



**VILLAGE OF VERONA
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

VILLAGE OF VERONA
PREBLE COUNTY

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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, 2000 and 1999. 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.

The accompanying financial statements present disbursements by fund type only, rather than by disbursement program or object. The Auditor of State requires financial statements to classify disbursements by program or object.

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, except for the omission of disbursement classifications by program or object, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and unclassified 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 August 22, 2001 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.

Village of Verona
Preble County
Independent Accountants' Report
Page 2

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

Jim Petro
Auditor of State

August 22, 2001

**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, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$16,862	\$16,850	\$33,712
Intergovernmental Receipts	44,937	21,201	66,138
Charges for Services		48,294	48,294
Earnings on Investments	12,781		12,781
Unclassified	<u>9,151</u>	<u>5,813</u>	<u>14,964</u>
 Total Cash Receipts	 <u>83,731</u>	 <u>92,158</u>	 <u>175,889</u>
 Cash Disbursements:			
Unclassified	<u>69,894</u>	<u>89,511</u>	<u>159,405</u>
 Total Cash Disbursements	 <u>69,894</u>	 <u>89,511</u>	 <u>159,405</u>
 Total Receipts Over/(Under) Disbursements	 13,837	 2,647	 16,484
 Fund Cash Balances, January 1	 <u>16,921</u>	 <u>132,504</u>	 <u>149,425</u>
 Fund Cash Balances, December 31	 <u><u>\$30,758</u></u>	 <u><u>\$135,151</u></u>	 <u><u>\$165,909</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
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$92,537
Miscellaneous	20,428
Total Operating Cash Receipts	112,965
Operating Cash Disbursements:	
Unclassified	141,145
Total Operating Cash Disbursements	141,145
Operating Income/(Loss)	(28,180)
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	1,194
Intergovernmental Receipts	30,000
Proceeds from Loans	87,987
Total Non-Operating Cash Receipts	119,181
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	77,987
Total Non-Operating Cash Disbursements	77,987
Net Receipts Over/(Under) Disbursements	13,014
Fund Cash Balances, January 1	332,161
Fund Cash Balances, December 31	\$345,175

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, 1999**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$9,529	\$21,984	\$31,513
Intergovernmental Receipts	42,285	21,008	63,293
Charges for Services		45,030	45,030
Earnings on Investments	12,326		12,326
Unclassified	13,720	6,086	19,806
Total Cash Receipts	77,860	94,108	171,968
Cash Disbursements:			
Unclassified	61,633	60,994	122,627
Total Cash Disbursements	61,633	60,994	122,627
Total Receipts Over/(Under) Disbursements	16,227	33,114	49,341
Other Financing Receipts/(Disbursements):			
Transfers-In	5,783		5,783
Transfers-Out	(1,196)	(4,587)	(5,783)
Total Other Financing Receipts/(Disbursements)	4,587	(4,587)	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	20,814	28,527	49,341
Fund Cash Balances, January 1	(3,893)	103,977	100,084
Fund Cash Balances, December 31	\$16,921	\$132,504	\$149,425

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, 1999

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	<u>\$107,762</u>
Total Operating Cash Receipts	<u>107,762</u>
Operating Cash Disbursements:	
Unclassified	<u>116,498</u>
Total Operating Cash Disbursements	<u>116,498</u>
Operating Income/(Loss)	<u>(8,736)</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	<u>45,000</u>
Total Non-Operating Cash Receipts	<u>45,000</u>
Net Receipts Over/(Under) Disbursements	36,264
Fund Cash Balances, January 1	<u>295,897</u>
Fund Cash Balances, December 31	<u><u>\$332,161</u></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, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Verona, Preble County (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 general governmental services, including water and refuse utilities, park operations (leisure time activities), and fire and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State (except for the classification of disbursements), 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).

The Village prepared unclassified financial statements for disbursements for the years ended December 31, 2000 and 1999. This presentation is a material departure from the presentation prescribed by the Auditor of State in Ohio Administrative Code Section 117-02-02 (effective 7/1/00) and Ohio Administrative Code Section 117-5-11 (effective until 6/30/00). These sections of the Ohio Administrative Code require disbursements to be classified by program or object.

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

C. Cash and Investments

Village funds are pooled in a checking account with a local commercial bank. Certificates of deposit and money market funds are valued at cost.

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 Funds

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:

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

3. 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.

Gas Fund - The Village has leased its gas utility to a private company.

Utility Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

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 fund, function or 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.

