<u>\$186,125</u>	

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:

	<u>OWDA Loan</u>		
Year ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$25,693.54	\$13,959.34	\$39,652.88
2013	27,620.56	12,032.32	39,652.88
2014	29,692.10	9,960.78	39,652.88
2015	31,919.02	7,733.86	39,652.88
2016	34,312.94	5,339.94	39,652.88
2017	36,886.35	2,766.53	39,652.88
Total	<u>\$186,125</u>	<u>\$51,793</u>	<u>\$237,917</u>

6. Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF MARENGO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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 \$7,745 for materials and supplies in 2011 and \$6,909 in 2010.

Additionally, a Village Council member is the owner of a local propane company from which the Village purchases propane. The Village paid \$206 and \$1,101 in 2011 and 2010, respectively, for propane from this company.

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Dave Yost • Auditor of State

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

Village of Marengo
Morrow County
4442 St Route 229
Marengo, OH 43334

To the Village Council:

We have audited the financial statements of the Village of Marengo, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2011 and December 31, 2010, and have issued our report thereon dated February 8, 2013, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village during 2011 adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We further noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 and 2011-005 described in the accompanying schedule of findings to be material weaknesses.

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 2011-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 8, 2013.

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



Dave Yost
Auditor of State

February 8, 2013

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2011-001

Approving Appropriations and Amendments – Noncompliance Finding and Material Weakness

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. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Ohio Revised Code 5705.39 states that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. Therefore, the failure to submit approved appropriation amendments to the County Budget Commission resulted in ineffective appropriation measures until appropriations were submitted and certifications were obtained.

Additionally, Ohio Revised Code Section 5705.40 states that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

During 2010, the Village Council did not document approval of the 2010 appropriations within their Council minutes. Additionally, changes were made to appropriations with the UAN system, however these appropriation amendments were not approved by Council or the County Budget Commission during the year:

		Appropriation	Final UAN Ledger	Variance
2010:				
1000-790-212-0000	Social Security	\$0	\$100	\$100
1000-790-420-0000	Operating Supplies and Mat.	\$42,724	\$42,624	(\$100)
2011-620-190-0000	Other Personal Services	\$0	\$3,000	\$3,000
2011-620-211-0000	OPERS	\$0	\$420	\$420
2011-620-213-0000	Medicare	\$0	\$50	\$50
2011-800-396-0000	Streets, Highway, Curbs & Sidewalks	\$25,000	\$21,530	(\$3,470)
2021-620-190-0000	Other Personal Services	\$0	\$200	\$200
2021-620-420-0000	Operating Supplies and Materials	\$3,684	\$3,484	(\$200)

Due to a lack of Council approval of the above appropriation amendments, the Village's accounting system appropriations did not reflect appropriations approved by the County Budget Commission on the Appropriation Measure, which required adjustment to the Village's footnotes.

We recommend the Village Council approve all original appropriations and any subsequent appropriation amendments. Additionally original appropriation measures and any increases to appropriations should be submitted to the County Budget Commission for certification. We further recommend the Village Fiscal Officer properly update the UAN system with approved budgetary amounts.

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-002

Supporting Documentation – Noncompliance Finding and Significant Deficiency

Ohio Rev. 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.”

Supporting documentation should be maintained to support all revenue collected by the Village and all expenses incurred by the Village. Such support for receipts should include deposit tickets, detailed as to the makeup of aggregated deposits, matched with the corresponding documentation for the receipts included within the deposit including invoices, duplicate receipts, award/donation letters, and any other relevant supporting documentation. Such support for expenses should include check copies or electronic images, invoices, and any other relevant supporting documentation.

During the audit period, the Village lacked supporting documentation to support 13 receipts totaling \$8,559 and 9 disbursements totaling \$7,616, although alternative procedures were able to be performed to determine proper public purpose of expenditures. Additionally, we noted one sewer receipt posted on 7/31/2011 which had supporting documentation for checks received in the amount of \$2,637. However, the amount posted to the ledgers and deposited was \$2,570 leaving an undeposited and unaccounted for balance of \$67. Furthermore, the Village did not maintain any validated deposit slips for sewer receipts after November 2011.

The failure to maintain adequate support for expenditures could result in a loss of accountability over the Village's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose. The failure to maintain adequate support for receipts could result in a loss of accountability over the Village's finances, inhibiting management's ability to identify errors, misstatements, or theft through monitoring, which may allow such items to go undetected

We recommend the Village ensure proper supporting documentation is maintained for all expenses and receipts. Such documentation should be maintained along with the expenditures and receipts to evidence the details of the goods or services purchased and receipts received by the Village.

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-003

Appropriations Exceeding Estimated and Actual Resources – Noncompliance Finding

Ohio Revised Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

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.

The following funds had final appropriations in excess of final estimated and/or actual resources for 2010:

Fund Number	Fund	Final Estimated Resources	Actual Resources	Final Appropriations	Variance of Est. Resources and Appropriations	Variance of Actual Resources and Appropriations
2011	Street Construction	\$78,807	\$83,663	\$79,403	(\$596)	\$4,260
2021	State Highway	\$3,484	\$2,819	\$3,684	(\$200)	(\$865)
5201	Sewer Fund	\$236,708	\$235,856	\$242,507	(\$5,799)	(\$6,651)

The following funds had final appropriations in excess of final estimated resources for 2011:

Fund Number	Fund	Final Estimated Resources	Final Appropriations	Variance of Est. Resources and Appropriations
1000	General Fund	\$51,532	\$70,000	(\$18,468)

Additionally, Ohio Revised Code Section 5705.36 states on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. The Village did certify the estimated resources to the county auditor. However, the unencumbered balances on the estimated resources certificate that the Village sent to the county auditor were not based on actual unencumbered fund balances.

Failure to appropriately amend estimated resources and appropriations as a result of known revenue deficiencies may result in deficit spending in the Village's funds. This could also result in negative fund balances. A lack of funds may result in the Village being unable to meet its current obligations.

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-003 (Continued)

We recommend the Village implement procedures to monitor estimated and actual revenues and request an amended certificate of estimated resources and reduce appropriations, when necessary, when it becomes evident that estimated sources of revenue will be below projections for the year, and request an amended certificate of estimated resources to properly state the beginning unencumbered balances.

FINDING NUMBER 2011-004

Certification of Funds – Noncompliance Finding

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

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

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

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

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

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

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-004 (Continued)

The Village did not certify the availability of funds prior to the purchase commitment for 100 percent of expenditures tested in 2010 and 96 percent of expenditures tested in 2011 and there was no evidence that the Village followed the aforementioned exceptions.

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

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

FINDING NUMBER 2011-005

Financial Reporting – Material Weakness

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 following audit adjustments were made to the 2011 financial statements and, where applicable, to the Village's accounting records:

1. Reclassification of other financing sources of \$1,402 to miscellaneous receipts for \$1,352 and fines, licenses and permits receipts for \$50 in the General Fund.
2. Reclassification of Vehicle Registration Municipal Permissive Taxes of \$513 from other financing sources to intergovernmental receipts in the Special Revenue Fund Type.
3. Adjustment of cable franchise fees of \$414 from charge for services receipts in the Enterprise Fund to other local taxes in the General Fund.
4. Reclassification of General Fund property and other local taxes of \$3,405 to intergovernmental and special assessment receipts of \$1,541 and \$2,393, respectively, including a gross up of auditor and treasurer fee disbursements of \$529 to general government disbursements.
5. Adjustment to insurance costs from supplies and materials disbursements in the Enterprise Fund to general government disbursements in the General Fund for \$3,186.

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-005 (Continued)

6. Adjustment to reclassify disbursements to the proper funds and codes as follows:
- General Fund:
 1. To basic utility disbursements for \$2,156
 2. From general government disbursements for \$834
 - Special Revenue Fund Type:
 1. To security of persons and property disbursements for \$5,111
 2. To transportation disbursements for \$5,515
 3. From general government disbursements for \$5,074
 4. From capital outlay disbursements for \$5,073
 - Enterprise Fund:
 1. To fringe benefits disbursements for \$1,624
 2. To contractual services disbursements for \$6,236
 3. From supplies and materials disbursements for \$9,664

The following audit adjustments were made to the 2010 financial statements and, where applicable, to the Village's accounting records:

1. Reclassification of Local Government Monies of \$2,271 from other financing sources to intergovernmental receipts in the General Fund.
2. Reclassification of Vehicle Registration Municipal Permissive Taxes of \$1,213 from other financing sources to intergovernmental receipts in the Special Revenue Fund Type.
3. Adjustment of Bureau of Worker's Compensation (BWC) disbursements in the amount of \$4,323 from supplies and materials disbursements in the Enterprise Fund to employee fringe benefits disbursements in the Enterprise Fund for \$2,704, and General Fund and Special Revenue Fund Type general government disbursements of \$1,526 and \$93, respectively.
4. Reclassification of General Fund property and other local taxes of \$12,249 to intergovernmental and special assessment receipts of \$6,293 and \$6,683, respectively, including a gross up of auditor and treasurer fee disbursements of \$727 to general government disbursements.
5. Adjustment of audit costs of \$6,755 from supplies and materials disbursements in the Enterprise Fund to general government disbursements in the General Fund.
6. Adjustment to transportation disbursements in the Special Revenue Fund Type to general government disbursements in the General Fund of \$8,148 for patrol costs.
7. Adjustment to reclassify disbursements to the proper funds and codes as follows:
 1. General Fund:
 1. To basic utility disbursements for \$1,828
 2. From general government disbursements for \$1,243
 2. Special Revenue Fund Type:
 1. To security of persons and property disbursements for \$4,863
 2. From transportation disbursements for \$311
 3. From general government disbursements for \$4,492
 3. Enterprise Fund:
 1. To fringe benefits disbursements for \$3,018
 2. To contractual services disbursements for \$4,637
 3. From supplies and materials disbursements for \$8,300

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-005 (Continued)

The following audit adjustments were not material to the Village's 2010 financial statements and were not made to the Village's accounting records:

1. Reclassification of General Fund intergovernmental receipts to special assessments for \$56.
2. Adjustment to reduce the General Fund reserve for encumbrances for \$637, increase the Special Revenue Fund reserve for encumbrances by \$792 and decrease the Enterprise Fund reserve for encumbrance by \$1,637.
3. Adjustment to reduce opinterest receipts posted to the General Fund that is required to be posted to the Special Revenue Fund Types in the amount of \$38.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Village develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data throughout the year. We also recommend the Village implement additional procedures over the completeness and accuracy of financial information reported within the Village's annual report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

We did not receive Official Responses for the findings denoted above

**VILLAGE OF MARENGO
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Weakness – Financial Statement Adjustments	No	Reissued as Finding 2011 – 005
2009-002	Significant Deficiency – Council Monitoring	No	Partially Corrected - Reissued in the Management Letter
2009-003	Material Non-Compliance – Prior Certification of Expenditures	No	Reissued as Finding 2011 – 004



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
MAY 9, 2013