

VILLAGE OF MARENGO
MORROW COUNTY, OHIO

REGULAR AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2021 & 2020



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Members of Council and Mayor
 Village of Marengo
 PO Box 310
 Marengo, OH 43334-0310

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, 2020 through December 31, 2021. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery – Repaid Under Audit

Ohio Rev. Code § 731.13 provides, in part, the legislative authority of a Village shall fix the compensation of all officers, clerks, and employees of the Village except as otherwise provided by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed.

Village Council approved to increase the salary for Council members by \$25 per month at its March 10, 2021 meeting. Of note, the vote on the increase resulted in a tie, which was subsequently broken by Mayor Whited. This approval increased the monthly salary from the previously-approved \$25 per month that was in effect at the beginning of Council members’ term to \$50 per month. This resulted in the following individuals receiving unallowable in-term increases:

<u>Council Member Name</u>	<u>Term</u>	<u>Amount of In-Term increase</u>
Robert Beck	January 1, 2020- December 31, 2023	\$484
Rick Caldwell	January 1, 2018- December 31, 2021 (Appointed July 11, 2018)	\$242
Ron Margraff	January 1, 2020-December 31, 2023 (Appointed February 10, 2021)	\$458
Ronda Siegfried	January 1, 2018- December 31, 2021 (Appointed July 8, 2020)	\$242

Medicare and OPERS contributions paid by the Village on the Council members’ behalf were included in the calculated amounts.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Council members Robert Beck, Rick Caldwell, Ron Margraff and Ronda Siegfried in the amounts of \$484, \$242, \$458, and \$242, respectively, and in favor of the Village of Marengo General Fund.

On November 10, 2022, Ms. Ronda Siegfried and Mr. Robert Beck repaid the amounts of \$242 and \$484, respectively, via check. On November 21, 2022, Mr. Margraff repaid \$458 via check. On November 29, 2022, \$242 was paid on behalf of Mr. Rick Caldwell via check. As a result of these payments, the overpayment amounts listed above have been repaid in full and the Finding for Recovery is considered to be repaid under audit.

This matter involving members of the Village Council approving and accepting in-term increases in compensation will be referred to the Ohio Ethics Commission for any action they deem necessary.

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.



Keith Faber
Auditor of State
Columbus, Ohio

December 22, 2022

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

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Independent Auditor's Report

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

To the Members of the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type of the Village of Marengo, Morrow County, Ohio, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts, and disbursements for each governmental and proprietary fund type of the Village of Marengo, as of and for the years ended December 31, 2021 and 2020 in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) as described in Note 2.

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*” section of our report, the accompanying 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, 2021 and 2020, or changes in financial position, and cash flows thereof for the years then ended.

Basis for Opinions

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. Our responsibilities under those standards are further described in the “*Auditor's Responsibilities for the Audit of the Financial Statements*” section of our report. We are required to be independent of the Village of Marengo and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village of Marengo on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), to meet the requirements of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

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(C) permit. Our opinion on this accounting basis is in the "*Unmodified Opinion on Regulatory Basis of Accounting*" paragraph above.

Emphasis of Matter

As described in Note 12 and Note 11 to the financial statements for the years ended December 31, 2021 and 2020, respectively, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village of Marengo. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Marengo's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Marengo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Marengo's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022 on our consideration of the Village of Marengo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Marengo's 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.
November 18, 2022

