



**Auditor of State
Betty Montgomery**

VILLAGE OF VERONA
PREBLE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Verona
Preble County
100 West Main Street
P.O. Box 676
Verona, Ohio 45378

To the Village Council:

We have audited the accompanying financial statements of the Village of Verona, Preble County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2003, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 12, 2003

**VILLAGE OF VERONA
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$16,978	\$18,463	\$35,441
Intergovernmental Receipts	77,577	21,636	99,213
Charges for Services	3,865	49,723	53,588
Fines, Licenses, and Permits	1,570		1,570
Earnings on Investments	6,802	2,798	9,600
Miscellaneous	2,528		2,528
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	109,320	92,620	201,940
Cash Disbursements:			
Current:			
Security of Persons and Property	42,221	25,321	67,542
Leisure Time Activities	7,228		7,228
Community Environment	852		852
Basic Utility Services	4,218		4,218
Transportation		19,437	19,437
General Government	29,209	2,839	32,048
Capital Outlay		47,378	47,378
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	83,728	94,975	178,703
Total Receipts Over/(Under) Disbursements	25,592	(2,355)	23,237
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	24,433	120,016	144,449
Fund Cash Balances, December 31	<u>\$50,025</u>	<u>\$117,661</u>	<u>\$167,686</u>

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

**VILLAGE OF VERONA
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$118,305
Total Operating Cash Receipts	<u>118,305</u>
Operating Cash Disbursements:	
Personal Services	23,034
Fringe Benefits	933
Contractual Services	37,707
Supplies and Materials	25,223
Capital Outlay	<u>18,428</u>
Total Operating Cash Disbursements	<u>105,325</u>
Operating Income	<u>12,980</u>
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	<u>175</u>
Total Non-Operating Cash Receipts	<u>175</u>
Non-Operating Cash Disbursements:	
Debt Service	12,500
Other Non-Operating Cash Disbursements	<u>728</u>
Total Non-Operating Cash Disbursements	<u>13,228</u>
Net Receipts (Under) Disbursements	(73)
Fund Cash Balances, January 1	<u>371,479</u>
Fund Cash Balances, December 31	<u><u>\$371,406</u></u>

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

**VILLAGE OF VERONA
PREBLE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$16,583	\$17,276	\$0	\$33,859
Intergovernmental Receipts	52,788	28,396		81,184
Charges for Services	5,135	50,538		55,673
Fines, Licenses, and Permits	1,880			1,880
Earnings on Investments	10,971	4,723		15,694
Miscellaneous	2,198	3,826		6,024
Total Cash Receipts	<u>89,555</u>	<u>104,759</u>	<u>0</u>	<u>194,314</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	35,787	38,087		73,874
Leisure Time Activities	8,192			8,192
Community Environment	385			385
Basic Utility Services	4,373	5,489		9,862
Transportation		24,684		24,684
General Government	43,543	2,839		46,382
Capital Outlay		48,795	251,304	300,099
Total Cash Disbursements	<u>92,280</u>	<u>119,894</u>	<u>251,304</u>	<u>463,478</u>
Total Receipts (Under) Disbursements	<u>(2,725)</u>	<u>(15,135)</u>	<u>(251,304)</u>	<u>(269,164)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from OPWC Loan			251,304	251,304
Transfers-Out	(3,600)			(3,600)
Total Other Financing Receipts/(Disbursements)	<u>(3,600)</u>	<u>0</u>	<u>251,304</u>	<u>247,704</u>
Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(6,325)	(15,135)	0	(21,460)
Fund Cash Balances, January 1	30,758	135,151	0	165,909
Fund Cash Balances, December 31	<u>\$24,433</u>	<u>\$120,016</u>	<u>\$0</u>	<u>\$144,449</u>

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

**VILLAGE OF VERONA
PREBLE COUNTY**

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

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$106,094
Miscellaneous	1,713
	<u>107,807</u>
Total Operating Cash Receipts	
Operating Cash Disbursements:	
Personal Services	19,848
Fringe Benefits	832
Contractual Services	42,362
Supplies and Materials	7,740
Capital Outlay	9,659
	<u>80,441</u>
Total Operating Cash Disbursements	
Operating Income	<u>27,366</u>
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	317
	<u>317</u>
Total Non-Operating Cash Receipts	
Non-Operating Cash Disbursements:	
Debt Service	2,500
Other Non-Operating Cash Disbursements	2,479
	<u>4,979</u>
Total Non-Operating Cash Disbursements	
Excess of Receipts Over Disbursements Before Interfund Transfers	22,704
Transfers-In	<u>3,600</u>
Net Receipts Over Disbursements	26,304
Fund Cash Balances, January 1	<u>345,175</u>
Fund Cash Balances, December 31	<u>\$371,479</u>

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

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Verona, Preble County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and refuse utilities, park operations, and fire and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians which are not included in these financial statements. Assets held by custodians are described in Note 8 to the financial statements.

