



Dave Yost • Auditor of State



VILLAGE OF VERONA  
PREBLE COUNTY

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# Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

Columbus, Ohio

May 1, 2014

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# Dave Yost • 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, 2010 and 2009. 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.

Except as described in paragraph six, 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 presenting 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 third 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 years ended December 31, 2010 and 2009 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 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

We were unable to obtain sufficient evidence to support the completeness of charges for services receipts for 2010 and 2009, comprising 81% and 88% of total Enterprise Fund cash receipts for 2010 and 2009, respectively, nor were we able to satisfy ourselves of the completeness by other auditing procedures.

Also, except for any adjustments, if any, that might have been determined to be necessary had we been able to obtain sufficient evidence supporting Enterprise Fund Charges for Services receipts noted in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2010 and 2009 and the reserves for encumbrances as of December 31, 2010 and 2009 of the Village of Verona, Preble County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2014, 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

May 1, 2014

**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, 2010**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$28,264	\$37,773		\$66,037
Intergovernmental	43,677	85,798	\$35,692	165,167
Special Assessments	328			328
Charges for Services	200	84,533		84,733
Fines, Licenses and Permits	3,872			3,872
Earnings on Investments	1,382			1,382
Miscellaneous	1,131	284		1,415
	78,854	208,388	35,692	322,934
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	39,656	73,192		112,848
Leisure Time Activities	18,636			18,636
Community Environment	3,888			3,888
Transportation		33,890	19,025	52,915
General Government	41,512			41,512
Debt Service:				
Redemption of Principal		12,241		12,241
Interest and Fiscal Charges		1,500		1,500
Capital Outlay		30,218	1,690	31,908
	103,692	151,041	20,715	275,448
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	(24,838)	57,347	14,977	47,486
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		20,636		20,636
Transfers-Out	(535)	(20,526)		(21,061)
Other Financing Sources	120			120
	(415)	110	0	(305)
<b>Total Other Financing Receipts / (Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	(25,253)	57,457	14,977	47,181
<b>Fund Cash Balances, January 1</b>	41,444	78,464	0	119,908
<b>Fund Cash Balances, December 31</b>	<b>\$16,191</b>	<b>\$135,921</b>	<b>\$14,977</b>	<b>\$167,089</b>

*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, 2010**

<b>Operating Cash Receipts:</b>	
Charges for Services	\$410,779
Miscellaneous	1,360
	<hr/>
Total Operating Cash Receipts	412,139
	<hr/>
<b>Operating Cash Disbursements:</b>	
Personal Services	30,646
Travel Transportation	1,327
Contractual Services	303,213
Supplies and Materials	115,498
	<hr/>
Total Operating Cash Disbursements	450,684
	<hr/>
Operating (Loss)	(38,545)
	<hr/>
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental	82,239
Special Assessments	11,185
	<hr/>
Total Non-Operating Cash Receipts	93,424
	<hr/>
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	26,165
Redemption of Principal	70,043
Interest and Other Fiscal Charges	73,954
Other Non-Operating Cash Disbursements	1,760
	<hr/>
Total Non-Operating Cash Disbursements	171,922
	<hr/>
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(117,043)
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Transfers-In	8,075
Transfers-Out	(7,650)
	<hr/>
Net Receipts (Under) Disbursements	(116,618)
	<hr/>
Fund Cash Balances, January 1	448,772
	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$332,154</u></u></b>

*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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$27,053	\$36,034		\$63,087
Intergovernmental	57,773	44,184	\$180,974	282,931
Special Assessments	2,761			2,761
Charges for Services	200	88,932		89,132
Fines, Licenses and Permits	365			365
Earnings on Investments	4,562			4,562
Miscellaneous	6,736	55		6,791
	<u>99,450</u>	<u>169,205</u>	<u>180,974</u>	<u>449,629</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	38,866	15,922		54,788
Leisure Time Activities	11,370			11,370
Community Environment	2,214			2,214
Basic Utility Service		599		599
Transportation		32,406		32,406
General Government	47,378	52,745		100,123
Debt Service:				
Redemption of Principal		11,793		11,793
Interest and Fiscal Charges		2,187		2,187
Capital Outlay		74,346	180,974	255,320
	<u>99,828</u>	<u>189,998</u>	<u>180,974</u>	<u>470,800</u>
<b>Total Cash Disbursements</b>				
Total Receipts (Under) Disbursements	<u>(378)</u>	<u>(20,793)</u>	<u>0</u>	<u>(21,171)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Fixed Assets	2,360			2,360
Transfers-In	3,668	8,768		12,436
Transfers-Out	(2,214)	(14,976)		(17,190)
Other Financing Sources	393			393
	<u>4,207</u>	<u>(6,208)</u>	<u>0</u>	<u>(2,001)</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,829	(27,001)	0	(23,172)
Fund Cash Balances, January 1	<u>37,615</u>	<u>105,465</u>	<u></u>	<u>143,080</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$41,444</b></u>	<u><b>\$78,464</b></u>	<u><b>\$0</b></u>	<u><b>\$119,908</b></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, 2009**