Village of Marengo, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$18,079	\$0	\$18,079
Municipal Income Tax	100,714	0	100,714
Intergovernmental	15,386	42,209	57,595
Fines, Licenses and Permits	29,273	0	29,273
Earnings on Investments	23	0	23
Miscellaneous	0	3,400	3,400
<i>Total Cash Receipts</i>	<u>163,475</u>	<u>45,609</u>	<u>209,084</u>
Cash Disbursements			
Current:			
Public Health Services	6,000	0	6,000
Leisure Time Activities	63	8,770	8,833
Community Environment	3,573	0	3,573
Transportation	0	12,589	12,589
General Government	38,127	5,166	43,293
Capital Outlay	1,180	54,841	56,021
<i>Total Cash Disbursements</i>	<u>48,943</u>	<u>81,366</u>	<u>130,309</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>114,532</u>	<u>(35,757)</u>	<u>78,775</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	50,411	50,411
Transfers Out	(50,411)	0	(50,411)
Advances In	0	19,264	19,264
Advances Out	(19,264)	0	(19,264)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(69,675)</u>	<u>69,675</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	44,857	33,918	78,775
<i>Fund Cash Balances, January 1</i>	<u>266,613</u>	<u>39,879</u>	<u>306,492</u>
<i>Fund Cash Balances, December 31</i>	<u>\$311,470</u>	<u>\$73,797</u>	<u>\$385,267</u>

See accompanying notes to the financial statements

Village of Marengo, Ohio
Morrow County
Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2021

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$100,302
<i>Total Operating Cash Receipts</i>	<i>100,302</i>
Operating Cash Disbursements	
Personal Services	32,893
Employee Fringe Benefits	5,655
Contractual Services	15,084
Supplies and Materials	18,639
<i>Total Operating Cash Disbursements</i>	<i>72,271</i>
<i>Operating Income (Loss)</i>	<i>28,031</i>
Non-Operating Receipts (Disbursements)	
Special Assessments	9,096
Capital Outlay	(16,000)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(6,904)</i>
<i>Net Change in Fund Cash Balances</i>	<i>21,127</i>
<i>Fund Cash Balances, January 1</i>	<i>35,562</i>
<i>Fund Cash Balances, December 31</i>	<i>\$56,689</i>

See accompanying notes to the financial statements

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The Village of Marengo (the Village), Morrow County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and park operations. The Village has an agreement with Big Walnut Joint Fire District to receive fire protection services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 to the financial statements provide additional information for this entity. The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Parks and Recreation Fund The parks and recreation fund accounts for and reports donations and general fund transfers that are committed to fund construction and maintenance of the park.

Coronavirus Relief Fund The Coronavirus Relief Fund accounts for and reports money granted through the State of Ohio and was primarily sub-granted to the Big Walnut Joint Fire District and restricted for expenses related to COVID.

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Enterprise Funds These funds account 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 Operating Fund The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

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 (C). 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 (C) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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.

A summary of 2021 budgetary activity appears in Note 4.

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.

Capital Assets

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, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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:

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

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

The Village had appropriations in excess of estimated resources in noncompliance with Ohio Revised Code Section 5705.39.

The Village did not amend certificates in noncompliance with Ohio Revised Code Section 5705.36.

The Village did not properly deposit public money in noncompliance with Ohio Revised Code Section 9.38.

The Village did not establish a separate fund in 2021 for the Local Fiscal Recovery monies in noncompliance with Ohio Revised Code Section 5705.09(F).

The Village did not properly utilize purchase orders in noncompliance with Ohio Revised Code Section 5705.41(D).

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$149,000	\$163,475	\$14,475
Special Revenue	77,400	115,284	37,884
Enterprise	95,000	109,398	14,398
Total	\$321,400	\$388,157	\$66,757

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$146,693	\$121,962	\$24,731
Special Revenue	105,999	81,778	24,221
Enterprise	98,823	90,090	8,733
Total	\$351,515	\$293,830	\$57,685

Note 5 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

Demand deposits	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">2021</td> </tr> <tr> <td style="text-align: right;">\$441,956</td> </tr> </table>	2021	\$441,956
2021			
\$441,956			

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Village is holding \$1,972 in unremitted employee payroll withholdings. These amounts were remitted in January 2022.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Income Taxes

The Village levies a municipal income tax of one 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.

The Village contracts with the Regional Income Tax Agency to collect local income taxes and to pursue delinquent taxpayers. Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village 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.