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

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

2. Special Revenue Fund

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

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

VILLAGE OF VERONA
PREBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fire Operating Fund

This fund receives fire levy money and contract monies for providing fire protection services.

3. **Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Ohio Public Works Commission Fund

This fund receives loan proceeds. The proceeds are being used for water system replacement and improvement.

4. **Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund

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

Refuse Fund

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

E. 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 object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. **Estimated Resources**

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

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$343,160	\$322,794
Certificates of deposit	185,187	184,897
Total deposits	528,347	507,691
Money Market Funds	10,745	8,237
Total investments	10,745	8,237
Total deposits and investments	\$539,092	\$515,928

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The money market funds are held in the Village's account by McDonald Investments. The financial institution maintains records identifying the Village as owner of these securities.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$99,979	\$109,320	\$9,341
Special Revenue	100,749	92,620	(8,129)
Enterprise	169,787	118,480	(51,307)
Total	\$370,515	\$320,420	(\$50,095)

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$103,520	\$83,728	\$19,792
Special Revenue	162,300	94,975	67,325
Enterprise	162,400	118,553	43,847
Total	<u>\$428,220</u>	<u>\$297,256</u>	<u>\$130,964</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,083	\$89,555	\$15,472
Special Revenue	88,568	104,759	16,191
Capital Projects		251,304	251,304
Enterprise	862,566	111,724	(750,842)
Total	<u>\$1,025,217</u>	<u>\$557,342</u>	<u>(\$467,875)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,157	\$95,880	(\$11,723)
Special Revenue	152,300	119,894	32,406
Capital Projects		251,304	(251,304)
Enterprise	424,500	85,420	339,080
Total	<u>\$660,957</u>	<u>\$552,498</u>	<u>\$108,459</u>

Contrary to Ohio law, budgetary receipts exceeded actual receipts in the Sewer Fund by \$750,000 for the year ended December 31, 2001, and expenditures exceeded available resources. Also, budgetary receipts exceeded actual receipts in the Sewer Fund by \$33,246 for the year ended December 31, 2002, and expenditures exceeded available resources.

Contrary to Ohio Law, the Village did not record or appropriate grant funds of \$234,640 received on their behalf through the Ohio Public Works Commission (OPWC) for the water system replacement and improvement project during fiscal year 2001.

4. PROPERTY TAX

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

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX (Continued)

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

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2900	\$20,000	0%
Ohio Water Development Authority Loan #3201	40,000	0%
Water Revenue Mortgage Bonds	7,000	5%
Fire Truck Lease	123,721	5%
Ohio Public Works Commission Loan	339,291	0%
Montgomery Co. Equipment Lease	6,952	0%
Total	<u>\$536,964</u>	

The Ohio Water Development Authority (OWDA) loans #2900 and #3201 relate to the preliminary and detailed engineering plans for a new wastewater treatment system. The OWDA has approved up to \$25,000 and \$50,000 respectively in loans to the Village for this project. The loans will be repaid in annual installments of \$2,500 and \$5,000 respectively over ten years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The water revenue mortgage bonds were issued on June 1, 1963, in the amount of \$115,000. These bonds were used to finance the construction of the Village's water system. The final maturity of these bonds will be December 1, 2003. The loan is collateralized by water receipts. The Village has agreed to set water rates sufficient to cover bond payment requirements.

The fire truck lease purchase agreement was obtained in 1999 in the amount of \$173,467. The lease will be repaid in annual installments of \$24,299, including interest, over nine years. The lease is collateralized by the fire truck.

The Ohio Public Works Commission (OPWC) loan was obtained in 2000 in the amount of \$472,300 for water system replacement and improvement. As of December 31, 2002, \$339,291 had been drawn. A final amortization schedule will be established upon completion of the project. The loan is collateralized by water receipts. The Village has agreed to set water rates sufficient to cover bond payment requirements.

The equipment lease with Montgomery County was obtained in 2002 in the amount of \$6,952 to purchase police cruiser equipment. The lease will be repaid in annual installments of \$2,317 over three years.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan #2900	OWDA Loan EV0510	Water Revenue Mortgage Bonds	Fire Truck Lease
2003	\$2,500	\$0	\$7,350	\$24,299
2004	2,500	5,000		24,299
2005	2,500	5,000		24,299
2006	2,500	5,000		24,299
2007	2,500	5,000		24,299
2008-2012	7,500	20,000		24,299
Total	<u>\$20,000</u>	<u>\$40,000</u>	<u>\$7,350</u>	<u>\$145,794</u>

Year ending December 31:	Montgomery County Equipment Lease
2003	\$4,635
2004	2,317
2005	
2006	
2007	
2008-2012	
Total	<u>\$6,952</u>

6. RETIREMENT SYSTEMS

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

The contribution rate is also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. DEBT SERVICE TRUSTEED FUNDS

The waterworks construction trust agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2002, the custodian held \$87,749 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

9. RELATED PARTY TRANSACTIONS

A council member's husband is the owner of a company, Hobb's Excavating, from which the Village acquired services during the audit period. They paid \$3,700 for services in 2001 and \$232 in 2002. The council member abstained from voting on all matters involving these transactions.

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**Auditor of State
Betty Montgomery**

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

Village of Verona
Preble County
100 West Main Street
P.O. Box 676
Verona, Ohio 45378

To the Village Council:

We have audited the accompanying financial statements of the Village of Verona, Preble County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-30368-001, 2001-30368-002, and 2002-30368-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over that, in our judgment, could adversely affect Example Entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-30368-001, 2002-30368-002, and 2002-30368-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 12, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 12, 2003

**VILLAGE OF VERONA
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-30368-001

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.09(F), requires the Village to establish 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. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village's appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Clerk shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to the Village recording the appropriations, Ohio Rev. Code, Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk did not record the Ohio Public Works Commission (OPWC) monies disbursed on behalf of the Village, nor was the OPWC money included in the appropriations by the Village Council for fiscal year 2001. The accompanying financial statements have been adjusted to reflect receipts and disbursements of \$234,640 for the year ended December 31, 2001. We recommend the Village follow the accounting treatment as prescribed in Auditor of State Bulletin 2000-008 for on-behalf grants.

FINDING NUMBER 2002-30368-002

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for purchase commitments for 33% of expenditures tested. The Village did not utilize Then and Now Certificates. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability funds on properly approved purchase orders. We recommend the Village obtain approved purchase orders, which contain the Clerk's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2002-30368-003

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.36, requires all subdivisions to request reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources, and that expenditures or the incurrence of obligations will be greater than actual resources. The intent of this requirement is to require the fiscal officer to obtain a reduced amended certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur. The actual receipts were below estimated receipts, and actual disbursements exceeded actual resources, for the Village, in the following funds:

Date	Fund	Resources Available	Expenditures	Variance
12/31/01	Sewer	\$1,710	\$3,706	\$(1,996)
12/31/02	Sewer	6,158	8,115	(1,957)

The Village did not certify the deficiencies and obtain reduced amended certificates from the budget commission. Also, estimated receipts for the audit period were not posted to the Village's books. Failure to post estimated receipts can lead to improper monitoring of budgetary activity. We recommend that estimated receipts be posted to the Village's books and that the Village monitor receipts and obtain amended certificates of estimated resources as necessary.

**VILLAGE OF VERONA
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30368-001	Ohio Rev. Code, Section 5705.41 (D) – Certification of Availability of Funds	No	Not corrected. Reissued as Finding #2002-30368-002.
2000-30368-002	Ohio Rev. Code, Section 733.28 – Uniform System of Accounting	Yes	
2000-30368-003	Inaccurate cash reconciliations	Yes	
2000-30368-004	Lack of management oversight	No	Partially corrected. Reissued as management letter recommendation.
Management Letter Citation #6	Ohio Rev. Code, Section 5705.12, failure to properly record OWDA and OPWC monies	No	Not corrected. Reissued as Finding 2002-30368-001.



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VILLAGE OF VERONA

PREBLE 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
JUNE 3, 2003**