



Dave Yost • Auditor of State

VILLAGE OF VERONA
PREBLE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Mayor and Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Village of Verona, Preble County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Verona, Preble County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2016

**VILLAGE OF VERONA
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$26,553	\$36,240	\$62,793
Intergovernmental	29,170	35,847	65,017
Special Assessments		9,207	9,207
Charges for Services		54,982	54,982
Fines, Licenses and Permits	2,781		2,781
Earnings on Investments	378		378
Miscellaneous	3,135	1,889	5,024
Total Cash Receipts	<u>62,017</u>	<u>138,165</u>	<u>200,182</u>
Cash Disbursements:			
Current:			
General Government	37,395	111,445	148,840
Capital Outlay		10,088	10,088
Debt Service:			
Principal Retirement		1,844	1,844
Total Cash Disbursements	<u>37,395</u>	<u>123,377</u>	<u>160,772</u>
Excess of Receipts Over (Under) Disbursements	<u>24,622</u>	<u>14,788</u>	<u>39,410</u>
Other Financing Receipts (Disbursements):			
Transfers In		29	29
Transfers Out	(327)		(327)
Total Other Financing Receipts (Disbursements)	<u>(327)</u>	<u>29</u>	<u>(298)</u>
Net Change in Fund Cash Balances	24,295	14,817	39,112
Fund Cash Balances, January 1	<u>67,774</u>	<u>263,700</u>	<u>331,474</u>
Fund Cash Balances, December 31			
Restricted		278,517	278,517
Unassigned (Deficit)	92,069		92,069
Fund Cash Balances, December 31	<u>\$92,069</u>	<u>\$278,517</u>	<u>\$370,586</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF VERONA
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Operating Cash Receipts:	
Charges for Services	\$474,213
Miscellaneous	746
Total Operating Cash Receipts	<u>474,959</u>
Operating Cash Disbursements:	
Personal Services	38,472
Contractual Services	253,476
Supplies and Materials	6,148
Other	3,237
Total Operating Cash Disbursements	<u>301,333</u>
Operating Income (Loss)	<u>173,626</u>
Non-Operating Receipts (Disbursements):	
Intergovernmental	67,670
Capital Outlay	(78,216)
Principal Retirement	(59,100)
Interest and Other Fiscal Charges	(69,900)
Total Non-Operating Receipts (Disbursements)	<u>(139,546)</u>
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	34,080
Transfers In	92,551
Transfers Out	<u>(92,252)</u>
Net Change in Fund Cash Balances	34,379
Fund Cash Balances, January 1	<u>317,492</u>
Fund Cash Balances, December 31	<u><u>\$351,871</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF VERONA
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$26,229	\$34,763	\$60,992
Intergovernmental	24,526	33,565	58,091
Special Assessments		8,380	8,380
Charges for Services		55,239	55,239
Fines, Licenses and Permits	1,377	55	1,432
Earnings on Investments	312		312
Miscellaneous	1,166	3,455	4,621
Total Cash Receipts	<u>53,610</u>	<u>135,457</u>	<u>189,067</u>
Cash Disbursements:			
Current:			
Community Environment	626		626
General Government	44,372	95,957	140,329
Debt Service:			
Principal Retirement		5,535	5,535
Total Cash Disbursements	<u>44,998</u>	<u>101,492</u>	<u>146,490</u>
Excess of Receipts Over (Under) Disbursements	<u>8,612</u>	<u>33,965</u>	<u>42,577</u>
Other Financing Receipts (Disbursements):			
Transfers In		590	590
Transfers Out	(822)		(822)
Total Other Financing Receipts (Disbursements)	<u>(822)</u>	<u>590</u>	<u>(232)</u>
Net Change in Fund Cash Balances	7,790	34,555	42,345
Fund Cash Balances, January 1	<u>59,984</u>	<u>229,145</u>	<u>289,129</u>
Fund Cash Balances, December 31			
Restricted		263,700	263,700
Unassigned (Deficit)	67,774		67,774
Fund Cash Balances, December 31	<u>\$67,774</u>	<u>\$263,700</u>	<u>\$331,474</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF VERONA
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating Cash Receipts:	
Charges for Services	\$502,847
Miscellaneous	23,611
Total Operating Cash Receipts	<u>526,458</u>
Operating Cash Disbursements:	
Personal Services	41,547
Contractual Services	341,723
Supplies and Materials	4,425
Other	23,997
Total Operating Cash Disbursements	<u>411,692</u>
Operating Income (Loss)	<u>114,766</u>
Non-Operating Receipts (Disbursements):	
Intergovernmental	59,430
Capital Outlay	(65,706)
Principal Retirement	(58,000)
Interest and Other Fiscal Charges	(70,784)
Total Non-Operating Receipts (Disbursements)	<u>(135,060)</u>
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	(20,294)
Transfers In	100,565
Transfers Out	<u>(100,333)</u>
Net Change in Fund Cash Balances	(20,062)
Fund Cash Balances, January 1	<u>337,554</u>
Fund Cash Balances, December 31	<u><u>\$317,492</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**

1. REPORTING ENTITY

The Village of Verona (the Village), Preble County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, refuse and gas utilities, park operations, street lights, fire and police services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for the proprietary fund type which is organized on a fund type basis.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Fund - The fire fund receives fire levy 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:

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water Fund - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Gas Fund - The gas fund accounts for the provision of gas services to the residents and commercial users within the Village.

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

D. 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

VILLAGE OF VERONA
PREBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deposits 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

: . Capital Assets

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

; . Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

< . Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance e.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,980	\$62,017	(\$6,963)
Special Revenue	168,325	138,194	(30,131)
Enterprise	730,700	635,180	(95,520)
Total	<u>\$968,005</u>	<u>\$835,391</u>	<u>(\$132,614)</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,850	\$37,722	\$24,128
Special Revenue	157,700	123,377	34,323
Enterprise	692,700	600,801	91,899
Total	<u>\$912,250</u>	<u>\$761,900</u>	<u>\$150,350</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,875	\$53,610	(\$12,265)
Special Revenue	156,611	136,047	(20,564)
Enterprise	759,033	686,453	(72,580)
Total	<u>\$981,519</u>	<u>\$876,110</u>	<u>(\$105,409)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,611	\$45,820	\$19,791
Special Revenue	140,880	101,492	39,388
Enterprise	747,950	706,515	41,435
Total	<u>\$954,441</u>	<u>\$853,827</u>	<u>\$100,614</u>

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS

The Village maintains a deposit 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:

	<u>2015</u>	<u>2014</u>
Demand deposits	\$631,047	\$558,705
Total deposits	<u>631,047</u>	<u>558,705</u>
STAR Ohio	91,410	90,261
Total investments	<u>91,410</u>	<u>90,261</u>
Total deposits and investments	<u>\$722,457</u>	<u>\$648,966</u>

A. Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's letter of credit.

B. Investments

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

5. TAXES

Property Taxes

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.

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

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees 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. 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, 2015.

B. Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

8. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan (CK008)	\$153,498	0.000%
Ohio Public Works Commission Loan (CK14G)	183,420	0.000%
Sewer System Mortgage Revenue Bonds, Series 2008A	1,117,200	4.625%
Sewer System Mortgage Revenue Bonds, Series 2008B	400,900	4.375%
Total	<u>\$1,855,018</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.

**VILLAGE OF VERONA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

8. DEBT (Continued)

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

Year ending December 31:	OPWC CK008	OPWC CK14G	Mortgage Revenue Bonds A	Mortgage Revenue Bonds A
2016	\$11,808	\$7,643	\$66,935	\$23,226
2017	23,615	15,285	66,779	23,224
2018	23,615	15,285	66,829	23,259
2019	23,615	15,285	66,745	23,181
2020	23,615	15,285	66,956	23,338
2021-2025	47,230	76,425	333,931	116,183
2026-2030		38,212	334,027	116,249
2031-2035			333,954	116,134
2036-2040			333,999	116,212
2041-2045			333,898	116,133
2046-2048			166,971	58,122
Total	<u>\$153,498</u>	<u>\$183,420</u>	<u>\$2,171,024</u>	<u>\$755,261</u>

9. RELATED PARTY TRANSACTIONS

A Village firefighter, the Fire Chief's son, leased land totaling approximately 31.54 acres from the Village during the year for agricultural purposes. The Village received \$1 per year for this lease agreement.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Verona, Preble County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated December 7, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

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, opining 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2016

VILLAGE OF VERONA
PREBLE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Material Weakness

The Verona Fire Department, an independent entity from the Village, set up a bank account using the Village's tax identification number, in which they deposit fundraising money and donations. The account had receipts of \$9,769 and expenditures of \$20,133 in 2014. The Village did not recognize any of this activity on their financial statements. Allowing entities independent of the Village to use the Village's tax identification number gives the impression the funds belong to the Village.

We obtained evidence the Verona Fire Association opened a separate bank account, using their own tax identification number on December 31, 2014.

Failure to properly post all financial activity could result in material misstatements relating to financial data. The activity of all accounts opened using the Village's tax identification number should be recognized on the Village's financial statements. The Village should not allow access to its tax identification number to anyone not associated with the Village.

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code § 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.

FINDING NUMBER 2015-002
(Continued)

- 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.

The Village did not properly utilize purchase orders during 2014. Although purchase orders were used for expenditures, the purchase orders were not line item or even fund specific. We noted instances in which one expenditure, paid from multiple funds, was paid against one purchase order. Failure to properly utilize the encumbrance method of accounting may result in overspending funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. The Village should obtain approved purchase orders, which contain the Fiscal Officer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF VERONA
PREBLE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Lack of management oversight in posting financial activity. Initially occurred in FY07.	Fully Corrected	
2013-002	Lack of management oversight when preparing the Annual Financial Reporting	Fully Corrected	
2013-003	Lack of audit evidence supporting the Verona Fire Department bank account	Partially Corrected	Reissued as Finding 2015-001 Corrected in December 2014
2013-004	Ohio Rev. Code Section 5705.41(D)(1), failure to properly utilize purchase orders	Partially Corrected	Reissued as Finding 2015-002 Corrected in January 2015
2013-005	Ohio Admin. Code Section 117-3-02(D), failure to maintain the proper accounting records	Fully Corrected	
2013-006	Failure to consistently approve utility adjustments and maintain supporting documentation for all adjustments. Initially occurred in FY10 and FY09.	Fully Corrected	
2013-007	Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriations. Initially occurred in FY10 and FY09.	Partially Corrected	Reissued as Management Letter Comment Corrected in 2016

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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
JANUARY 26, 2017