



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF VERONA
PREBLE COUNTY

DECEMBER 31, 2023 AND 2022

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OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Verona, Preble County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2023 and 2022, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.

A handwritten signature in black ink, appearing to read "Keith Faber", written in a cursive style.

Keith Faber
Auditor of State
Columbus, Ohio

April 28, 2025

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Village of Verona, Ohio
Preble County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2023*

	General	Special Revenue	Combined Total
Cash Receipts:			
Property and Other Local Taxes	\$30,112	\$38,367	\$68,479
Intergovernmental	38,225	64,602	102,827
Special Assessments		11,591	11,591
Charges for Services		65,458	65,458
Licenses, Permits and Fees	980		980
Earnings on Investments	15,281		15,281
Miscellaneous	4,099		4,099
<i>Total Cash Receipts</i>	<u>88,697</u>	<u>180,018</u>	<u>268,715</u>
Cash Disbursements:			
Current:			
Security of Persons and Property		66,868	66,868
Community Environment	2,126		2,126
Transportation		39,481	39,481
General Government	135,984	1,402	137,386
Debt Service:			
Principal Retirement		13,229	13,229
Interest and Other Fiscal Charges		3,146	3,146
<i>Total Cash Disbursements</i>	<u>138,110</u>	<u>124,126</u>	<u>262,236</u>
<i>Net Change in Fund Cash Balances</i>	(49,413)	55,892	6,479
<i>Fund Cash Balances, January 1</i>	<u>163,621</u>	<u>576,416</u>	<u>740,037</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$114,208</u></u>	<u><u>\$632,308</u></u>	<u><u>\$746,516</u></u>

See accompanying notes to the basic financial statements.

Village of Verona, Ohio
Preble County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2023*

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$476,891
Miscellaneous	2,389
<i>Total Operating Cash Receipts</i>	<u>479,280</u>
Operating Cash Disbursements	
Personal Services	65,247
Transportation	686
Contractual Services	209,292
Supplies and Materials	79,368
<i>Total Operating Cash Disbursements</i>	<u>354,593</u>
<i>Operating Income (Loss)</i>	<u>124,687</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental Receipts	4,467
Principal Retirement	(48,140)
Interest and Other Fiscal Charges	(5,290)
Other Financing Uses	(39,131)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(88,094)</u>
<i>Income (Loss) before Transfers</i>	36,593
Transfers In	10,800
Transfers Out	<u>(10,800)</u>
<i>Net Change in Fund Cash Balances</i>	36,593
<i>Fund Cash Balances, January 1</i>	<u>545,123</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$581,716</u></u>

See accompanying notes to the basic financial statements.

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Reporting Entity

The Village of Verona, Ohio, 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 and/or appointed five-member Council currently directs the village. The Village provides water, sewer, gas, and refuse utilities, park operations and fire services. The Village contracts with the Village of Lewisburg to receive emergency medical services. The Preble County Sheriff's department provides security of persons and property. The Village of Verona also maintains streetlights within the village limits. This cost is paid for via a street light assessment.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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:

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.

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 Fund The Street Maintenance Special Revenue Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the village.

Fire Fund The Fire Fund receives fire levy and contract monies for providing fire protection services.

Street Light Fund The Street Light Fund receives bi-annual assessment payments from the Preble & Montgomery County Auditor's office. These funds are restricted for the payments of Street light services within the Village.

American Rescue Plan Fund The ARP fund accounts for federal grant monies used to cover increased expenditures, replenish lost revenue, and mitigate economic harm from the COVID-19 pandemic.

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, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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.

Refuse Fund The Refuse Fund accounts for the provision of refuse collection services to the residents and commercial users within the Village.

Sewer Reserve Fund The Sewer Reserve Fund was established to account for funds to be used and disbursed for the purpose of paying the cost of repairing and replacing any damage to the sewer system.

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

Sewer Sinking Fund The Sewer Sinking Fund receives monthly transfers from the sewer fund to repay the USDA sewer system loan.

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not encumber all commitments required by Ohio law.

A summary of 2023 budgetary activity appears in Note 4.