<b>Operating Cash Receipts:</b>	
Charges for Services	\$365,495
<hr/>	
Total Operating Cash Receipts	365,495
<hr/>	
<b>Operating Cash Disbursements:</b>	
Personal Services	29,648
Travel Transportation	1,636
Contractual Services	185,882
Supplies and Materials	49,432
<hr/>	
Total Operating Cash Disbursements	266,598
<hr/>	
Operating Income	98,897
<hr/>	
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental	42,017
Special Assessments	3,185
Other Non-Operating Cash Receipts	780
<hr/>	
Total Non-Operating Cash Receipts	45,982
<hr/>	
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	13,910
Redemption of Principal	128,948
Interest and Other Fiscal Charges	7,413
Other Non-Operating Cash Disbursements	42,017
<hr/>	
Total Non-Operating Cash Disbursements	192,288
<hr/>	
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(47,409)
<hr/>	
Transfers-In	4,754
<hr/>	
Net Receipts (Under) Disbursements	(42,655)
<hr/>	
Fund Cash Balances, January 1	491,427
<hr/>	
<b>Fund Cash Balances, December 31</b>	<b>\$448,772</b>
<hr/> <hr/>	

*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, 2010 AND 2009**

**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 directs the Village. The Village provides water, sewer, refuse, and gas 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. Accounting Basis**

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. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

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

The Village values certificates of deposit at cost. Investments in STAR Ohio are recorded at share values that STAR Ohio 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 private-purpose 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, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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

**3. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Projects Fund – This fund receives grant revenue from the Ohio Public Works Commission for village projects.

**4. 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 charges for services from residents to cover sewer service costs.

Gas Fund - This fund receives charges for services from residents to cover gas service costs.

**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 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.

**VILLAGE OF VERONA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting. The Village did not encumber all commitments required by Ohio law. The Village canceled \$11,873 and \$10,117 in encumbrances at December 31, 2010 and 2009, respectively and re-encumbered these amounts in the subsequent years against current appropriations.

**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.

**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 deposits and investments at December 31 was as follows:

	2010	2009
Demand deposits	\$434,052	\$350,098
Certificates of deposit	9,245	153,723
Total deposits	443,297	503,821
STAR Ohio	55,946	64,859
Total investments	55,946	64,859
Total deposits and investments	\$499,243	\$568,680

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF VERONA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,235	\$78,974	(\$24,261)
Special Revenue	183,891	229,024	45,133
Capital Projects	180,974	35,692	(145,282)
Enterprise	484,841	513,638	28,797
Total	\$952,941	\$857,328	(\$95,613)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$130,764	\$104,227	\$26,537
Special Revenue	252,056	171,567	80,489
Capital Projects	4,032	20,715	(16,683)
Enterprise	776,371	630,256	146,115
Total	\$1,163,223	\$926,765	\$236,458

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,875	\$105,871	\$8,996
Special Revenue	142,525	177,973	35,448
Capital Projects	100,000	180,974	80,974
Enterprise	308,300	416,231	107,931
Total	\$647,700	\$881,049	\$233,349

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$123,690	\$102,042	\$21,648
Special Revenue	214,223	204,974	9,249
Capital Projects	100,000	180,974	(80,974)
Enterprise	486,433	458,886	27,547
Total	\$924,346	\$946,876	(\$22,530)

**VILLAGE OF VERONA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the Street, FEMA, Capital Projects, Gas, Sewer Sinking, and Sewer Reserve Funds for the year ended December 31, 2009 and for the FEMA, Capital Projects, and Gas Funds for the year ended December 31, 2010.

Contrary to Ohio law, appropriations exceeded estimated resources for the Sewer Fund for the year ended December 31, 2009 and the Street and Refuse Funds for the year ended December 31, 2010.