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.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2000 and 1999 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:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 322,674	\$ 294,363
Certificates of deposit	187,519	187,223
Total deposits	510,193	481,586
 Money Market Funds	891	0
Total investments	891	0
Total deposits and investments	\$ 511,084	\$ 481,586

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (3) 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, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 74,083	\$ 83,731	\$ 9,648
Special Revenue	88,568	92,158	3,590
Enterprise	157,566	232,146	74,580
Total	\$ 320,217	\$ 408,035	\$ 87,818

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 74,227	\$ 69,894	\$ 4,333
Special Revenue	140,297	89,511	50,786
Enterprise	399,500	219,132	180,368
Total	<u>\$ 614,024</u>	<u>\$ 378,537</u>	<u>\$ 235,487</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 80,284	\$ 83,643	\$ 3,359
Special Revenue	82,130	94,108	11,978
Enterprise	101,130	152,762	51,632
Total	<u>\$ 263,544</u>	<u>\$ 330,513</u>	<u>\$ 66,969</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 66,730	\$ 62,829	\$ 3,901
Special Revenue	120,979	65,581	55,398
Enterprise	388,150	116,498	271,652
Total	<u>\$ 575,859</u>	<u>\$ 244,908</u>	<u>\$ 330,951</u>

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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 25,000	0%
Ohio Water Development Authority Loan	50,000	0%
General Obligation Bonds	19,000	5%
Fire Truck - lease purchase	157,672	5%
Dump Truck	10,763	6%
Police Cruiser	7,918	10%
OPWC	472,300	0%
Total	\$ 742,653	

The Ohio Water Development Authority (OWDA) loan relates 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 10 years. The scheduled payment amount below assumes that \$75,000 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. As of December 31, 2000, no funds were received.

The fire truck lease purchase agreement was obtained in 1999 in the amount of \$173,467 to purchase a new fire truck. The lease will be repaid in annual installments of \$24,299, including interest, over 9 years.

The general obligation water 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 police cruiser promissory note was obtained in 1997 in the amount of \$23,559, including interest. The note will be repaid in monthly payments of \$392.

The dump truck lease-purchase was obtained in 1997 in the amount of \$34,190 including interest. The lease-purchase agreement will be paid in monthly installments of \$569.

The Ohio Public Works Commission loan was obtained in 2000 in the amount of \$472,300 for water system replacement and improvement. The note will be repaid in semi-annual installments of \$11,807.50, over 20 years. As of December 31, 2000, \$87,987 had been received.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	OWDA Loan	OWDA Loan	General Obligation Bonds	Fire Truck
2001	\$ 2,500	\$ 5,000	\$ 6,950	\$ 24,299
2002	2,500	5,000	6,650	24,299
2003	2,500	5,000	7,350	24,299
2004	2,500	5,000	0	24,299
2005	2,500	5,000	0	24,299
Subsequent	<u>12,500</u>	<u>25,000</u>	<u>0</u>	<u>72,897</u>
Total	<u>\$ 25,000</u>	<u>\$50,000</u>	<u>\$ 20,950</u>	<u>\$ 194,392</u>

Year ending December 31:	Dump Truck	Police Cruiser	OPWC
2001	\$ 6,838	\$ 4,712	\$ 11,808
2002	4,558	3,534	23,615
2003	0	0	23,615
2004	0	0	23,615
2005	0	0	23,615
Subsequent	<u>0</u>	<u>0</u>	<u>366,033</u>
Total	<u>\$ 11,396</u>	<u>\$ 8,246</u>	<u>\$ 472,300</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 plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

For 2000 and 1999 PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries in 1999 and 10.84% for 2000. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

8. COMPLIANCE

The Village prepared unclassified financial statements for disbursements for the years ended December 31, 2000 and 1999. This presentation is a material departure from the presentation prescribed by the Auditor of State in Ohio Administrative Code Section 117-02-02 and 117-2-03 (effective 7/1/00) and Ohio Administrative Code Section 117-5-11 (effective until 6/30/00). These sections of the Ohio Administrative Code require disbursements to be classified by program or object.

Ohio Rev. Code Section 733.28 requires the Village Clerk to keep the books of the Village, exhibit accurate statements of all monies received and expended, and maintain records of all the property owned by the Village and the income derived. The Village fiscal officer did not maintain a receipt ledger, appropriation ledger, and a cash journal. The Village did not always properly code and classify receipts.

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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, 2000 and 1999, and have issued our report thereon dated August 22, 2001, which was qualified since the Village did not classify disbursements in the manner prescribed by the Auditor of State. 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 finding as items 2000-30368-001 and 2000-30368-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 22, 2001.

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 financial reporting that, in our judgment, could adversely affect the Village'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 2000-30368-001 through 2000-30368-004.

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, of the reportable conditions described above, we consider items 2000-30368-001 through 2000-30368-004 to be material weaknesses.

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 August 22, 2001.

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

Jim Petro
Auditor of State

August 22, 2001

**VILLAGE OF VERONA
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-30368-001

Certification of Availability of Funds - Material Noncompliance/Material Weakness

The Village did not properly certify the availability of funds for purchase commitments for 46% of expenditures tested. Then and Now Certificates were not utilized.