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

Village employees earn vacation time that can be used for time off. 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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, the Village did not certify the availability of funds during the period of January 1, 2023 through December 31, 2023.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2023 follows:

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$300,175	\$88,697	(\$211,478)
Special Revenue	864,318	180,018	(684,300)
Enterprise	1,085,960	494,547	(591,413)
Total	<u>\$2,250,453</u>	<u>\$763,262</u>	<u>(\$1,487,191)</u>

2023 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$155,400	\$138,110	\$17,290
Special Revenue	152,817	124,126	28,691
Enterprise	370,390	457,954	(87,564)
Total	<u>\$678,607</u>	<u>\$720,190</u>	<u>(\$41,583)</u>

Note 5 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments.

A summary of the Village's deposit and investment accounts are as follows:

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2023

	<u>2023</u>
<i>Cash Management Pool:</i>	
Demand deposits	\$535,819
Certificates of deposit	312,843
Other time deposits (savings and NOW accounts)	<u>203,946</u>
Total deposits	<u>1,052,608</u>
STAR Ohio	<u>275,624</u>
Total investments	<u>275,624</u>
Total carrying amount of deposits and investments held in the Pool	<u><u>\$1,328,232</u></u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or; collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 6 – Taxes

Property Taxes

Real property taxes became 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.

Note 7 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2023.

Social Security

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

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, 2023.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan.

Note 10 – Debt

Debt outstanding at December 31, 2023, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan CK14G	68,783	0.00%
Ohio Public Works Commission Loan CK17U	36,480	0.00%
Ohio Public Works Commission Loan CK21W	31,500	0.00%
Ohio Water Development Authority Loan (9876)	991,098	1.12%
Ohio Water Development Authority Loan (9877)	353,765	1.12%
Farmers State Bank Loan 54655	81,512	3.65%
Total	<u><u>\$1,563,138</u></u>	

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 semiannual 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 the bond payment requirements.

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2023

The Ohio Public Works Commission (OPWC) loan #CK17U was obtained in 2017 in the amount of \$42,092 for Main Street Reconstruction (Phase 1). The loan will be repaid in semi-annual installments of \$702 over thirty years. The loan is collateralized by street tax receipts.

The Ohio Public Works Commission (OPWC) loan #CK21W was obtained in 2020 in the amount of \$35,000 for Main Street Reconstruction (Phase 2). The loan will be repaid in semi-annual installments of \$583 over thirty years. The loan is collateralized by street tax receipts.

The Ohio Water Development Authority (OWDA) loans, Account 9876 and 9877, were issued in 2022 in the amount of \$1,023,107 and \$365,191, respectively for the purpose of refunding the Sewer System Mortgage Revenue Bonds, Series 2008A and 2008B, used to pay the cost of acquiring, constructing and installing improvements necessary for the construction of a municipal sewer system. The loans bear interest and principal payable semiannually on January 1 and July 1 (initially July 1, 2023). The loans have a final maturity date of January 1, 2048.

The Farmer State Bank loan was obtained in 2016 in the amount of \$37,393 to purchase a new tractor. The loan was repaid in monthly installments of \$511, including interest, over seven years. The loan was repaid in 2023.

The Farmer State Bank loan (Street Repairs) was obtained June 15, 2020 in the amount of \$100,260 for the purpose of completing various street repairs within the village limits. The loan will be repaid in monthly installments of \$724, including interest, over a period of five years. A balloon payment will be due at the end of the five-year period.

Amortization

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

Year Ending December 31:	OPWC CK14G	OPWC CK17U	OPWC CK21W	OWDA 9876	OWDA 9877	Farmers State Bank-54655
2024	\$15,285	\$1,403	\$1,167	\$47,209	\$16,851	\$8,691
2025	15,285	1,403	1,167	47,209	16,851	77,061
2026	15,285	1,403	1,167	47,209	16,851	
2027	15,285	1,403	1,167	47,209	16,851	
2028	7,643	1,403	1,167	47,209	16,851	
2029-2033		7,015	5,833	236,045	84,255	
2034-2038		7,015	5,833	236,045	84,255	
2039-2043		7,015	5,833	236,045	84,255	
2044-2048		7,015	5,833	188,836	75,829	
2049-2053		1,405	2,333			
Total	\$68,783	\$36,480	\$31,500	\$1,133,016	\$412,849	\$85,752

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 11 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned. The Village had no outstanding encumbrances are considered assigned.

