



Mary Taylor, CPA
Auditor of State

VILLAGE OF VERONA
PREBLE COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Verona
Preble County
PO Box 676
100 West Main Street
Verona, Ohio 45378

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

June 14, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Verona
Preble County
PO Box 676
100 West Main Street
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, 2006 and 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also to present the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 2006 and 2005, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Verona, Preble County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 14, 2007

**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, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$28,406	\$25,400	\$53,806
Intergovernmental Receipts	43,596	33,027	76,623
Charges for Services		66,089	66,089
Fines, Licenses, and Permits	730		730
Earnings on Investments	10,741	2,762	13,503
Miscellaneous	2,592	5,967	8,559
	<u>86,065</u>	<u>133,245</u>	<u>219,310</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	27,269	46,734	74,003
Leisure Time Activities	5,373		5,373
Community Environment	1,162		1,162
Basic Utility Services		4,488	4,488
Transportation		32,808	32,808
General Government	51,303	2,345	53,648
Capital Outlay		31,389	31,389
	<u>85,107</u>	<u>117,764</u>	<u>202,871</u>
Total Receipts Over Disbursements	<u>958</u>	<u>15,481</u>	<u>16,439</u>
Fund Cash Balances, January 1	<u>58,258</u>	<u>108,489</u>	<u>166,747</u>
Fund Cash Balances, December 31	<u><u>\$59,216</u></u>	<u><u>\$123,970</u></u>	<u><u>\$183,186</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 - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Operating Cash Receipts:	
Charges for Services	\$135,446
Miscellaneous	2,748
	<hr/>
Total Operating Cash Receipts	138,194
Operating Cash Disbursements:	
Personal Services	25,042
Transportation	1,011
Contractual Services	43,919
Supplies and Materials	2,977
Capital Outlay	207,649
	<hr/>
Total Operating Cash Disbursements	280,598
Operating (Loss)	<hr/> (142,404)
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	31,079
Proceeds from Notes and Bonds	290,000
	<hr/>
Total Non-Operating Cash Receipts	321,079
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	171,115
Interest	5,133
	<hr/>
Total Non-Operating Cash Disbursements	176,248
Net Receipts Over Disbursements	2,427
Fund Cash Balances, January 1	<hr/> 437,869
Fund Cash Balances, December 31	<hr/> \$440,296

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, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$27,679	\$26,523	\$54,202
Intergovernmental Receipts	43,464	37,264	80,728
Charges for Services		43,627	43,627
Fines, Licenses, and Permits	559		559
Earnings on Investments	7,712	1,576	9,288
Miscellaneous	21,024	1,443	22,467
	<u>100,438</u>	<u>110,433</u>	<u>210,871</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	30,032	40,529	70,561
Leisure Time Activities	2,599		2,599
Community Environment	633		633
Basic Utility Services	5,580	4,742	10,322
Transportation		32,406	32,406
General Government	37,477	1,893	39,370
Capital Outlay		40,555	40,555
	<u>76,321</u>	<u>120,125</u>	<u>196,446</u>
Total Receipts Over/(Under) Disbursements	<u>24,117</u>	<u>(9,692)</u>	<u>14,425</u>
Fund Cash Balances, January 1	<u>34,141</u>	<u>118,181</u>	<u>152,322</u>
Fund Cash Balances, December 31	<u><u>\$58,258</u></u>	<u><u>\$108,489</u></u>	<u><u>\$166,747</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 - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Operating Cash Receipts:	
Charges for Services	\$104,756
Miscellaneous	<u>12</u>
Total Operating Cash Receipts	<u>104,768</u>
Operating Cash Disbursements:	
Personal Services	25,256
Transportation	905
Contractual Services	44,439
Supplies and Materials	2,015
Capital Outlay	<u>5,116</u>
Total Operating Cash Disbursements	<u>77,731</u>
Operating Income	<u>27,037</u>
Non-Operating Cash Receipts:	
Proceeds from Notes and Bonds	<u>140,000</u>
Total Non-Operating Cash Receipts	<u>140,000</u>
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	171,115
Interest	<u>4,574</u>
Total Non-Operating Cash Disbursements	<u>175,689</u>
Net Receipts (Under) Disbursements	(8,652)
Fund Cash Balances, January 1	<u>446,521</u>
Fund Cash Balances, December 31	<u><u>\$437,869</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, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Verona, Preble County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and refuse utilities, park operations, 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposits at cost. Money market mutual funds are recorded at share values the mutual fund reports.

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (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, 2006 AND 2005
(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 Operating 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 to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives pre-construction charges from residents as well as loan proceeds and Ohio Public Works Commission loan proceeds.

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. Village 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. The Village canceled \$3,725 in encumbrances at December 31, 2006 and \$13,290 in encumbrances at December 31, 2005 and re-encumbered these amounts in the subsequent years against current appropriations.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	\$419,914	\$403,810
Certificates of deposit	147,519	147,519
Total deposits	567,433	551,329
Money Market Funds	56,049	53,287
Total investments	56,049	53,287
Total deposits and investments	\$623,482	\$604,616

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or 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, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,394	\$86,065	(\$18,329)
Special Revenue	107,558	133,245	25,687
Enterprise	104,768	459,273	354,505
Total	\$316,720	\$678,583	\$361,863

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$115,000	\$85,107	\$29,893
Special Revenue	164,620	117,764	46,856
Enterprise	180,933	456,846	(275,913)
Total	\$460,553	\$659,717	(\$199,164)

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,882	\$100,438	\$5,556
Special Revenue	101,747	110,433	8,686
Enterprise	96,335	244,768	148,433
Total	\$292,964	\$455,639	\$162,675

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,900	\$76,321	\$37,579
Special Revenue	150,090	120,125	29,965
Enterprise	159,700	253,420	(93,720)
Total	\$423,690	\$449,866	(\$26,176)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Fund by \$147,690 for the year ended December 31, 2005 and by \$349,285 for the year ended December 31, 2006. Contrary to Ohio law, the Sewer Fund had a cash deficit balance of \$32,204 at December 31, 2005 and of \$38,304 at December 31, 2006. Contrary to Ohio law, appropriations exceeded estimated resources in the Sewer Fund by \$24,514 for the year ended December 31, 2005 and by \$39,704 for the year ended December 31, 2006.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2900	\$10,000	0.00%
Ohio Water Development Authority Loan #3201	20,000	0.00%
Ohio Public Works Commission Loan	366,033	0.00%
Land Acquisition Loan	70,000	9.25%
Fire Truck Lease	45,245	5.00%
Engineering Cost Loan	150,000	7.25%
Total	<u><u>\$661,278</u></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 Ohio Public Works Commission (OPWC) loan was obtained in 2000 in the amount of \$472,300 for water system replacement and improvement. The loan will be repaid in semi-annual installments of \$11,808 over twenty years. The loan is collateralized by water receipts. The Village has agreed to set water rates sufficient to cover bond payment requirements.

The land acquisition commercial bank loan was obtained in 2003 for the purchase of land for the sewer project. The loan is rolled over every six months and is reissued for \$70,000 at 9.25% interest rate. The loan matures on March 5, 2007 in the amount of \$76,475.

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 nine years. The lease is collateralized by the fire truck.

The engineering cost commercial bank loan was obtained in 2006 for the payment of engineering services for the sewer project. The loan matures on February 27, 2007 in the amount of \$160,875.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loan #2900</u>	<u>OWDA Loan #3201</u>	<u>OPWC Loan</u>	<u>Land Acquisition Loan</u>
2007	\$2,500	\$5,000	\$23,615	\$76,475
2008	2,500	5,000	23,615	
2009	2,500	5,000	23,615	
2010	2,500	5,000	23,615	
2011			23,615	
2012-2016			118,075	
2017-2021			118,075	
2022			11,808	
Total	<u><u>\$10,000</u></u>	<u><u>\$20,000</u></u>	<u><u>\$366,033</u></u>	<u><u>\$76,475</u></u>

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT (Continued)

Year ending December 31:	Fire Truck Lease	Engineering Cost Loan
2007	\$24,299	\$160,875
2008	24,299	
Total	\$48,598	\$160,875

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2005, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. For 2006, OPERS members contributed 9 percent of their wages. The Village contributed an amount equal to 13.75 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

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. SUBSEQUENT EVENTS

In 2007 the Village began the process of constructing a sanitary sewer system. The anticipated sources of funding for the project are: a loan of \$1,649,000 and a grant of \$1,749,000 from the United States Department of Agriculture, a Community Distress Block Grant of \$350,000 from the Ohio Department of Development, and a loan of \$305,700 and a grant of \$168,700 from the Ohio Public Works Commission.

On February 24, 2007, the Village Council authorized the issuance of \$1,649,000 of Revenue Bonds for the construction of a sanitary sewer system.

9. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Verona
Preble County
PO Box 676
100 West Main Street
Verona, Ohio 45378

To the Village Council:

We have audited the financial statements of the Village of Verona, Preble County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 14, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated June 14, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards*, which are described in the accompanying schedule of finding as items 2006-001 through 2006-003. In a separate letter to the Village's management dated June 14, 2007, we reported other matters related to noncompliance we deemed immaterial.

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 14, 2007.

We intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 14, 2007

**VILLAGE OF VERONA
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2006-001

Significant Deficiency / Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), provides that no taxing authority shall make any expenditures of money unless it has been properly appropriated. Expenditures exceed appropriations in the Sewer Fund in 2005 and 2006 as follows:

Fund	Expenditures	Appropriations	Variance
Sewer Fund - 2005	\$155,190	\$7,500	\$147,690
Sewer Fund – 2006	356,785	7,500	349,285

Failure to properly monitor appropriations and amend appropriations could result in the illegal expenditure of monies. We recommend that the Village take steps to ensure appropriations are being properly monitored and recorded in the ledgers. No expenditures should be made unless there are sufficient appropriations to cover the expenditures.

Officials' Response: The Village did not respond to this finding.

FINDING NUMBER 2006-002

Significant Deficiency / Material Noncompliance

Ohio Rev. Code, Section 5705.10(H), states money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Sewer Fund had negative fund balances at month end for all of 2005 and 2006. The highest negative balance in 2005 occurred in December in the amount of \$32,204 and the highest negative balance in 2006 occurred in December in the amount of \$38,304 per the Monthly Fund Reports. Failure to properly monitor funds could result in financial difficulties for the Village. We recommend the Village monitor funds so that negative fund balances do not occur. This was also reported in the management letter for the audit of the 2003 / 2004 financial statements.

Officials' Response: The Village did not respond to this finding.

FINDING NUMBER 2006-003

Significant Deficiency / Material Noncompliance

Ohio Rev. Code, Section 5705.39, provides that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources in the Sewer Fund 2005 and 2006 as follows:

Fund	Appropriations	Estimated Resources	Variance
Sewer Fund - 2005	\$7,500	\$(17,014)	\$24,514
Sewer Fund – 2006	7,500	(32,204)	39,704

**FINDING NUMBER 2006-003
(Continued)**

Failure to properly monitor appropriations and estimated resources could result in overspending of funds and negative fund cash balances. The Village should adopt procedures to monitor that the total appropriations from each fund do not exceed the official or amended estimate of resources. This was also reported in the management letter for the audit of the 2003 / 2004 financial statements.

Officials' Response: The Village did not respond to this finding.

**VILLAGE OF VERONA
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code, Section 5705.41 (B), expenditures exceeding appropriations.	No	Not Corrected. Reissued as Finding 2006-001.



Mary Taylor, CPA
Auditor of State

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
JULY 12, 2007**