Contrary to Ohio law, appropriations exceeded actual resources for the Sewer Fund for the year ended December 31, 2009 and the General, Water, and Sewer Funds for the year ended December 31, 2010.

**4. Property Tax**

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

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

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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan CK008	271,573	0.00%
Ohio Public Works Commission Loan CK14G	259,845	0.00%
Sewer System Mortgage Revenue Bonds, Series 2008A	1,183,900	4.625%
Sewer System Mortgage Revenue Bonds, Series 2008B	426,300	4.375%
Dump Truck Lease	12,969	5.95%
Total	<u><u>\$2,154,587</u></u>	

**VILLAGE OF VERONA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. Debt (Continued)**

The Ohio Public Works Commission (OPWC) loan #CK008 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 Ohio Public Works Commission (OPWC) loan #CK14G was obtained in 2007 in the amount of \$305,700 for wastewater treatment and collection system. The loan will be repaid in semi-annual installments of \$7,643 over twenty years. The loan is collateralized by sewer receipts. The Village has agreed to set sewer rates sufficient to cover bond payment requirements.

The Sewer System Mortgage Revenue Bonds, Series 2008A and 2008B, were issued in 2008 in the amount of \$1,212,000 and \$437,000, respectively for the purpose of refunding the Temporary Sewer System Mortgage Revenue Bonds used to pay the cost of acquiring, constructing and installing improvements necessary for the construction of a municipal sewer system. The bonds bear interest payable and principal payable semi-annually on May 1 and November 1 (initially November 1, 2008). The bonds have a final maturity date of May 1, 2048. The bonds are secured by an indenture of mortgage upon all property of the Village which constitutes its municipal sewer system.

The dump truck lease purchase agreement was obtained in 2008 in the amount of \$50,505 to purchase a new dump truck. The lease will be repaid in annual installments of \$13,741, including interest, over four years. The lease is collateralized by the dump truck.

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

Year ending December 31:	OPWC CK14G	OPWC CK008	Mortgage Revenue Bond A	Mortgage Revenue Bond B
2011	\$23,615	\$15,285	\$66,715	\$23,300
2012	23,615	15,285	66,997	23,243
2013	23,615	15,285	66,750	23,280
2014	23,615	15,285	66,728	23,155
2015	23,615	15,285	66,776	23,323
2016-2020	118,075	76,425	334,246	116,228
2021-2025	35,423	76,425	333,931	116,182
2026-2030		30,570	334,027	116,249
2031-2035			333,954	116,134
2036-2040			333,998	116,212
2041-2045			333,898	116,133
2046-2048			166,971	58,122
Total	<u>\$271,573</u>	<u>\$259,845</u>	<u>\$2,504,991</u>	<u>\$871,561</u>

**VILLAGE OF VERONA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. Debt (Continued)**

	Dump Truck
Year ending December 31:	Lease
2011	<u>13,741</u>
Total	<u><u>\$13,741</u></u>

In addition to the debt described above, the Village has defeased certain debt issues from prior years.

**6. Retirement Systems**

**A. Ohio Public Employee Retirement System**

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**B. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the OPERS have an option to choose Social Security. As of December 31, 2010 and 2009, 23 and 22 employees, respectively, of the Village have elected Social Security. The employees' liability is 6.2 percent of wages paid.

**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. Noncompliance**

The Village did not maintain all records.

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# Dave Yost • 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, 2010 and 2009, and have issued our report thereon dated May 1, 2014, 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 also noted we were unable to obtain sufficient evidence to support the completeness of Enterprise Charges for Services receipts for 2010 and 2009. Except as noted in the previous sentence, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-08, 2010-11, 2010-13, and 2010-14 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-12 described in the accompanying schedule of findings to be a significant deficiency.

### **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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-07, 2010-09, 2010-10, 2010-013, and 2010-15.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 1, 2014.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 1, 2014

VILLAGE OF VERONA  
PREBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-01

**Finding for Recovery – Overpayment to Rhonda Davis**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

The Village issued the following reimbursement checks to Rhonda Davis, Former Fiscal Officer. No supporting documentation was maintained for these reimbursements.