Note 12 - COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. The Village received COVID-19 funding in prior fiscal years. The Village will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Village of Verona, Ohio
Preble County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022*

	General	Special Revenue	Combined Total
Cash Receipts			
Property and Other Local Taxes	\$30,584	\$38,527	\$69,111
Intergovernmental	37,636	213,102	250,738
Special Assessments		14,295	14,295
Charges for Services		65,336	65,336
Licenses, Permits and Fees	633		633
Earnings on Investments	5,664		5,664
Miscellaneous	4,262	81,614	85,876
<i>Total Cash Receipts</i>	<u>78,779</u>	<u>412,874</u>	<u>491,653</u>
Cash Disbursements			
Current:			
Security of Persons and Property		59,431	59,431
Community Environment	863		863
Transportation		164,525	164,525
General Government	81,894	1,978	83,872
Debt Service:			
Principal Retirement		12,495	12,495
Interest and Other Fiscal Charges		3,614	3,614
<i>Total Cash Disbursements</i>	<u>82,757</u>	<u>242,043</u>	<u>324,800</u>
<i>Net Change in Fund Cash Balances</i>	(3,978)	170,831	166,853
<i>Fund Cash Balances, January 1</i>	<u>167,599</u>	<u>405,585</u>	<u>573,184</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$163,621</u></u>	<u><u>\$576,416</u></u>	<u><u>\$740,037</u></u>

See accompanying notes to the basic financial statements.

Village of Verona, Ohio
Preble County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2022*

	Enterprise
Operating Cash Receipts	
Charges for Services	\$503,409
Licenses, Permits and Fees	2,457
Miscellaneous	17,190
<i>Total Operating Cash Receipts</i>	<u>523,056</u>
Operating Cash Disbursements	
Personal Services	57,695
Transportation	547
Contractual Services	242,779
Supplies and Materials	50,170
<i>Total Operating Cash Disbursements</i>	<u>351,191</u>
<i>Operating Income (Loss)</i>	<u>171,865</u>
Non-Operating Receipts (Disbursements)	
Loans Issued	1,388,298
Capital Outlay	(2,000)
Principal Retirement	(1,395,851)
Interest and Other Fiscal Charges	(56,874)
Other Financing Uses	(36)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(66,463)</u>
<i>Net Change in Fund Cash Balances</i>	105,402
<i>Fund Cash Balances, January 1</i>	<u>439,721</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$545,123</u></u>

See accompanying notes to the basic financial statements.

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The Village of Verona, Ohio, 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 and/or appointed five-member Council currently directs the village. The Village provides water, sewer, gas, and refuse utilities, park operations and fire services. The Village contracts with the Village of Lewisburg to receive emergency medical services. The Preble County Sheriff's department provides security of persons and property. The Village of Verona also maintains streetlights within the village limits. This cost is paid for via a street light assessment.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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:

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.

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 Fund The Street Maintenance Special Revenue Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the village.

Fire Fund The Fire Fund receives fire levy and contract monies for providing fire protection services.

Street Light Fund The Street Light Fund receives bi-annual assessment payments from the Preble & Montgomery County Auditor's office. These funds are restricted for the payments of Street light services within the Village.

American Rescue Plan Fund The ARP fund accounts for federal grant monies used to cover increased expenditures, replenish lost revenue, and mitigate economic harm from the COVID-19 pandemic.

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, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

Refuse Fund The Refuse Fund accounts for the provision of refuse collection services to the residents and commercial users within the Village.

Sewer Reserve Fund The Sewer Reserve Fund was established to account for funds to be used and disbursed for the purpose of paying the cost of repairing and replacing any damage to the sewer system.

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

Sewer Sinking Fund The Sewer Sinking Fund receives monthly transfers from the sewer fund to repay the USDA sewer system loan.

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not encumber all commitments required by Ohio law.

A summary of 2022 budgetary activity appears in Note 4.

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

Village employees earn vacation time that can be used for time off. 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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, the Village did not certify the availability of funds during the period of April 2022 through December 2022.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$261,418	\$78,779	(\$182,639)
Special Revenue	756,737	412,874	(343,863)
Enterprise	1,089,349	1,911,354	822,005
Total	<u>\$2,107,504</u>	<u>\$2,403,007</u>	<u>\$295,503</u>

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,000	\$82,757	\$7,243
Special Revenue	297,071	242,043	55,028
Enterprise	628,000	1,805,952	(1,177,952)
Total	<u>\$1,015,071</u>	<u>\$2,130,752</u>	<u>(\$1,115,681)</u>

Note 5 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments.