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed ten percent of their gross salaries, and the Village contributed an amount equaling fourteen percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Social Security

The Village Council and Mayor contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries.

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Postemployment Benefits

OPERS 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$ 3,344	\$ 412	\$ 3,756
<i>Total</i>	\$3,344	\$412	\$3,756

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12– COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Interfund Balances

Outstanding advances at December 31, 2021, consisted of \$19,264 advanced to the Parks and Recreation Fund (Special Revenue Fund Type) to provide working capital for a park project.

*Village of Marengo, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$14,796	\$0	\$14,796
Municipal Income Tax	80,456	0	80,456
Intergovernmental	22,875	63,151	86,026
Fines, Licenses and Permits	30,157	0	30,157
Earnings on Investments	28	0	28
<i>Total Cash Receipts</i>	<u>148,312</u>	<u>63,151</u>	<u>211,463</u>
Cash Disbursements			
Current:			
Security of Persons and Property	0	25,001	25,001
Public Health Services	2,770	0	2,770
Leisure Time Activities	0	1,698	1,698
Community Environment	3,618	0	3,618
Transportation	0	4,561	4,561
General Government	42,290	5,493	47,783
Capital Outlay	0	12,879	12,879
<i>Total Cash Disbursements</i>	<u>48,678</u>	<u>49,632</u>	<u>98,310</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>99,634</u>	<u>13,519</u>	<u>113,153</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	1,500	1,500
Transfers Out	(1,500)	0	(1,500)
Other Financing Sources	1,100	0	1,100
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(400)</u>	<u>1,500</u>	<u>1,100</u>
<i>Net Change in Fund Cash Balances</i>	99,234	15,019	114,253
<i>Fund Cash Balances, January 1</i>	<u>167,379</u>	<u>24,860</u>	<u>192,239</u>
<i>Fund Cash Balances, December 31</i>	<u>\$266,613</u>	<u>\$39,879</u>	<u>\$306,492</u>

See accompanying notes to the financial statements

Village of Marengo, Ohio
Morrow County
Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2020

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$86,248
<i>Total Operating Cash Receipts</i>	86,248
Operating Cash Disbursements	
Personal Services	36,176
Employee Fringe Benefits	6,052
Contractual Services	8,960
Supplies and Materials	30,890
<i>Total Operating Cash Disbursements</i>	82,078
<i>Operating Income (Loss)</i>	4,170
Non-Operating Receipts (Disbursements)	
Special Assessments	6,472
<i>Total Non-Operating Receipts (Disbursements)</i>	6,472
<i>Net Change in Fund Cash Balances</i>	10,642
<i>Fund Cash Balances, January 1</i>	24,920
<i>Fund Cash Balances, December 31</i>	\$35,562

See accompanying notes to the financial statements

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of Marengo (the Village), Morrow County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and park operations. The Village has an agreement with Big Walnut Joint Fire District to receive fire protection services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 to the financial statements provide additional information for this entity. The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Parks and Recreation Fund The parks and recreation fund accounts for and reports donations and general fund transfers that are committed to fund construction and maintenance of the park.

Coronavirus Relief Fund The Coronavirus Relief Fund accounts for and reports money granted through the State of Ohio and was primarily sub-granted to the Big Walnut Joint Fire District and restricted for expenses related to COVID.

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Enterprise Funds These funds account 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 Operating Fund The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

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 (C). 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 (C) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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.

A summary of 2020 budgetary activity appears in Note 4.

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.

Capital Assets

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, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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:

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

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Note 3 – Compliance

The Village did not properly deposit public money in noncompliance with Ohio Revised Code Section 9.38.

The Village did not properly utilize purchase orders in noncompliance with Ohio Revised Code Section 5705.41(D).

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$125,210	\$149,412	\$24,202
Special Revenue	74,751	64,651	(10,100)
Enterprise	89,000	92,720	3,720
Total	\$288,961	\$306,783	\$17,822

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,338	\$50,253	\$32,085
Special Revenue	79,982	49,632	30,350
Enterprise	95,202	82,320	12,882
Total	\$257,522	\$182,205	\$75,317

Note 5 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

Demand deposits	2020 \$342,054
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The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Village is holding \$317 in unremitted employee payroll withholdings. These amounts were remitted in January of 2021.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Income Taxes

The Village levies a municipal income tax of one 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.

The Village contracts with the Regional Income Tax Agency to collect local income taxes and to pursue delinquent taxpayers. Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village 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.

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM’s property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>(13,530,267)</u>
Members’ Equity	<u>\$ 5,296,707</u>

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed ten percent of their gross salaries, and the Village contributed an amount equaling fourteen percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2020.

Social Security

The Village Council and Mayor contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village paid all contributions required through December 31, 2020.

Village of Marengo, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Postemployment Benefits

OPERS 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 10 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Total
Outstanding Encumbrances	\$ 75	\$ 75
<i>Total</i>	\$75	\$75

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 11– COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

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

To the Members of the Village Council:

We have audited, in accordance with the 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, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type of the Village of Marengo, Morrow County, Ohio, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements and have issued our report thereon dated November 18, 2022, wherein we noted as described in Note 2 to the financial statements, the Village of Marengo followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Furthermore, we noted as described in Note 12 and Note 11 to the financial statements for the years ended December 31, 2021 and 2020, respectively, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Marengo's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Marengo's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Marengo's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. 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 of Marengo's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 through 2021-006 that we consider to be material weaknesses.

Village of Marengo

Morrow County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Marengo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-001, 2021-002, and 2021-004 through 2021-006.

Village of Marengo's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village of Marengo's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Village of Marengo's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Marengo's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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.

November 18, 2022

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021 AND 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2021-001

Material Weakness/Noncompliance

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 for the year ending December 31, 2021 in the following fund:

<u>Fund Type/Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Fund:</u>			
Parks and Recreation Fund	\$ 13,718	\$ 34,699	\$ 20,981

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 expenditures 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 will continue to attempt to modify appropriations and amended certificates in an efficient and accurate manner.

Finding Number	2021-002
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Material Weakness/Noncompliance

Ohio Revised Code Section 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. Furthermore, it requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected be greater or less than the amount in the last certified amended certificate.

The Village did not request enough amended certificates throughout the year ended December 31, 2021 upon notice of increased or decreased resources.

By not timely amending its certificate of estimated resources to the County Auditor, the Village is basing appropriation and expenditure decisions on outdated information.

We recommend the Village consult the Ohio Compliance Supplement, the Village's Manual and its auditors. We further recommend the Village file amended certificates as necessary throughout the year. This will facilitate the Village's appropriation process.

Client Response: The Village is attempting to monitor the budget more closely.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021 AND 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2021-003

Material Weakness - Financial Statement Presentation

Management is responsible for preparing complete and accurate financial statements in accordance with the applicable financial reporting framework. Control and monitoring activities typically associated with the period-end financial reporting process include reviewing and approving manual journal entries, consolidating entries, and any entries that are recorded directly to the financial statements. For the Village, this could also include reviewing the year-end UAN reports to ensure activity is reported in the correct line items.

Adjustments were made to the financial statements to properly record significant transactions during the audit period.

- During 2021, the Village improperly recorded \$3,400 of donations as Charges for Services receipts in the Parks and Recreation Fund (Special Revenue Fund Type). The amounts should have been recorded as Miscellaneous receipts.
- During 2021, the Village improperly recorded \$4,500 of tree removal services as Capital Outlay disbursements in the Street Construction Maintenance and Repair Fund (Special Revenue Fund Type). The amounts should have been recorded as Transportation disbursements.
- During 2021, the Village improperly recorded \$19,264 of transfers from the General Fund to the Parks and Recreation Fund (Special Revenue Fund Type). The amounts should have been recorded as Advances.