Check Number	Check Date	Amount	Signed by	Fund
1003	4/28/11	\$78.09	Mary Myers	Water
1059	5/31/11	122.22	Mary Myers	Water

In accordance with the foregoing facts and pursuant to Ohio Revised Code, Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Rhonda Davis in the amount of \$200, and in favor of the Village of Verona Water Fund in the amount of \$200.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Mary Myers, Village Mayor, signed the checks 1003 and 1059 resulting in the overpayments. Therefore, Mary Myers and her bonding company, EMC Insurance Companies, are jointly and severally liable for approving the payments, in the amount of \$200, and in favor of the Village of Verona Water Fund in the amount of \$200 to the extent that recovery is not obtained from Rhonda Davis.

FINDING NUMBER 2010-02

**Finding for Recovery – Cash Collections Unaccounted For**

A review of a duplicate receipt book from February 25, 2009 through May 10, 2011 found the following receipts which were not deposited into a Village bank account:

**FINDING NUMBER 2010-02  
 (Continued)**

<b>Date</b>	<b>Name</b>	<b>Amount</b>	<b>Description</b>	<b>Tender</b>	<b>Signed by</b>
5/6/09	Coate Construction	\$75.00	State St. Project Plans and Book	Cash	Rhonda Davis
3/9/11	Missy Tiley	2.00	Fax	Cash	Rhonda Davis
5/10/11	Leah Wright	65.00	Lion's Den Rental	Cash	Rhonda Davis

In addition, we obtained the Village's calendar for January through June 2011. The Village records the Lion's Den rentals on this calendar. We compared the rentals listed on the calendar to the deposits made for Lion's Den Rentals. We determined that there was one additional rental for which the fee was not deposited:

<b>Date</b>	<b>Name</b>	<b>Amount</b>	<b>Fiscal Officer</b>
4/24/11	Kathryn Maxwell	\$65.00	Rhonda Davis

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Rhonda Davis for public money collected but unaccounted for totaling \$207, and in favor of the Village of Verona Street Fund in the amount of \$75, and General Fund in the amount of \$132.

**FINDING NUMBER 2010-03**

**Finding for Recovery – Utility Monies Unaccounted For**

When a utility customer paid their bill, Rhonda Davis, former Board of Public Affairs Clerk marked the utility billing stub with the date paid and posted the payment amount to the customer's account in the Village's utility system. When preparing to deposit funds collected, Ms. Davis added the total of the payments marked on the customer stubs. The utility stubs were rubber banded together by month. She then prepared a deposit slip, deposited the funds, and provided the information to the Fiscal Officer for posting to the Village accounting system.

All utility stubs for 2009, 2010, and some stubs for 2011 were stolen from the Village office on June 8, 2011. At this time, the Village's computer towers, back-ups stored on thumb drives, and several utility reports were also stolen.

Based on a reconciliation of the Utility Billing Reports, Daily Cash Receipt Journals, stubs maintained by the Village, and deposits by type of tender and examining Customer Balance Report for May 2011, we determined that Rhonda Davis did not deposit utility collections totaling \$35,889.53 into a Village bank account. Of the \$35,889.53, \$7,732.08 was from January through May 2011 utility stubs which were not deposited into a Village bank account. \$27,794.47 was related to customers that had a history of paying cash and no payment was posted to their account for billings rather their account was reduced without a payment being posted. \$362.98 was related to payments that were made based on examination of the customer billings and balances.

Ohio Rev. Code Section 2921.41 states that no public official shall commit any theft offense when the offender uses their office in the aid of committing the offense or permits or assents to its use in aid of committing the offense or if the property or service is owned by the governmental entity. Whoever violates this section is guilty of theft in office.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Rhonda Davis in the amount of \$35,889, and in favor of the Village of Verona Water Fund in the amount of \$5,732, Sewer Fund in the amount of \$14,088, Trash Fund in the amount of \$2,710, and Gas Fund in the amount of \$13,359.

**FINDING NUMBER 2010-03  
 (Continued)**

On March 25, 2014, Rhonda Davis entered a guilty plea to a bill of information on a theft in office charge from utilities with the final disposition scheduled for June 10, 2014.