A summary of the Village's deposit and investment accounts are as follows:

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2022

	<u>2022</u>
<i>Cash Management Pool:</i>	
Demand deposits	\$608,415
Certificates of deposit	212,524
Other time deposits (savings and NOW accounts)	<u>202,606</u>
Total deposits	<u>1,023,545</u>
STAR Ohio	<u>261,615</u>
Total investments	<u>261,615</u>
Total carrying amount of deposits and investments held in the Pool	<u><u>\$1,285,160</u></u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or; collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 6 – Taxes

Property Taxes

Real property taxes became 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.

Note 7 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Social Security

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

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, 2022.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. For calendar year 2022, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan.

Note 10 – Debt

Debt outstanding at December 31, 2022, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan CK14G	84,068	0.00%
Ohio Public Works Commission Loan CK17U	37,883	0.00%
Ohio Public Works Commission Loan CK21W	32,667	0.00%
Ohio Water Development Authority Loan (9876)	1,023,107	1.12%
Ohio Water Development Authority Loan (9877)	365,191	1.12%
Farmers State Bank Loan 53573	5,021	4.00%
Farmers State Bank Loan 54655	87,117	3.65%
Total	<u>\$1,635,054</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 was repaid in semiannual installments of \$11,808 over twenty years. The loan was repaid in 2022.

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 semiannual 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 the bond payment requirements.

The Ohio Public Works Commission (OPWC) loan #CK17U was obtained in 2017 in the amount of \$42,092 for Main Street Reconstruction (Phase 1). The loan will be repaid in semi-annual installments of \$702 over thirty years. The loan is collateralized by street tax receipts.

The Ohio Public Works Commission (OPWC) loan #CK21W was obtained in 2020 in the amount of \$35,000 for Main Street Reconstruction (Phase 2). The loan will be repaid in semi-annual installments of \$583 over thirty years. The loan is collateralized by street tax receipts.

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 semiannually on May 1 and November 1 (initially November 1, 2008). The bonds were refinanced in 2022 by loans obtained by the Ohio Water Development Authority.

The Ohio Water Development Authority (OWDA) loans, Account 9876 and 9877, were issued in 2022 in the amount of \$1,023,107 and \$365,191, respectively for the purpose of refunding the Sewer System Mortgage Revenue Bonds, Series 2008A and 2008B, used to pay the cost of acquiring, constructing and installing improvements necessary for the construction of a municipal sewer system. The loans bear interest and principal payable semiannually on January 1 and July 1 (initially July 1, 2023). The loans have a final maturity date of January 1, 2048.

The Farmer State Bank loan was obtained in 2016 in the amount of \$37,393 to purchase a new tractor. The loan will be repaid in monthly installments of \$511, including interest, over seven years. The loan is collateralized by the tractor.

The Farmer State Bank loan (Street Repairs) was obtained June 15, 2020 in the amount of \$100,260 for the purpose of completing various street repairs within the village limits. The loan will be repaid in monthly installments of \$724, including interest, over a period of five years. A balloon payment will be due at the end of the five-year period.

Amortization

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

Village of Verona, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Year Ending December 31:	OPWC CK14G	OPWC CK17U	OPWC CK21W	OWDA 9876	OWDA 9877	Farmers State Bank-53573	Farmers State Bank-54655
2023	\$15,285	\$1,403	\$1,167	\$23,605	\$8,425	\$5,111	\$8,691
2024	15,285	1,403	1,167	47,209	16,851		8,691
2025	15,285	1,403	1,167	47,209	16,851		77,061
2026	15,285	1,403	1,167	47,209	16,851		
2027	15,285	1,403	1,167	47,209	16,851		
2028-2032	7,643	7,015	5,833	236,045	84,255		
2033-2037		7,015	5,833	236,045	84,255		
2038-2042		7,015	5,833	236,045	84,255		
2043-2047		7,015	5,833	236,045	84,255		
2048-2052		2,808	3,500	23,605	8,425		
Total	\$84,068	\$37,883	\$32,667	\$1,180,226	\$421,274	\$5,111	\$94,443

Note 11 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned. The Village had no outstanding encumbrances are considered assigned.

Note 12 - COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2022, the Village received COVID-19 funding in the amount of \$25,235. The Village will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

OHIO AUDITOR OF STATE KEITH FABER

65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements of the Village of Verona, Preble County, (the Village) and have issued our report thereon dated April 28, 2025, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. 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 Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2023-002, 2023-003, and 2023-004.

Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the findings identified in our audit and described in the accompanying schedule of findings. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 28, 2025

**VILLAGE OF VERONA
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2023-001

Material Weakness – Cash Reconciliations & Management Oversight

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council is responsible for reviewing the reconciliations and related support.

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between bank accounts and the accounting system provide reasonable assurance that all receipts and disbursements have been recorded correctly and timely in the accounting system and have been posted by the Village's bank. Additionally, reconciliations provide an accurate accounting of the Village's financial position at month-end.

The small size of the Village's fiscal operation does not allow for an adequate segregation of duties as the Fiscal Officer performed most accounting functions for the Village, including collection and deposit of receipts and reconciliation of the bank account. It is essential for Council to monitor financial activity closely to provide oversight and to compensate for the lack of segregation of duties.

Due to inadequate training of the fiscal officer and lack of review by Council the following issues were noted:

- Council did not document their review and approval of monthly financial reports subsequent to February 2022. Monthly bank reconciliations were completed. However, Council did not document review or approval of the monthly bank reconciliations.
- A debt payment amount of \$724.26 in 2022 was not posted to the accounting system nor identified as a reconciling item on the cash reconciliation.
- An OPERS payment amount of \$969.06 in 2023 was not posted to the accounting system nor identified as a reconciling item on the cash reconciliation.
- The year end cash reconciliations for 2022 and 2023 included deposits in transit of \$4,623.71. However, there were no deposits in transit at year end.
- The year end cash reconciliations for 2022 and 2023 included a reconciling item of \$659.94 for old outstanding checks. However, the Village could provide no support for the reconciling item.
- The year end cash reconciliation for 2023 included a reconciling item of \$(48.82) for "payroll items not on statement" and \$1,347.03 for "Nov 2023 Issue". However, the Village could provide no support for the reconciling items.
- The Village had \$380.64 of interest per the December 2023 bank statement. This amount was posted to the accounting system in 2024. However, the Village did not include this amount as a reconciling item on the 2023 year end bank reconciliation.
- Taking into consideration the errors noted above, the Village's book balance exceeded the reconciled bank balance by \$3,838.49 at December 31, 2022, and by \$3,654.62 at December 31, 2023.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management.

FINDING NUMBER 2023-001
(Continued)

Village officials rely on reconciliations to make sound financial decisions. Lack of oversight of the Village's reconciliation process could increase the chances of fraud, theft, error or omissions going unidentified. Failure to properly reconcile could result in the Village being declared unauditable in the future and the possible issuance of findings for recovery.

The Village should implement procedures to verify that bank reconciliations are prepared promptly and accurately, and that all financial transactions are posted in the accounting system. The reconciliation should balance all bank accounts with total fund balances on the Village's accounting system. Additionally, the monthly bank reconciliations and financial reports should be provided to Council for review and approval. Council review and approval of the reconciliations and financial reports should be documented in the minutes. Adjustments to bank reconciliations should be documented and any unexplained differences should be investigated and resolved immediately.

The reconciling item of \$659.94 for old outstanding checks has been carried on the monthly bank reconciliations from March 2022 into 2024. The reconciling item of \$(48.82) for payroll items not on statement has been carried on the monthly bank reconciliations from October 2023 into 2024. The reconciling item of \$1,347.03 for Nov 2023 Issue has been carried on the monthly bank reconciliations from November 2023 into 2024. The Village should investigate these items and consider posting adjustments to the accounting system to account for these reconciling items. In addition, the Village should contact the Local Government Services (LGS) Division of the Auditor of State or an Independent Public Accounting Firm if they need assistance and training with reconciling.

FINDING NUMBER 2023-002

Noncompliance and Material Weakness – Financial Statement Errors

Ohio Rev. Code § 733.28 provides, in part, that the village clerk shall keep the books of the Village and exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.

Ohio Admin. Code § 117-2-02(A), states, in part, that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements. **Ohio Admin. Code § 117-2-02(B)** further states that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

Ohio Rev. Code § 5705.10 provides, in part, (C) that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made and (D) that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs A14 and A16.

FINDING NUMBER 2023-002
(Continued)

The Village did not have procedures in place to accurately post financial transactions to the accounting system. The Village's financial statements contained the following material errors, which were adjusted on the financial statements and in the accounting system as applicable.

