



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Verona
Preble County
138 Mill Street
Verona, Ohio 45378

We have performed the procedures enumerated below, which were agreed to by the Village Council, Mayor and the management of the Village of Verona (the Village), on the receipts, disbursements and balances recorded in the Village's cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Village. The Village is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Village. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We recalculated the December 31, 2017 and December 31, 2016 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2016 beginning fund balances recorded in the Fund Cash Balance Statement to the December 31, 2015 balances in documentation in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2017 beginning fund balances recorded in the Fund Cash Balance Statement to the December 31, 2016 balances in the Fund Cash Balance Statement. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2017 and 2016 fund cash balances reported in the Fund Cash Balance Statement. The amounts agreed.
4. We observed the year-end bank balances on the financial institution's website. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2017 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2017 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.

Cash and Investments (Continued)

6. We inspected investments held at December 31, 2017 and December 31, 2016 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We found no exceptions.
7. We inspected investments held at December 31, 2017 and December 31, 2016 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We reviewed the Farmer's State Bank documentation for the issuance of Certificate of Deposits in 2016 and 2017. We found no exceptions.
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

Property Taxes and Intergovernmental Receipts

1. We haphazardly selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2017 and one from 2016:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Statement by Account Number Report. The amounts agreed.
 - b. We inspected the Revenue Statement by Account Number Report to confirm the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We inspected the Revenue Statement by Account Number Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Revenue Statement by Account Number Report to determine whether it included two real estate tax receipts from both Preble County and Montgomery County for 2017 and 2016. The Receipt Register Report included the proper number of tax receipts for each year.
3. We haphazardly selected five receipts from the State Distribution Transaction Lists (DTL) from 2017 and five from 2016. We also haphazardly selected five receipts from the Preble County Auditor's Detail Expense Report from 2017 and five from 2016.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue Statement by Account Number Report. The amounts agreed.
 - b. We inspected the Revenue Statement by Account Number Report to determine that these receipts were allocated to the proper funds. We found no exceptions.
 - c. We inspected the Revenue Statement by Account Number Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

Water, Sewer, Refuse, and Gas Fund Charges for Services Receipts

1. We haphazardly selected 10 Water, Sewer, Refuse, and Gas Fund collection cash receipts from the year ended December 31, 2017 and 10 Water, Sewer, Refuse, and Gas Fund collection cash receipts from the year ended 2016 recorded in the Receipt Register Detail Report and determined whether the:
 - a. Receipt amount per the Cash Journal Report agreed to the amount recorded to the credit of the customer's account in the Customer History Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Customer History Report and Billing Journal for the billing period. We found no exceptions.

Water, Sewer, Refuse, and Gas Fund Charges for Services Receipts (Continued)

- ii. Complied with rates in force during the audit period, plus any applicable late penalties, plus unpaid prior billings. We found no exceptions.
 - c. Receipt was posted to the proper fund, and was recorded in the year received. We found no exceptions.
2. We observed the Customer Balance Report.
- a. This report listed \$159,182 and \$158,613 of accounts receivable as of December 31, 2017 and 2016 respectively.
 - b. The Village did not generate an aged customer balance report from the billing system for December 31, 2017 and 2016. This report can only be generated based on current day balances; therefore, we were unable to verify amounts that were more than 90 days delinquent. The Village has been notified and will begin to generate an aged customer balance report. The Village does track outstanding balances, and any outstanding utility bill balances are sent to the Preble and Montgomery County Auditors' Offices yearly to be held as a lien on the property.

Debt

1. From the prior audit documentation, we observed the following loans were outstanding as of December 31, 2015. These amounts agreed to the Village's January 1, 2016 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2015:
USDA Capital Project Loan 9098-01	\$1,117,200
USDA Capital Project Loan 9098-03	\$400,900
OPWC Capital Project Loan #CK14G	\$183,420
OPWC Capital Project Loan #CK008	\$153,497

2. We inquired of management, and inspected the Revenue Statement by Account Number Report and Expense Statement by Account Number Report for evidence of debt issued during 2017 or 2016 or debt payment activity during 2017 or 2016. All debt agreed to the summary we used in procedure 3.
3. We obtained a summary of loans debt activity for 2017 and 2016 and agreed principal and interest payments from the related debt amortization schedules to debt service fund payments reported in the Expense Statement by Account Number Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Street Fund per the Revenue Statement by Account Number Report. The Village did not record the proceeds from debt financing to its accounting system. As noted in Step 5 below, the Village purchased a Kubota tractor through a loan agreement and did not receive an actual cash receipt.
5. For new debt issued during 2017 and 2016 we inspected the debt legislation, Resolution R-16-17, which stated the Village must use the proceeds to purchase a Kubota Tractor. We observed the Village took ownership of the tractor in 2016; however, the Village did not post the purchase price of \$37,393 to the accounting system. The Village should post loan proceed receipts and related disbursements to the accounting system when the activity takes place, even if no cash is received by the Village.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2017 and one payroll check for five employees from 2016 from the Payroll Summary Journal and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Summary Journal to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). No exceptions were found.
 - b. We inspected the fund and account codes to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the employees' personnel files. We also confirmed the payment was posted to the proper year. We found no exceptions.
 - c. We inspected the fund and account codes to which the check was posted to determine the posting was reasonable based on the employee's duties as documented in the employees' personnel files, minute record and Village ordinance. We noted the Village passed Ordinance O-16-3, which approved allocation of Village Council and Mayor salaries of one-sixth of total salary between the General, Street, Fire, Water, Sewer, and Gas Funds, and allocation of Board of Public Affairs salaries of one-third of total salary between the Water, Sewer, and Gas Funds. While the Village did appropriate salaries for each of these funds, the Village did not maintain documentation to support these allocations that each person actually spent that amount of time on each fund's activities. The Village should take steps to assure this documentation is maintained, as well as monitor the salary appropriation line items to assure actual salaries spent did not exceed the appropriated amount. Failure to do so could lead to potential budgetary noncompliance issues, as well as potential inappropriate fund charges for these individuals' salaries out of special revenue and enterprise fund types. We also confirmed the payment was posted to the proper year. We found no exceptions.

2. For any new employees selected in procedure 1 we inspected the employees' personnel files for the following information and compared it with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Departments and funds to which the check should be charged
 - d. Retirement system participation and payroll withholding
 - e. Federal, State & Local income tax withholding authorization and withholding
 - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to procedures a. through f. above.

3. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2017 to confirm remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2017. We observed the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2018	December 22, 2017	\$1,968	\$1,968
State income taxes	January 16, 2018	December 26, 2017	\$211	\$211
Local School Tax	January 31, 2018	December 27, 2017	\$201	\$201
OPERS retirement	January 30, 2018	December 22, 2017	\$1,116	\$1,116

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Expense Statement by Account Number Report for the year ended December 31, 2017 and ten from the year ended 2016 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check, agreed to the check number, date, payee name and amount recorded in the Check Register Report and to the names and amounts on the supporting invoices. We found no exceptions. However, the Village did not have all of the check images of the front and back of all cancelled checks readily available at the time of this engagement. The Village did contact its financial institution and produced front and back images of the selected checks. The Fiscal Offer stated that the Village can view cancelled checks for the previous six months and will begin receiving cancelled check images on the bank statements beginning in August 2018.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found one instance where a disbursement requiring certification was not certified. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not inspect all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Statement by Account Number Report for the General, Street, and Fire funds for the years ended December 31, 2017 and 2016. The amounts on the Certificate agreed to the amount recorded in the accounting system.
2. We inspected the appropriation measures adopted for 2017 and 2016 to determine whether, for the General, Street, and Fire Funds, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Expense Statement by Account Number Report for 2017 and 2016 for the following funds: General, Street, and Fire. The amounts on the appropriation resolutions agreed to the amounts recorded in the Expense Statement by Account Number Report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Street, and Fire Funds for the years ended December 31, 2017 and 2016. There were no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2017 and 2016 for the General, Street, and Fire Funds, as recorded in the Expense Statement by Account Number Report. We observed no funds for which expenditures exceeded appropriations.

Compliance – Budgetary (Continued)

6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Revenue Statement by Account Number Report for evidence of new restricted receipts requiring a new fund during December 31, 2017 and 2016. We also inquired of management regarding whether the Village received new restricted receipts. We observed no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the 2017 and 2016 Revenue Statement by Account Number Report and Expense Statement by Account Number Report for evidence of interfund transfers exceeding \$500 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017).
9. We inquired of management and inspected the Appropriation Status Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. The Village did not establish these reserves.
10. We inspected the Fund Cash Balance Statement for the years ended December 31, 2017 and 2016 for negative cash fund balance. Ohio Rev. Code Section 5705.10(l) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. There were no funds having negative cash fund balances.

Compliance – Contracts & Expenditures

We inquired of management and inspected the Expense Statement by Account Number Report for the years ended December 31, 2017 and 2016 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires villages to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, in addition to filing extensions granted for extenuating circumstances, allow for refiling complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System for December 31, 2017 and 2016 fiscal year ends included in 2015-2016 or 2016-2017 agreed up on procedure engagements, subsequent to the Village's deadline where the initial filing was filed on time but incomplete. We confirmed the Village filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy within the allotted timeframe for the years ended December 31, 2017 and 2016 in the Hinkle system. There were no exceptions.

Other Compliance (Continued)

2. We inquired of the fiscal officer and inspected the Fiscal Integrity Act Portal (<http://www.ohioauditor.gov/fiscalintegrity/default.html>) to determine whether the fiscal officer obtained the training required by Ohio Rev. Code Section 507.12 and 733.81. The Fiscal Officer obtained the required training.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of the Village's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2017 and 2016, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 17, 2018

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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
OCTOBER 4, 2018