**FINDING NUMBER 2010-04**

**Finding for Recovery – Overpayment to Rhonda Davis**

The Fiscal Officer position for the Village of Verona pays \$860.43 semi-monthly. For the following checks the Rhonda Davis overpaid herself as follows:

Check #	Overpayment Amount	Fund
1058	\$83.73	Water Fund - \$27.91 Sewer Fund - 27.91 Gas Fund - 27.91
1091	83.73	General Fund - \$59.97 Street Fund - 3.60 Fire Fund - 7.05 Water Fund - 11.40 Sewer Fund - 1.71

In addition, Rhonda Davis resigned as Fiscal Officer on June 26, 2011. She paid herself for the entire month and therefore was overpaid by four days on the following check:

Check #	Overpayment Amount	Fund
1128	\$396.61	Water Fund - \$132.20 Sewer Fund – 132.20 Gas Fund – 132.21

The employer portion to Public Employees Retirement System for the overpayments was as follows:

Check #	Overpayment Amount	Fund
1058	\$11.72	Water Fund - \$3.90 Sewer Fund – 3.90 Gas Fund – 3.92
1091	11.72	General Fund - \$8.39 Street Fund - .50 Fire Fund - .99 Water Fund – 1.60 Sewer Fund - .24
1128	55.52	Water Fund - \$18.51 Sewer Fund – 18.51 Gas Fund – 18.50

In accordance with the foregoing facts and pursuant to Ohio Revised Code, Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Rhonda Davis in the amount of \$643 and in favor of the Village of Verona General Fund in the amount of \$68, the Village of Verona Street Fund in the amount of \$5, the Village of Verona Fire Fund in the amount of \$8, the Village of Verona Water Fund in the amount of \$195, the Village of Verona Sewer Fund in the amount of \$185, and the Village of Verona Gas Fund in the amount of \$182.

On March 25, 2014, Rhonda Davis entered a guilty plea to a bill of information on a theft in office charge from the overpayment to herself.

**FINDING NUMBER 2010-05**

**Finding for Recovery – Overpayment to Rhonda Davis**

Rhonda Davis began working for the Village of Verona as the Board of Public Affairs (BPA) Clerk in June 2008. On May 2, 2011, she was appointed as Fiscal Officer / Clerk.

Prior to April 2011 and subsequent to June 2011, the Fiscal Officer and BPA Clerk were paid twice a month. Ms. Davis received four checks in April 2011 and five checks in May 2011 resulting in two extra checks in April 2011 and three extra checks in May 2011. Mary Myers, Mayor contacted the Auditor of State because checks had been discovered that were not signed by her although her name appears on the signature line. The check information is as follows:

Check Number	Date	Amount	Fund
968	4/8/11	\$591.56	Water - \$197.19 Sewer - 197.18 Gas - 197.19
981	4/18/11	519.16	Water - \$173.05 Sewer - 173.06 Gas - 173.05
1006	5/9/11	1,183.12	General - \$394.37 Street - 197.19 Water - 197.18 Sewer - 197.19 Gas - 197.19
1053	5/26/11	768.62	General - \$128.10 Street - 128.10 Fire - 128.10 Water - 128.11 Sewer - 128.10 Gas - 128.11
1057	5/13/11	768.42	Water - \$256.14 Sewer - 256.14 Gas - 256.14

The employer portion to Public Employees Retirement System for the overpayments was as follows:

Check #	Overpayment Amount	Fund
981	\$85.68	Water - \$28.56 Sewer - 28.56 Gas - 28.56
1053	132.18	General - \$22.03 Street - 22.03 Fire - 22.03 Water - 22.03 Sewer - 22.03 Gas - 22.03
1057	132.18	Water - \$44.06 Sewer - 44.06 Gas - 44.06

**FINDING NUMBER 2010-05  
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code, Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Rhonda Davis in the amount of \$4,180, and in favor of the Village of Verona General Fund in the amount of \$544, the Village of Verona Street Fund in the amount of \$347, the Village of Verona Fire Fund in the amount of \$150, the Village of Verona Water Fund in the amount of \$1,046, the Village of Verona Sewer Fund in the amount \$1,047, and the Village of Verona Gas Fund in the amount of \$1,046.

On March 25, 2014, Rhonda Davis entered a guilty plea to a bill of information on a theft in office charge from overpayment to herself.

**FINDING NUMBER 2010-06**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2010-06  
 (Continued)**

33 percent of the transactions in 2009 and 44 percent of transactions in 2010 tested were not certified by the fiscal officer at the time the commitment was incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used properly, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village officials obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The Council should establish a resolution establishing an amount that the fiscal officer cannot issue a blanket certificate exceeding.

**FINDING NUMBER 2010-07**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(B)**, states that no subdivision or taxing unit shall make any expenditures of money unless it has been appropriated as provided in such chapter. Expenditures exceeded appropriations as follows:

Date	Fund	Appropriations	Expenditures	Variance
12/31/09	Street	\$73,600	\$113,862	\$(40,262)
12/31/09	FEMA	12,000	14,976	(2,976)
12/31/09	Capital Projects	100,000	180,974	(80,974)
12/31/09	Gas	92,000	93,527	(1,527)
12/31/09	Sewer Sinking	0	80,400	(80,400)
12/31/09	Sewer Reserve	0	9,561	(9,561)
12/31/10	FEMA	0	20,526	(20,526)
12/31/10	Capital Projects	4,032	20,716	(16,684)
12/31/10	Gas	266,941	311,612	(44,671)

Failure to limit expenditures to appropriations may result in overspending and negative fund balances.

We recommend that the Village limit expenditures to the appropriated amount. The Fiscal Officer should deny any payments until Council has passed the necessary changes to the appropriation measure.

**FINDING NUMBER 2010-08**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

Appropriations as of December 31, 2010 were not accurately posted to the accounting system as follows:

<b>Fund</b>	<b>Appropriations per Village Resolution</b>	<b>Appropriations posted to Accounting System</b>	<b>Variance</b>
Capital Projects	\$4,032	\$0	\$4,032

Estimated Resources at December 31, 2009 were not accurately posted to the accounting system as follows:

<b>Fund</b>	<b>Estimated Receipts per Amended Certificate</b>	<b>Estimated Receipts posted to Accounting System</b>	<b>Variance</b>
General	\$96,875	\$78,808	\$18,067
Street	28,737	62,176	(33,439)
Fire	101,788	98,947	2,841
FEMA	12,000	0	12,000
Capital Projects	100,000	0	100,000
Sewer	101,328	2,307,447	(2,206,119)
Refuse	33,600	28,987	4,613
Gas	104,100	0	104,100
Sewer Reserve	0	90,000	(90,000)

Estimated Resources at December 31, 2010 were not accurately posted to the accounting system as follows:

<b>Fund</b>	<b>Estimated Receipts per Amended Certificate</b>	<b>Receipts posted to Accounting System</b>	<b>Variance</b>
General	\$103,235	\$58,285	\$44,950
Street	54,015	48,055	5,960
FEMA	14,756	0	14,756
Capital Projects	180,974	0	180,974
Water	63,260	63,000	260
Sewer	111,670	145,170	(33,500)
Refuse	33,042	32,300	742
Gas	108,590	106,600	1,990
Sewer Reserve	80,280	12,000	68,280

**FINDING NUMBER 2010-08  
 (Continued)**

Failure to accurately post budgetary amounts can lead to improper spending and ineffective monitoring of budgetary activity as well as inaccurate reporting of budgetary information in the financial statements. We recommend the Village accurately post all budgetary information to their accounting system and implement control procedures to review amounts posted to the system and financial statements.

**FINDING NUMBER 2010-09**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.39**, provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources as follows:

Date	Fund	Estimated Resources	Appropriations	Variance
12/31/09	Sewer	\$176,272	\$215,600	\$(39,328)
12/31/10	Street	57,798	64,464	(6,666)
12/31/10	Refuse	33,971	34,681	(710)

Failure to limit appropriations to estimated resources may result in negative fund balances. We recommend that the Village limit its appropriations by the estimated resources.

**FINDING NUMBER 2010-10**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.36(A)(4)**, requires that, upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in the official certificate, and that the amount of the deficiency will reduce available resources below the current level of appropriations, the fiscal officer shall certify the amount of the deficiency to the commission and the commission shall certify an amended certificate reflecting the deficiency.

Estimated receipts exceeded actual receipts and the deficiency reduced the available resources below the current level of appropriations for the following funds:

Date	Fund	Actual Resources	Appropriations	Variance
12/31/09	Sewer	\$186,962	\$215,600	\$(28,638)
12/31/10	General	120,418	130,764	(10,346)
12/31/10	Water	126,274	127,124	(850)
12/31/10	Sewer	147,477	176,060	(28,583)

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriations can result in overspending and negative fund balances. We recommend that the Village monitor estimated and actual receipt and obtain amendments when required.

## FINDING NUMBER 2010-11

### Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village lacks management oversight in accounting and reporting financial activity as illustrated by the following conditions:

- The annual financial reports for both 2009 and 2010 did not agree to the accounting system.
- The annual financial reports for both 2009 and 2010 did not foot and crossfoot.
- The Capital Projects Fund was reported as a Special Revenue Fund on the annual financial report in 2010.
- The sum of the individual Enterprise Fund financial activity and balances recorded in the Village ledgers did not equal the Enterprise Fund financial activity and balances in the combined statements in the 2010 annual financial report.
- The Preble County May 2010 personal property tax settlement was improperly posted.
- The Preble County utility special assessments were posted to taxes rather than special assessments. The Village was unable to provide sufficient evidential matter to support the allocation of the posting of the May 2010 special assessment fund breakdown. The Village maintained no documentation as to how the special assessments should have been posted. Special assessments for August 2009 were not posted accurately between the individual funds. The lack of support for the utilities contributed to the opinion qualification.
- Montgomery County special assessments were posted to taxes rather than special assessments.
- Montgomery County general property tax receipts and related disbursements were overstated by the amount of the homestead and rollback.
- Seven homestead and rollback receipts were posted entirely to Street Fund intergovernmental revenue and one homestead and rollback receipt was posted entirely to General Fund tax revenue.
- A 2010 USDA grant disbursement of \$60,428 was posted to charges for services rather than intergovernmental revenue.
- In 2009, the transfer of FEMA grants were posted as intergovernmental revenues rather than transfer in.
- The Village reversed the transfer of a FEMA grant resulting in the fund not being reimbursed for disbursements.
- One FEMA grant receipt in the amount of \$220 was posted to the General Fund rather than the FEMA fund in 2009.
- In 2009, the Village posted a payroll disbursement for the Fire Chief in the amount of \$1,614 to the Street Fund-Transportation instead of the Fire Fund-Security of Persons and Property.

**FINDING NUMBER 2010-11  
(Continued)**

- Debt Service principal was overstated by \$7,413 in the Sewer Sinking Fund in 2009.
- Debt Service interest was understated by \$7,413 in the Sewer Sinking Fund in 2009.
- Debt payments of \$13,741 were posted to Capital Outlay in 2009 and 2010.
- Transfers from the Sewer Fund to the Sewer Reserve Fund totaling \$7,650 were posted as Debt Service and Charges for Services, respectively, rather than transfers in 2010.
- Transfers of interest from the General Fund to the Fire and Sewer Fund were receipted as interest revenue rather than transfers in for 2009 in the amount of \$1,660 and in 2010 in the amount of \$170.
- The receipt of insurance proceeds of \$6,275 was receipted into General Fund intergovernmental revenue, then transferred out of the General Fund and receipted into General Fund Other Financing Sources. This receipt should have been posted to General Fund Miscellaneous Revenue.

Adjustments were posted to the financial statements and Village ledgers, where appropriate, to correct the above misclassifications.

The lack of proper management oversight could result in material misstatements relating to financial data. To improve record keeping and accountability of receipts and expenditures we recommend that all activity be properly posted. For guidance, the Village should utilize the Village Officer's Handbook available at [www.auditor.state.oh.us/publications](http://www.auditor.state.oh.us/publications).

**FINDING NUMBER 2010-12**

**Significant Deficiency**

To reduce the possibility of the disruption of computer services for an extended period of time the Village should develop and maintain a disaster recovery plan. This plan should identify the procedures necessary for the Village to continue processing information in the event of a disaster. The Village has not implemented a disaster recovery plan which was demonstrated by the loss of computers due to theft and the Village's inability to retrieve all of the necessary data for the audit.

The lack of a disaster recovery plan for restoring computer operations lead to the Village's inability to reestablish systems essential to data processing, in an efficient manner. The Village's lack of inability to retrieve backup data from the stolen computers contributed to the lack of completeness support of the Village utility receipts.

An elaborate plan is not necessary; however, some study should be made of what contingencies should be followed in the event of a disaster. We recommend, at a minimum, the following be done:

- A study should be made of all critical applications to determine how long the Village can afford to be without their use.
- Obtain a reciprocal agreement with another entity, using a comparable computer system, to share computer facilities in the event of disaster.
- A list of all necessary contacts in the event of an emergency should be made.
- The location of off-site backup tapes and the procedures for recovering them should be recorded.

**FINDING NUMBER 2010-12  
(Continued)**

- Anybody who has a responsibility concerning the disaster recovery plan should be made aware of their duties and be given a copy of the plan.
- Several copies of the plan should be kept off-site in the event the on-site copies are destroyed during a disaster.