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 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

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. We also recommend that if the Clerk can certify that both at the time that a contract or order was made and at the time that he is completing the certificate, sufficient funds were available or in the process of collection, that the Village use Then and Now certificates to assure that all purchases are properly encumbered.

FINDING NUMBER 2000-30368-002

Uniform System of Accounting - Material Noncompliance/Material Weakness

The Village fiscal officer did not maintain a receipt ledger, appropriation ledger, and a cash journal. The Village did not always properly code and classify receipts and disbursements.

Ohio Rev. Code, Section 733.28, requires the Village Clerk to keep the books of the Village, exhibit accurate statements of all monies received and expended, and maintain records of all the property owned by the Village and the income derived.

**FINDING NUMBER 2000-30368-002
(Continued)**

Prior to July 1, 2000, the Ohio Rev. Code, Section 117.43, authorized the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State had prescribed a uniform accounting system for villages which is set forth in Ohio Administrative Code Chapter 117-5 as follows:

- Rule 117-5-07, Ohio Admin. Code, establishes guidelines for the proper coding and classification of Village receipts.
- Rule 117-5-09, Ohio Admin. Code, provides guidelines for the proper and complete maintenance of a village cash journal.
- Rule 117-5-10, Ohio Admin. Code, requires that a village post to each receipts account the estimated amount of money to be received into the account as specified by the County Budget Commission. It also provides that receipts should be entered in the "Amount Received" column and in the "Credit" column and subtracted from the budget estimate amount ("Balance").
- Rule 117-5-11, Ohio Admin. Code, requires the Village to maintain an appropriation ledger in a complete and accurate form as prescribed.

After July 1, 2000, the Ohio Administrative Code Section 117-2-02 and 117-2-03 sets forth the accounting and reporting records that all local public offices shall maintain. All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The accounting records that all local public offices should maintain include the following:

- Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses.
- Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Maintaining the above mentioned ledgers will help to provide accurate and complete financial information for management to use in the decision making process. It will also assist in the preparation of the Village's annual financial reports.

We recommend the Village maintain receipt and appropriation ledgers as prescribed by the Ohio Admin. Code. Encumbrances and disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances. Receipts should be posted by fund and line item, with a running balance maintained. Receipts received and checks written should be posted in chronological and numerical order. At year-end, the totals from these ledgers should be carried forward to the annual financial report.

FINDING NUMBER 2000-30368-003

Cash Reconciliations - Material Weakness

The Village did not prepare a cash reconciliation for 1999. The outstanding checklist did not include outstanding checks from previous years or all the outstanding checks for the current year. Three receipts totaling \$895 were not posted the Village's records. Four expenditures in the amount of \$435 were not posted on the Village's records. There were also occasions when the Village posted an incorrect amount, however, the differences were always less than \$1. Two transfers totaling \$13,078 were posted as receipts and expenditures. The Village erroneously posted a receipt in the amount of \$2,232 when the Village cashed in their police CD when the money was only moved from one account to another account within the same bank. Checking account interest was not posted from February 1999 through December 1999.

The 2000 cash reconciliation was incorrect. The outstanding check list did not contain checks outstanding from previous years. The Village listed errors on the reconciliations that there were no explanations for. The Village posted \$99 as gas CD interest, however, no record of the receipt could be found. The Village included \$108 in expenditures for a check that was written in December 1999. The check did not clear until August 2000.

When prepared properly, reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as, ensure that all recorded transactions have been deposited with the financial institution. We recommend the Village reconcile the account on a monthly basis. Any variances should be immediately investigated and justified. We also recommend that a council member review and sign off on the reconciliation thereby indicating their approval and ensuring timeliness of reconciliations.

FINDING NUMBER 2000-30368-004

Lack of Management Oversight - Material Weakness

The Village lacks management oversight in the operations of the Village. This lack of oversight is illustrated by the following:

- Minutes from the Village Council meetings were not always signed;
- The Village accounts were not reconciled for 1999 and 2000;
- Posting of receipts to the wrong funds have gone undiscovered by the Village during the audit period, necessitating fund adjustments.
- Numerous posting errors for both receipts and expenditures have gone undiscovered by the Village during the audit period, necessitating adjustments.

The lack of management involvement could allow the aforementioned internal control weaknesses to continue resulting in management making financial decisions based on erroneous data and/or the opportunity for misappropriation of Village monies.

We recommend:

- The Clerk and Mayor sign all minutes as these are the official and public documents of what transpires at meetings;

FINDING NUMBER 2000-30368-004
(Continued)

- The Village's annual financial reports should be reviewed by the Finance Committee to determine if the prior year ending balances are the same as the current year beginning balances and that the ending balances agree to the December 31st bank reconciliation. All financial information in the annual reports should be supported by the Village ledgers;
- The Finance Committee or designee should review all receipts and expenditures on a monthly basis to ensure proper posting.



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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 2, 2001**