The financial statements and notes have been adjusted to properly report the activity.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Village’s activity.

We recommend the Village design and implement additional procedures to facilitate more accurate and detailed financial reporting. The Village should consider having an outside third-party, or Council member with financial experience, review the financial report prior to filing in the Hinkle System. Further, the Village should reach out to its auditor throughout the year if questions arise on how to properly account for receipts or disbursements.

Client Response: The Village will closely monitor all transactions to ensure accurate financial reporting in the future.

Finding Number	2021-004
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Material Weakness/Noncompliance – Receipts

When designing the public office’s system of internal control and the specific control activities, management should:

- Ensure that all transactions are properly authorized in accordance with management’s policies
- Ensure that accounting records are properly designed
- Ensure adequate security of assets and records
- Plan for adequate segregation of duties or compensating controls

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021 AND 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2021-004 – (continued)

- Perform analytical procedures to determine the reasonableness of financial data
- Ensure the collection and compilation of that data needed for the timely preparation of financial statements
- Receipts should include all supporting documentation to provide additional information for any receipts deposited
- Receipts should include indication of when received and when deposited to ensure timely deposit of funds

Ohio Revised Code Section 9.38 details the requirements for the deposits of public money. Public money must be deposited with the Fiscal Officer or to a designated depository on the business day following the day of receipt. Public money must be deposited by the first business day following the date of receipt. If the amount of the daily receipt does not exceed \$1,000 and the receipts can be safeguarded, the Village may adopt a policy by the governing board permitting those that receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it.

During 2021 and 2020, the Village approved to provide utility customers a \$5 discount if they paid by the 15th of the subsequent month. There was no indication of when the receipt was received by the Village on any receipt to determine if funds were received prior to the due date, deposited timely, or if the discount was properly applied.

Lack of a detailed system to track all receipts, ensure monies received are deposited timely, and clearly evident if discounts should be applied could cause the Village to not collect the proper amounts due and/or could leave Village assets at risk.

To ensure proper receipt of public monies, Village management should review the Ohio Revised Code and consider additional internal procedures to help ensure clear evidence that each deposit maintains all supporting information and identifies the date received and the date deposited. If a delay in deposit is common, the Village should develop a detailed policy to permit such delay and the requirements of the safe keeping of the deposits until moneys are deposited into a Village financial institution. We further recommend the Village develop internal controls to ensure all receipts and supporting documentation is maintained in an organized fashion.

Client Response: The Village Fiscal Officer will develop a more through and organized system for receipts and make deposits more frequently.

Finding Number	2021-005
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Material Weakness/Noncompliance – Disbursements/Purchase Orders

When designing the public office’s system of internal control and the specific control activities, management should:

- Ensure that all transactions are properly authorized in accordance with management’s policies
- Ensure that accounting records are properly designed
- Ensure adequate security of assets and records
- Plan for adequate segregation of duties or compensating controls
- Perform analytical procedures to determine the reasonableness of financial data
- Ensure the collection and compilation of that data needed for the timely preparation of financial statements
- Payments should be absent of any late penalties or interest accrued due to late payments
- Records should include all support for the payment secured to the voucher and organized in a chronological order

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021 AND 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2021-005 – (continued)

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.

In addition, amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 expenditures by the taxing authority.

Purchase Orders:

During 2020 and 2021, it was noted that various purchase orders were not properly authorized (signed) by the Fiscal Officer. The Village had 24% of expenditures that were not timely certified in 2020 and 22% of expenditures that were not timely certified in 2021. Additionally, a significant amount of then and now certificates were utilized during the audit period.

Detailed Receipts for Credit Card Payments:

The Village was unable to provide detailed receipts for 2021 in the combined amount of \$564 for charges on the Village credit cards. The Village's credit card policy, while not compliant with House Bill 312, requires invoice documentation for purchases.

Disbursements:

The Village disbursements were not maintained in an orderly fashion (ie. check order number) and certain disbursements lacked supporting invoices and correlating purchase orders upon initial review.