In addition, the plan should be updated and tested periodically, to ensure that it is current and will work as intended by management.

**FINDING NUMBER 2010-13**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village lacks management oversight over the utility receipt cycle as illustrated by the following conditions (The lack of management oversight resulted in an opinion modification due to the lack of completeness support of Enterprise Fund charges for services.):

- Prior to February 5, 2009, the Village recorded the batch numbers on the Daily Cash Receipts Journals. Subsequent to February 5, 2009, batch numbers were not consistently recorded in the Daily Cash Receipts Journals. From February 5, 2009 through December 31, 2009, the Village included the batch numbers in 13 of 263 Daily Cash Receipts Journals. From January 1, 2010 through December 31, 2010, the Village recorded the batch numbers in 26 of 269 Daily Cash Receipts Journals. From January 1, 2011 through December 31, 2011, the Village recorded the batch numbers in 14 of 232 Daily Cash Receipt Journals. Not including the batch numbers hinders the Village's ability to ensure that receipts from all batches are deposited and properly recorded accurately in the daily cash receipt journals and the Village's accounting records and subsequently reported in the financial statements.
- The Village could not verify whether \$1,112 in returned checks and the related penalties were added onto customer accounts.

Due to the above conditions, we recommend:

- Batch numbers be printed on all Daily Cash Receipts Journals. When reconciling activity at month end, the Fiscal Officer should verify that all batch reports have been received and compare the batch report amounts to the amounts posted to the accounting system and amounts deposited to ensure funds received were posted and deposited into a Village account.
- Returned checks and the related penalties should be added onto customer accounts upon notification from the bank that a check has been returned.
- A supervisory review be performed over utility records to determine that the recording and reporting of activity is accurate.

#### FINDING NUMBER 2010-14

##### Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village Board of Public Affairs did not consistently approve utility adjustments. The Village was unable to provide documentation supporting utility account balance adjustments to customer accounts. At times, adjustments were used to post payments to the utility system. The lack of evidence supporting completeness and existence of utility receipts and adjustments led to a qualification of the audit report.

Failure to maintain documentation supporting adjustments posted to the utility system, failure to obtain supervisory approval and reconcile adjustments posted to those authorized, prevents the timely detection of utility payments collected and not deposited.

We recommend that the Village develop specific, written procedures for requesting, posting, and approving customer utility account adjustments. All adjustments should be printed and signed by the Board of Public Affairs showing their approval of the adjustments at the monthly Board of Public Affairs meetings. We also recommend that individual adjustment forms be completed and approved for each adjustment posted to the system. The Village should maintain documentation supporting the reason for the adjustment and reflect supervisory approval prior to posting the adjustment to the utility system. Periodically, an individual independent of the adjustment process should reconcile authorized adjustments to those posted to the utility system to verify only authorized adjustments were posted to the utility system.

#### FINDING NUMBER 2010-15

##### Noncompliance Citation

**Ohio Rev. Code, Section 149.351**, provides that no public record shall be removed or disposed of, in whole or part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code, Section 149.28 to 149.42.

The Village did not maintain the following records:

- The Village did not retain its ordinances for 2009 and 2010.
- The Village did not retain the Board of Public Affairs minutes for April through July and October through December 2010. A copy was obtained for the April 2010 minutes.
- The Village did not maintain supporting documentation for twenty disbursements. However, we performed alternative audit procedures and reviewed the expenditures for proper public purpose. We did not have sufficient supporting documentation to determine proper public purpose for some of those expenditures. The items with insufficient documentation resulted in the Finding for Recovery noted in Finding Number 2010-01.
- The Village did not retain voucher sheets for nine disbursements.

Failure to maintain supporting documentation can result in incorrect posting of financial activity, noncompliance with Village laws, and may lead to possible findings for recovery.

We recommend that the Village keep all records and supporting documentation as required by law.

**Officials' Response:**

We did not receive a response from Officials to the findings above.

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**VILLAGE OF VERONA  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Admin. Code, Section 117-2-01(D)(4), failure to plan for adequate segregation of duties and compensating controls over utility shut off procedures.	Yes	
2008-002	Lack of management oversight in the posting of financial activity.	No	Not corrected. Reissued as finding 2010-11.
2008-003	Failure to request amended certificates and properly post appropriations and estimated resources to the accounting system.	No	Not corrected. Reissued as finding 2010-08.

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# Dave Yost • 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  
MAY 15, 2014**