In 2022 the Village made the following posting errors:

- Fire contract revenue was not properly posted. As such, General Fund-Miscellaneous receipts was overstated by \$1,276; Fire Fund-Property Taxes was overstated by \$33,912; Fire Fund-Miscellaneous receipts was overstated by \$453; Fire Fund-Charges for Services was understated by \$35,852; and Street Fund-Miscellaneous receipts was overstated by \$211.
- Investment income of \$31 was improperly posted to Miscellaneous receipts in the General Fund rather than Earnings on Investments.
- Property taxes and special assessments were not properly posted. As such, General Fund-General Government expenditures was understated by \$1,979; General Fund-Miscellaneous receipts was overstated by \$4,764; General Fund-Property Taxes was understated by \$2,385; Fire Fund-General Government was understated by \$538; Fire Fund-Miscellaneous receipts was overstated by \$1,707; Fire Fund-Property Taxes was understated by \$2,245; Street Fund-Miscellaneous receipts was overstated by \$1,581; Street Fund-General Government was understated by \$507; Street Fund-Property Taxes was understated by \$2,088; Street Light Fund-Property Taxes was overstated by \$9,003; Street Light Fund-General Government was understated by \$933; and Street Light Fund-Special Assessments was understated by \$14,294.
- Intergovernmental receipts and charges for services for utilities were not properly posted. As such, General Fund-Miscellaneous receipts was overstated by \$38,397; General Fund-Property Taxes was overstated by \$21,395; General Fund-Intergovernmental receipts was understated by \$35,774; Street Fund-Property Taxes was overstated by \$6,138; Street Fund-Miscellaneous receipts was overstated by \$76,750; Street Fund-Intergovernmental was understated by \$86,271; Fire Fund-Intergovernmental was overstated by \$1,794; Fire Fund-Property Taxes was overstated by \$1,203; Street Light Fund-Property Taxes was overstated by \$2,497; ARPA Fund-Intergovernmental was understated by \$25,235; Gas Fund-Charges for Services was overstated by \$2,352; Sewer Fund-Charges for Services was understated by \$2,901; and Refuse Fund-Charges for Services was understated by \$343.
- OPWC loan payments were not properly posted. As such, Street Fund-Redemption of Principal was understated by \$1,285; Street Fund-Transportation was overstated by \$20,736; Water Fund-Redemption of Principal was understated by \$11,808; and Sewer Fund-Redemption of Principal was understated by \$7,643.
- Farmer's State Bank loan payments were not properly posted. As such, Street Fund-Redemption of Principal was understated by \$9,009; Street Fund-Interest & Other Fiscal Charges was understated by \$3,344; Street Fund-Transportation was overstated by \$10,905; and Sewer Fund-Contractual Services was overstated by \$724.
- USDA loan payments were not properly posted in the Sewer Fund. As such, Redemption of Principal was understated by \$13,600; Interest & Other Fiscal Charges was understated by \$31,376; Capital Outlay was overstated by \$33,349; and Contractual Services was overstated by \$11,627.
- The Village refinanced two USDA loans. However, none of the activity was posted to the Sewer Fund in the accounting system. As such, Redemption of Principal, Interest & Other Fiscal Charges, and Loan Proceeds was understated by \$1,362,800, \$25,498, and \$1,388,298, respectively.

FINDING NUMBER 2023-002
(Continued)

In 2023 the Village made the following posting errors:

- Fire contract revenue was not properly posted. As such, Intergovernmental receipts in the General Fund was overstated by \$1,887, Property Taxes in the Fire Fund was overstated by \$30,571, and Charges for Services in the Fire Fund was understated by \$32,458.
- Property taxes and special assessments for street lights were not properly posted. As such, General Fund-General Government was understated by \$2,340; General Fund-Miscellaneous receipts was overstated by \$4,480; General Fund-Property Taxes was understated by \$1,260; Fire Fund-General Government was understated by \$499; Fire Fund-Property Taxes was understated by \$2,117; Street Fund-Miscellaneous receipts was overstated by \$1,962; Street Fund-General Government was understated by \$469; Street Fund-Property Taxes was understated by \$3,800; Street Light Fund-Property Taxes was overstated by \$8,584; Street Light Fund-General Government was understated by \$434; and Street Light Fund-Special Assessments was understated by \$11,591.
- Intergovernmental receipts were not properly posted. As such, General Fund-Miscellaneous receipts was overstated by \$15,726; General Fund-Property Taxes was overstated by \$18,078; General Fund-Intergovernmental receipts was understated by \$27,769; Street Fund-Property Taxes was overstated by \$713; Street Fund-Intergovernmental was understated by \$3,899; and Fire Fund-Intergovernmental was understated by \$2,849.
- General Government expenditures in the General Fund were understated by \$969 due to an incorrectly posted OPERS payment.
- OPWC loan payments were not properly posted. As such, Street Fund-Redemption of Principal was understated by \$2,570, Street Fund-Transportation was overstated by \$1,285, Water Fund-Contractual Services was overstated by \$6,502, Sewer Fund-Redemption of Principal was understated by \$12,859, and Sewer Fund-Contractual Services was overstated by \$7,642.
- Farmer's State Bank loan payments were not properly posted in the Street Fund. As such, Interest & Other Fiscal Charges was understated by \$1,515 and Redemption of Principal was overstated by the same amount.
- OWDA loan payments were not properly posted in the Sewer Reserve Fund. As such, Redemption of Principal was understated by \$5,290 and Interest & Other Fiscal Charges was overstated by the same amount.

The failure to correctly classify financial activity on the financial statements and post financial activity to the accounting system may impact the user's understanding of the financial operations, Council's ability to make sound financial decisions, and result in the material misstatement of the financial statements. Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The Village should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly.

The errors identified should be reviewed by the Council to help prevent similar errors in subsequent years. In addition to the monthly review of financial reports, the Council should consider a detailed review of the accounting records and the year-end financial statements to help identify and correct errors in a timely manner.

FINDING NUMBER 2023-003

Noncompliance – Board of Public Affairs/Village Administrator

Ohio Rev. Code § 735.28 states, in each village in which a water works, electric light plant, artificial or natural gas plant, or other similar public utility is situated, or when the legislative authority thereof orders a water works, electric light plant, natural or artificial gas plant, or other similar public utility, to be constructed, or to be leased or purchased from any individual, company, or corporation, or when such legislative authority determines to establish a schedule of rates or charges of rents for use of the sewerage system and sewage pumping, treatment, and disposal works of the village, such legislative authority shall establish a board of trustees of public affairs, which shall consist of three members who are residents of the village. When the legislative authority establishes such board, the mayor shall appoint the members thereof, subject to the confirmation of the legislative authority. The successors of such appointed members shall be elected at the next regular election of municipal officers held in the village which occurs more than one hundred days after the appointment. In case of a vacancy in such board from death, resignation, or otherwise, it shall be filled for the unexpired term by appointment by the mayor, subject to confirmation by the legislative authority.

Additionally, **Ohio Rev. Code § 735.272** provides that, upon the establishment of the position of village administrator, the person's appointment by the mayor and confirmation by the legislative authority of the village, as provided by section § 735.271 of the Revised Code, the board of trustees of public affairs, if such a board has been created in accordance with § 735.28 of the Revised Code, shall be abolished and the term of office of members of such board shall terminate. All contracts entered into by said board of trustees of public affairs and rules and regulations and other action taken by such board shall continue in effect until they have terminated of their own accord or until they shall have been modified, changed, revised, amended, or repealed in the manner provided by law.

The Village did not have a Board of Public Affairs during the audit period. Due to lack of management oversight the Village also did not establish the position of Village Administrator.

Failure to appoint a Board of Public Affairs or a Village Administrator may result in a lack of management over the operations of the Village's utility systems. The Village should appoint a Board of Public Affairs or a Village Administrator.

FINDING NUMBER 2023-004

Noncompliance – Purchase Orders

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.

FINDING NUMBER 2023-004
(Continued)

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.

Due to inadequate training of the Fiscal Officer the Village did not certify the availability of funds and there was no evidence that the Village followed the aforementioned exceptions during the period of April 2022 through December 2023. 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, 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 certify purchases to which section 5705.41(D) applies. 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.

Officials’ Response to All Findings Above:

The Village of Verona has experienced some challenges over the past several years and we are looking forward to making the necessary improvements. For perspective, the Village, during the 2022/2023 period experienced a turnover of Fiscal Officer, and the subsequent employee, left the position after 14 months, unexpectedly. This position is critical in the on-going management of the Village and we are currently seeking a long-term solution. During this period, and because of your audit, we have determined that numerous items were mis-coded and has caused on-going challenges. The Village is confident that, while mistakes have been identified, no major errors or loss to the Village has been experienced. We are committed to ensuring the integrity of the Village is maintained and committed to making the improvements necessary.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF VERONA

PREBLE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 6/5/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov