

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

Financial Statements
(Audited)

For the Year Ended
December 31, 2016



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Marengo, Morrow County, prepared by Julian & Grube, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Marengo is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

September 14, 2018

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**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Marengo, Morrow County, Ohio, as of and for the year ended December 31, 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village of Marengo's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village of Marengo's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Village of Marengo prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Marengo, Morrow County, Ohio, as of December 31, 2016, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the Village of Marengo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Marengo's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 29, 2018

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Property and Other Local Taxes	\$ 7,484	\$ -	\$ 7,484
Intergovernmental	18,817	39,324	58,141
Fines, Licenses and Permits	1,559	-	1,559
Earnings on Investments	10	-	10
Total cash receipts	<u>27,870</u>	<u>39,324</u>	<u>67,194</u>
Cash disbursements:			
Current:			
Public Health Services	800	-	800
Leisure Time Activities	-	32,539	32,539
Transportation	-	9,079	9,079
General Government	32,690	4,877	37,567
Capital Outlay	-	300	300
Total cash disbursements	<u>33,490</u>	<u>46,795</u>	<u>80,285</u>
Excess of receipts over (under) disbursements	<u>(5,620)</u>	<u>(7,471)</u>	<u>(13,091)</u>
Other Financing Receipts (Disbursements):			
Transfers In		12,565	12,565
Transfers Out	(12,565)		(12,565)
Advances In	20,235	20,235	40,470
Advances Out	(20,235)	(20,235)	(40,470)
Other Financing Sources	800	950	1,750
Other Financing Uses	(500)		(500)
Total Other Financing Receipts (Disbursements)	<u>(12,265)</u>	<u>13,515</u>	<u>1,250</u>
Net change in fund cash balances	(17,885)	6,044	(11,841)
Fund cash balances, January 1, 2016	<u>57,370</u>	<u>24,271</u>	<u>81,641</u>
Fund cash balances:			
Restricted	-	30,054	30,054
Committed	-	261	261
Unassigned (Deficit)	39,485	-	39,485
Fund cash balances, December 31, 2016	<u>\$ 39,485</u>	<u>\$ 30,315</u>	<u>\$ 69,800</u>

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

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS) -
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for Services	\$ 91,367
Total operating cash receipts	91,367
Operating cash disbursements:	
Personal Services	33,057
Employee Fringe Benefits	5,904
Contractual Services	6,123
Supplies and Materials	37,076
Total operating cash disbursements	82,160
Operating income (loss)	9,207
Nonoperating cash receipts/(disbursements):	
Special Assessments	12,000
Debt service:	
Principal	(34,313)
Interest	(2,670)
Total nonoperating cash receipts/(disbursements)	(24,983)
Net change in fund cash balances	(15,776)
Fund cash balances, January 1, 2016	42,479
Fund cash balances, December 31, 2016	\$ 26,703

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

Village of Marengo
Morrow County
Notes to Financial Statements
For the year ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Marengo, Morrow County, (the “Village”) as a body corporate and politic. A publicly- elected six-member Council directs the Village. The Village provides sewer utilities. The Village contracts with Big Walnut Joint Fire District to receive fire protection services.

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

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes other than from private-purpose trusts or for capital projects. The Village had the following significant Special Revenue Funds:

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

Parks and Recreation- This fund receives reimbursement of expenses from a grant to construct a park.

Village of Marengo
Morrow County
Notes to Financial Statements
For the year ended December 31, 2016

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

3. Enterprise Fund

This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following Enterprise Fund:

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

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2016 budgetary activity appears in Note 4.

E. Fund Balance

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

1. Nonspendable

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

Village of Marengo
Morrow County
Notes to Financial Statements
For the year ended December 31, 2016

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

2. Restricted

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

3. Committed

The Village can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

G. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village had no investments at year end.

Village of Marengo
Morrow County
Notes to Financial Statements
For the year ended December 31, 2016

NOTE 2 - EQUITY IN POOLED DEPOSITS

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

	<u>2016</u>
Demand Deposits	\$ 96,503

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

NOTE 3 - PROPERTY TAX/INCOME

TAX PROPERTY TAX:

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

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

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

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

The Village's property tax is unvoted inside millage. The Village has 1 voted property tax levies.

INCOME TAX:

Starting December 2016, the Village levied a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Marengo
Morrow County
Notes to Financial Statements
For the year ended December 31, 2016

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budgeted vs. Actual
Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 0	\$ 48,905	\$ 48,905
Special Revenue	0	73,074	73,074
Enterprise	<u>0</u>	<u>103,367</u>	<u>103,367</u>
Total	<u>\$ 0</u>	<u>\$ 225,346</u>	<u>\$ 184,876</u>

2016 Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 81,553	\$ 67,118	\$ 14,435
Special Revenue	85,058	67,105	17,953
Enterprise	<u>209,459</u>	<u>120,477</u>	<u>88,982</u>
Total	<u>\$ 376,070</u>	<u>\$ 254,700</u>	<u>\$ 121,370</u>

Village of Marengo
Morrow County
Notes to Financial Statements
For the year ended December 31, 2016

NOTE 5 - DEBT

Debt outstanding at December 31, 2016 is as follows:

<u>2016</u>	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$ 36,886	7.50%

Debt transactions for 2016 are as follows:

	<u>Balance 12/31/2015</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 12/31/2016</u>
<u>2016</u>				
OWDA	\$ 71,199	\$ -	\$ (34,313)	\$ 36,886

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>Year Ending December 31,</u>	<u>OWDA Loan</u>			
<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
2017	<u>36,886</u>	<u>2,944</u>	<u>39,830</u>	
Total	<u>\$ 36,886</u>	<u>\$ 2,944</u>	<u>\$ 39,830</u>	

The Village had credit enhancement interest payments in the amounts of \$2,492 for the year ended December 31, 2016.

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

NOTE 6 - RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Village of Marengo
Morrow County
Notes to Financial Statements
For the year ended December 31, 2016

NOTE 7 - RISK MANAGEMENT

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Village of Marengo
Morrow County
Notes to Financial Statements
For the year ended December 31, 2016

NOTE 8 - RELATED PARTY TRANSACTIONS

Additionally, a Village Council member is the owner of a local fuel distribution company from which the Village purchases fuel. The Village paid \$224 in 2016 for fuel from this company.

NOTE 9 - COMPLIANCE

The Village is in noncompliance with Ohio Administrative Code Section 117-2-02(C)(1) and Ohio Revised Code Sections 5705.39 and 5075.36.

NOTE 10 – POST EMPLOYMENT BENEFITS

OPERS's offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

To the Members of Council and Mayor:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Marengo, Morrow County, Ohio, as of and for the year ended December 31, 2016 and the related notes to the financial statements and have issued our report thereon dated June 29, 2018, wherein we noted the Village of Marengo followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of Marengo's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village of Marengo's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village of Marengo's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2016-001 through 2016-003 to be material weaknesses.

Members of Council and Mayor
Village of Marengo

Compliance and Other Matters

As part of reasonably assuring whether the Village of Marengo's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2016-002 through 2016-004.

Village of Marengo's Response to Findings

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

Purpose of this Report

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



Julian & Grube, Inc.
June 29, 2018

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

The Village had receipts and disbursements that were posted incorrectly according to the Village Handbook and the Ohio Revised Code. Numerous adjustments were made to the financial statements, for the year ended December 31, 2016, to properly state receipts and disbursements and fund balances for the year then ended.

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

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

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

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

Finding Number	2016-002
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Noncompliance/Material Weakness

Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

The Village had appropriations in excess of estimated resources at December 31, 2016 in the following funds:

<u>Fund (Fund Type)</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General	\$ 57,370	\$ 81,553	\$ 24,183
Parks and Recreation (Special Revenue)	\$ -	\$ 63,300	\$ 63,300
Sewer Operating (Enterprise)	\$ 42,479	\$ 187,030	\$ 144,551

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2016-002 (Continued)

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause disbursements to increase and cause a deficit fund balance.

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

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

Finding Number	2016-003
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Noncompliance/Material Weakness

Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the last certified amended certificate. Ohio Revised Code Section 5705.36 also requires the Village to certify the proper unencumbered beginning balances to the County Auditor on or about the first of each fiscal year.

The Village did not pass original or amended certificates of estimated resources throughout the year ended December 31, 2016 upon notice of increased or decreased resources.

The Village is not properly certifying its most current estimated resources, including the correct unencumbered balances, to the appropriate authorities and thus causing appropriations to exceed estimated resources, throughout the year ended December 31, 2016.

We recommend that the Village consult the Ohio Compliance Supplement, the Village Officer’s Manual, and its auditors to ensure that Village fund balances agree to audited reports. Furthermore, we recommend the Village review the unencumbered balances per its accounting system to ensure the proper estimated resources are certified. This will facilitate the Village’s appropriation process.

Client Response: The Village will certify resources to the county timely, and correctly, and update if applicable throughout the year.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2016-004

Noncompliance

Ohio Administrative Code Section 117-2-02(C)(1) requires local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Village's UAN system included estimated resources that were not legal since they were not approved by Village Council or the County for the year ended December 31, 2016.

Lack of approved estimated resources within the Village's accounting system hinders the Village's ability to effectively budget and monitor activity related to the budget.

We recommend that Village adopt procedures for accurately tracking and integrating their County Budget Commission approved estimated resources within their UAN system to effectively monitor their budget throughout the year.

Client Response: The Village will properly track their budgetary measures during the year as required.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2015-001	2011	<u>Material Weakness - Financial Statement Presentation</u> - The Village had receipts and disbursements that were posted incorrectly according to the Village Handbook and the Ohio Revised Code.	No	Repeated as finding 2016-001
2015-002	2014	<u>Material Weakness/Noncompliance – Lack of Monitoring</u> Ohio Administrative Code § 117-2-01 (A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.	Fully Corrected	N/A
2015-03	2014	<u>Material weakness – Utility Accounts Receivable System</u> – The Village utilizes a manual system for tracking utility accounts receivable which could exposes itself to increased risk of clerical errors or fraud, and is unable to provide management with timely reports to assist with the monitoring of utility activity.	Fully Corrected	N/A
2015-004	2011	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Funds collected for the sewer fund were held at a local hardware store and post office for days longer than allowed.	Fully Corrected	N/A
2015-005	2014	Ohio Revised Code Section 9.38 requires that deposits of public money be made in a timely manner. The Village had 36% of 2014 expenditures that were not timely certified.	Fully Corrected	N/A
2015-006	2014	Ohio Revised Code Section 2941.42(A)(4) requires no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the Village with the public official is connected. A council member approved to pay bills to his solely owned company	Fully Corrected	N/A



Dave Yost • Auditor of State

VILLAGE OF MARENGO

MORROW COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 27, 2018