Lack of authorized purchases orders (ie. not signed) was not detected in a timely manner by the Village's internal controls and represents a material weakness in the Village's internal control environment. Without timely certification, or a properly executed "then and now" certificate, the Village may expend more money than available in the Treasury, in the process of collections or in the funds appropriated. It may also result in unnecessary purchases. The "then and now" certificate exception provides that if the fiscal officer can certify that both at the time that the contract or order was made and at the time they are completing their certification, 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 taxing authority can authorize the drawing of a warrant. The certificate should be used only in emergency situations and excessive use of the certificate could indicate inadequate planning and/or budgeting deficiencies. Further, lack of requiring detailed receipts for credit cards and lack of an organized system for disbursements could facilitate improper use of Village funds and untimely detection of misuse.

We recommend the Village management review the Ohio Revised Code and perform a more detailed review of purchases before they are made to help ensure all supporting documentation is maintained. We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. This would be evidenced by properly signed purchase orders. In addition, expenditures that are not timely certified and exceed \$3,000 should have a properly executed "then and now" certificate approved by Village Council. It is recommended the Village certify the availability of funds prior to entering into contract, or otherwise committing funds, and to only use "then and now" certificates when emergency situations exist.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021 AND 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2021-005 – (continued)

We further recommend the Village develop internal controls to ensure all payments are presented and approved with original supporting documentation, including purchase orders, invoice, and detailed receipts (if applicable).

Client Response: The Village Fiscal Officer will develop a more through and organized system for disbursements and purchase orders.

Finding Number	2021-006
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Material Weakness/Noncompliance – Establishment of Funds

Ohio Revised Code Section 5705.09(F) requires a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

The Village did not establish a separate fund in 2021 for the Local Fiscal Recovery monies.

By not establishing a separate fund, the Village is in noncompliance with the Ohio Revised Code and guidance put forth by the federal government and Ohio Auditor of State. It additionally provides for difficulty in segregating allowable costs.

We recommend that the Village properly establish separate funds in their UAN accounting system when required. Additional guidance can be found on the Ohio Auditor of State website.

Client Response: The Village Fiscal Officer will create a new fund as required in the future.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021 AND 2020**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2019-001	2016	<u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources. The Village had funds whose appropriations exceeded estimated resources.	Not Corrected	Finding repeated as 2021-001 as appropriations exceeded estimated resources for a certain fund.
2019-002	2016	<u>Material Weakness/Noncompliance</u> - 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. The Village did not timely amend its certificates.	Not Corrected	Finding repeated as 2021-002 as certificate of estimated resources were not timely amended.
2019-003	2017	<u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. The Village had disbursements exceeding appropriations.	Corrective Action Taken and Finding is Fully Corrected	N/A
2019-004	2009	<u>Material Weakness</u> - Financial Statement Presentation - The Village had receipts and disbursements that were posted incorrectly according to the Village Handbook and the Ohio Revised Code.	Not Corrected	Finding repeated as 2021-003 certain adjustments were made to the audited financial statements.

**VILLAGE OF MARENGO
MORROW COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021 AND 2020**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2019-005	2019	<u>Material Weakness/Noncompliance CDBG On-Behalf Payments - Ohio Rev. Code § 5705.42</u> states when the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision. The Village did not record on-behalf payments/receipts.	Corrective Action Taken and Finding is Fully Corrected	N/A
2019-006	2017	<u>Material Weakness/Noncompliance - Ohio Revised Code Section 5705.40</u> outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in developing the original appropriations. The Village did not properly modify appropriations.	Corrective Action Taken and Finding is Fully Corrected	N/A
2019-007	2017	<u>Noncompliance - Ohio Revised Code Section 5705.36 (A)(4)</u> 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 Village had appropriations exceeding actual revenues.	Corrective Action Taken and Finding is Fully Corrected	N/A

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MARENGO

MORROW COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/3/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov