



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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 28, 2009

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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 year ended December 31, 2008. 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 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 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, 2008 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, 2008, or its changes in financial position or cash flows, where applicable for the year then ended.

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, 2008, and its combined cash receipts and disbursements for the year 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.

We conducted our audit to opine on the financial statements that collectively comprise the Village's financial statements. The accompanying federal awards expenditure schedule is required by the *U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2009, 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.



Mary Taylor, CPA
Auditor of State

July 28, 2009

**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, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$27,815	\$37,875	\$65,690
Intergovernmental	43,127	111,086	154,213
Charges for Services		79,913	79,913
Fines, Licenses and Permits	165		165
Earnings on Investments	13,181		13,181
Miscellaneous	2,650	8,284	10,934
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	86,938	237,158	324,096
Cash Disbursements:			
Current:			
Security of Persons and Property	40,622	68,662	109,284
Leisure Time Activities	4,612		4,612
Community Environment	4,395		4,395
Basic Utility Service	2,932	4,176	7,108
Transportation		35,388	35,388
General Government	56,178	2,345	58,523
Capital Outlay		151,513	151,513
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	108,739	262,084	370,823
Total Receipts (Under) Disbursements	<hr/> (21,801)	<hr/> (24,926)	<hr/> (46,727)
Other Financing Receipts / (Disbursements):			
Transfers-In		1,911	1,911
Transfers-Out	(6,138)		(6,138)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(6,138)	1,911	(4,227)
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(27,939)	(23,015)	(50,954)
Fund Cash Balances, January 1	<hr/> 65,554	<hr/> 128,480	<hr/> 194,034
Fund Cash Balances, December 31	<hr/> \$37,615	<hr/> \$105,465	<hr/> \$143,080

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, 2008**

Operating Cash Receipts:	
Charges for Services	\$226,795
Miscellaneous	1,040
	227,835
Total Operating Cash Receipts	227,835
Operating Cash Disbursements:	
Personal Services	24,897
Travel Transportation	1,344
Contractual Services	97,488
Supplies and Materials	11,373
Capital Outlay	1,001,978
	1,137,080
Total Operating Cash Disbursements	1,137,080
Operating (Loss)	(909,245)
Non-Operating Cash Receipts:	
Intergovernmental	850,244
Special Assessments	2,384
Sale of Bonds	1,649,000
Miscellaneous Receipts	970
	2,502,598
Total Non-Operating Cash Receipts	2,502,598
Non-Operating Cash Disbursements:	
Capital Outlay	
Redemption of Principal	1,695,257
Interest and Other Fiscal Charges	66,437
	1,761,694
Total Non-Operating Cash Disbursements	1,761,694
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(168,341)
Transfers-In	4,227
Net Receipts (Under) Disbursements	(164,114)
Fund Cash Balances, January 1	655,541
Fund Cash Balances, December 31	\$491,427

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, 2008**

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, 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. 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, 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

3. 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 grant and loan proceeds from the United States Department of Agriculture. Starting in 2008, the fund also receives charges for services from residents to cover sewer 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.

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.

A summary of 2008 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, 2008
(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, 2007 was as follows:

Demand deposits	\$356,264
Certificates of deposit	213,563
Total deposits	569,827
STAR Ohio	64,680
Total investments	64,680
Total deposits and investments	\$634,507

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.

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2008 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,166	\$86,938	(\$22,228)
Special Revenue	200,539	239,069	38,530
Enterprise	2,681,330	2,734,660	53,330
Total	\$2,991,035	\$3,060,667	\$69,632

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,946	\$114,877	\$23,069
Special Revenue	269,991	262,084	7,907
Enterprise	2,981,824	2,898,774	83,050
Total	\$3,389,761	\$3,275,735	\$114,026

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.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

4. Property Tax (Continued)

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

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

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

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan CK008	318,802	0.00%
Ohio Public Works Commission Loan CK14G	298,058	0.00%
Sewer System Mortgage Revenue Bonds, Series 2008A	1,206,600	4.625%
Sewer System Mortgage Revenue Bonds, Series 2008B	434,900	4.375%
Ohio Water Development Authority Loan #2900	\$5,000	0.00%
Ohio Water Development Authority Loan #3201	10,000	0.00%
Dump Truck Lease	36,764	5.95%
Total	<u>\$2,310,124</u>	

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 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.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

5. Debt

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 Loan #CK008	OPWC Loan #CK14G	Mortgage Revenue Bond 2008A	Mortgage Revenue Bond 2008B
2009	\$23,615	\$22,928	\$66,779	\$23,181
2010	23,615	15,285	66,759	23,195
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 - 2018	118,075	76,425	334,046	116,186
2019 - 2023	82,652	76,425	333,959	116,223
2024 - 2028		61,140	334,135	116,208
2029 - 2033			334,019	116,223
2034 - 2038			333,940	116,188
2039 - 2043			333,927	116,129
2044 - 2048			300,501	104,580
Total	<u>\$318,802</u>	<u>\$298,058</u>	<u>\$2,638,527</u>	<u>\$917,936</u>

Year ending December 31:	OWDA Loan #2900	OWDA Loan #3201	Dump Truck Lease
2009	2,500	5,000	13,741
2010	2,500	5,000	13,741
2011			13,741
Total	<u>\$5,000</u>	<u>\$10,000</u>	<u>\$41,223</u>

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

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 plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008, 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, 2008.

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, 2008, 21 employees 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. Contingent Liabilities

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

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF VERONA
PREBLE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S DEPARTMENT OF HOMELAND SECURITY <i>Passed Through Ohio Department of Public Safety</i>			
Disaster Grants-Public Assistance		97.036	<u>\$11,922</u>
Total U.S. Department of HOMELAND SECURITY			<u>11,922</u>
U.S DEPARTMENT OF FIRE ADMINISTRATION <i>Passed Through U.S. Department of Homeland Security</i>			
Assistance to Firefighters Grant		97.044	<u>78,537</u>
Total U.S. Department of Fire Administration			<u>78,537</u>
U.S. DEPARTMENT OF AGRICULTURE			
Water and Waste Disposal Systems for Rural Communities		10.760	<u>859,967</u>
Total U.S. Department of Agriculture			<u>859,967</u>
Total			<u><u>\$950,426</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal fund (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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 year ended December 31, 2008, and have issued our report thereon dated July 28, 2009, 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 findings 2008-002 and 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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. Of the significant deficiencies described above, we believe finding number 2008-002 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 28, 2009.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

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 July 28, 2009.

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 the management, Village Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 28, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Verona, Preble County, Ohio (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal programs. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Verona complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to administer a federal program such that there is more than a remote likelihood that the Village's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Village's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management, Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

July 28, 2009

**VILLAGE OF VERONA
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA # 10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Admin. Code, Section 117-2-01(D)(4) states, in part, that when designing the public office's system of internal control and the specific control activities, management should also plan for adequate segregation of duties or other compensating controls.

Sound business practices include adequate segregation of duties over financial operations of an entity. Improved segregation of duties will assist the Village in monitoring the financial activity of the Village and compliance with Village policy.

The Village has a policy that after three months in arrears, the utilities will be shut off and after four months in arrears, the property shall be assessed. The Water Department employee Jeremi Meyers did not consistently make payments on his water and sewer account. Mr. Meyers' duties for the Village include enforcing the Village's utility shut off policy. Mr. Meyers did not follow the Village's utility shut off policy when his account was in arrears nor did the Village assess his property. At December 31, 2008, the account was \$983.31 in arrears.

We recommend the Board of Public Affairs (BPA) improve segregation of duties to impartially enforce their utility policies for all residents, including employees of the BPA.

Officials' Response:

To improve segregation of duties, the Board of Public Affairs recommended to the Village Council and the Village Council motioned at their July 20, 2009 meeting to have the Mayor of the Village be the back-up individual on all water turn-offs. When the responsible individual for the Village cannot do water turn-off's or if the property in question is the responsible individual for the Village, the Mayor is to turn-off the water on the property.

At the July 20, 2009 Council meeting, the Council approved to withhold 50% of Mr. Jeremi Meyers' Village paychecks and apply this portion to his water, sewer, and refuse account until it is caught up.

FINDING NUMBER 2008-002

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 the posting of financial activity as illustrated by the following errors:

Fund	Account	Balance per report	Balance per system	Difference
General	Security of Persons & Property	\$7,677	\$40,623	\$32,946
General	Leisure Time Activities	0	4,612	4,612
General	Community Environment	929	4,395	3,466

**FINDING NUMBER 2008-002
 (Continued)**

Fund	Account	Balance per report	Balance per system	Difference
General	Basic Utilities	0	2,932	2,932
General	General Government	24,204	56,178	31,974
General	Transfers Out	0	6,138	6,138
Special Revenue	Taxes	38,432	38,418	(14)
Special Revenue	Intergovernmental Revenue	78,537	115,010	36,473
Special Revenue	Special Assessments	25,774	0	(25,774)
Special Revenue	Charges for Services	0	79,913	79,913
Special Revenue	Fines, Licenses, Permits	90,598	0	(90,598)
Special Revenue	Security of Persons & Property	187,902	68,662	(119,240)
Special Revenue	Basic Utility	0	4,176	4,176
Special Revenue	Transportation	71,837	35,388	(36,449)
Special Revenue	Capital Outlay	0	151,513	151,513
Enterprise	Capital Outlay	1,074,374	1,040,736	33,638

In addition,

- The annual financial report did not properly foot and crossfoot.
- Transfers in of \$1,911 for the Fire Fund and \$4,227 for the Sewer Fund were posted to interest revenue.
- Preble County local government disbursements of \$33,399, Preble County tangible local government disbursements of \$94, Preble County Tangible Personal Property tax replacement disbursements of \$564 and Montgomery County local governmental disbursements in the amount of \$1,493 were posted to General Fund taxes instead of General Fund intergovernmental revenue.
- Homestead and rollback settlements of \$4,467 for the General Fund and \$3,259 for the Fire Fund were posted to the Street Fund.
- The Time Warner Cable Franchise Fee payment of \$1,232 was posted to General Fund intergovernmental receipts instead of General Fund miscellaneous revenue.
- Tangible Personal Property tax replacement disbursements of \$386 for the Street Fund and \$157 for the Fire Fund were posted to taxes instead of intergovernmental revenue.
- A Special Assessment of \$71 for the Refuse Fund was posted to the Water Fund.
- United States Department of Agriculture grant revenue of \$850,244 was posted to Other Financing Sources rather than Intergovernmental Revenue.
- Debt Service principal was understated by \$1,670,883.
- Debt Service interest was overstated by \$1,632,126.
- Debt payments of \$38,757 were posted to Capital Outlay.
- Proceeds from bonds of \$1,649,000 were posted as Other Financing Sources.

**FINDING NUMBER 2008-002
 (Continued)**

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 posted properly. For guidance, the Village should utilize the Village Officer's Handbook available at www.auditor.state.oh.us/publications.

Officials' Response:

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

FINDING NUMBER 2008-003

Significant Deficiency

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 did not request an amended certificate to adjust for prior audit fund balance adjustments; therefore, the General, Street, Fire, and Water unencumbered balances on the Certificates of Estimated Resources were incorrect.

Fund	Unencumbered Balance per Amended Certificate of Estimated Resources	Unencumbered Balance per FY07 Audit Report	Variance
General Fund	\$61,374	\$65,554	\$4,180
Street Fund	92,673	90,708	(1,965)
Fire Fund	37,371	37,771	400
Water Fund	162,410	162,335	(75)

Appropriations as of December 31, 2008 were not properly posted to the accounting system as follows:

Fund	Appropriations per Village Resolution	Appropriations posted to Accounting System	Variance
Fire Fund	\$187,871	\$189,871	(\$2,000)
Gas Fund	35,000	0	(35,000)

Estimated Resources at December 31, 2008 were not properly posted to the accounting system as follows:

Fund	Estimated Receipts per Amended Certificate	Estimated Receipts posted to Accounting System	Variance
Fire Fund	\$153,123	\$93,304	\$59,819
Sewer Fund	2,577,617	662,848	1,914,769

**FINDING NUMBER 2008-003
(Continued)**

Failure to properly posting budgetary amounts can lead to improper spending and improper monitoring of budgetary activity. We recommend the Village use correct amounts on the budgetary documents and request an amended certificate when they have fund balance adjustments. We also recommend the Village properly post all budgetary information to their accounting system.

Officials' Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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**VILLAGE OF VERONA
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Improperly posting of financial activity.	No	Not corrected. Reissued as Finding 2008-002.
2007-002	Not properly reconciling.	No	Not corrected. Reissued as Management Letter comment.
2007-003	Ohio Revised Code, Section 5705.41(B), expenditures exceeding appropriations.	No	Not corrected. Reissued as Management Letter comment.
2007-004	Ohio Revised Code, Section 5705.36(A)(4), appropriations exceed available resources.	Yes	
2007-005	Ohio Revised Code, Section 5705.41(D)(1), not properly encumbering.	No	Partially corrected. Reissued as Management Letter comment.
2007-006	Ohio Revised Code, Section 135.12, not maintaining an active depository agreement.	Yes	



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
AUGUST 13, 2009**