



**Auditor of State
Betty Montgomery**

VILLAGE OF VENEDOCIA
VAN WERT COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11
Schedule of Prior Audit Findings.....	13

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Venedocia
Van Wert County
P.O. Box 611
Venedocia, Ohio 45894-0611

To the Village Council:

We have audited the accompanying financial statements of the Village of Venedocia (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Venedocia
Van Wert County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 24, 2003

**VILLAGE OF VENEDOCIA
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,587	\$1,456	\$3,043
Intergovernmental Receipts	18,571	5,663	24,234
Earnings on Investments	643	190	833
Miscellaneous	93		93
Total Cash Receipts	<u>20,894</u>	<u>7,309</u>	<u>28,203</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,232	964	3,196
Public Health Services	630		630
Leisure Time Activities	6,734		6,734
Community Environment	4		4
Basic Utility Services	75		75
Transportation	715	462	1,177
General Government	14,331		14,331
Capital Outlay		28	28
Total Cash Disbursements	<u>24,721</u>	<u>1,454</u>	<u>26,175</u>
Total Receipts Over/(Under) Disbursements	(3,827)	5,855	2,028
Fund Cash Balances, January 1	<u>42,092</u>	<u>31,559</u>	<u>73,651</u>
Fund Cash Balances, December 31	<u><u>\$38,265</u></u>	<u><u>\$37,414</u></u>	<u><u>\$75,679</u></u>

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

**VILLAGE OF VENEDOCIA
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,325	\$1,544	\$2,869
Intergovernmental Receipts	27,926	4,936	32,862
Earnings on Investments	709	302	1,011
	<u>29,960</u>	<u>6,782</u>	<u>36,742</u>
Total Cash Receipts			
	<u>29,960</u>	<u>6,782</u>	<u>36,742</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,649	2,061	3,710
Public Health Services	177		177
Leisure Time Activities	2,852		2,852
Community Environment	183		183
Transportation	731	4,312	5,043
General Government	13,974		13,974
Capital Outlay		12	12
	<u>19,566</u>	<u>6,385</u>	<u>25,951</u>
Total Cash Disbursements			
	<u>19,566</u>	<u>6,385</u>	<u>25,951</u>
Total Receipts Over/(Under) Disbursements	10,394	397	10,791
Fund Cash Balances, January 1	<u>31,698</u>	<u>31,162</u>	<u>62,860</u>
Fund Cash Balances, December 31	<u><u>\$42,092</u></u>	<u><u>\$31,559</u></u>	<u><u>\$73,651</u></u>

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

**VILLAGE OF VENEDOCIA
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Venedocia, Van Wert County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides park operations. The Village contracts with the Village of Middle Point to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Funds – This fund receives tax money from a special levy for providing fire protection services.

E. Budgetary Process

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

**VILLAGE OF VENEDOCIA
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

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 also approve estimated resources.

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$61,160	\$59,542
Certificates of deposit	14,519	14,109
Total deposits	75,679	73,651

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF VENEDOCIA
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,609	\$20,894	(\$4,715)
Special Revenue	5,110	7,309	2,199
Total	\$30,719	\$28,203	(\$2,516)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,181	\$24,721	\$38,460
Special Revenue	33,931	1,454	32,477
Total	\$97,112	\$26,175	\$70,937

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$29,960	\$29,960
Special Revenue	0	6,782	6,782
Total	\$0	\$36,742	\$36,742

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$19,566	(\$19,566)
Special Revenue	0	6,385	(6,385)
Total	\$0	\$25,951	(\$25,951)

The Village did not comply with Ohio Revised Code Section 5705.36, which requires subdivisions to certify to the County Auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The Village did not submit the certificate for 2001. The Certificate for 2002 was not filed until August 9, 2002.

The Village did not comply with Ohio Revised Code Section 5705.38, which requires an appropriation measure to be passed on or about the first day of each fiscal year. The Village did not pass an appropriation measure for 2001 and did not pass their appropriation resolution for 2002 until August 17, 2002. This caused all expenditures to exceed appropriations in 2001. For 2002, all expenditures exceeded appropriations until the appropriation measure was passed.

**VILLAGE OF VENEDOCIA
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

The Village did not comply with Ohio Revised Code 5705.41 (B), which states that no subdivision is to expend money unless it has been appropriated. Since the Village did not pass an appropriations measure in 2001, all expenditures exceeded appropriations. During 2002, the appropriations measure was not passed until August 17, 2002, thus all expenditures made prior to this date exceeded appropriations. In addition, at December 31, 2002, expenditures exceeded appropriations at the object level for two general government line item accounts.

The Village did not comply with Ohio Revised Code 5705.41 (D), which states that all expenditures require prior certification. The Village did not obtain prior certification for 99% of expenditures.

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEMS

The Village's employees belonged to the Public Employees Retirement System (PERS) of Ohio beginning in 2002. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property, general liability and inland marine

The Village is uninsured for the following risks:

- Errors and omissions.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Venedocia
Van Wert County
P.O. Box 611
Van Wert, Ohio 45894-0611

To the Village Council:

We have audited the accompanying financial statements of the Village of Venedocia (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated February 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-30281-001 to 2002-30281-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 24, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-30281-005.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 24, 2003.

This report is intended solely for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 24, 2003

VILLAGE OF VENEDOCIA
VAN WERT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-30281-001

Ohio Rev. Code Section 5705.36 states on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The Village did not file their Certificate for 2001 with the County Auditor. Their Certificate for 2002 was not filed until August 9, 2002.

Lack of filing the certificate could lead to the adoption of appropriations in excess of estimated resources.

The Village should establish procedures to ensure that the "Certificate of the Total Amount from all Sources Available for Expenditures, Balances" is certified to the County Auditor on or about the first day of each fiscal year.

FINDING NUMBER 2002-30281-002

Ohio Rev. Code Section 5705.38 states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. The Village did not pass an annual appropriation measure for 2001. There was no evidence that the Council passed the annual appropriation measure for 2002, but it was filed with the County Auditor on August 17, 2002.

Lack of passing the annual appropriations resolution could lead to expenditures in excess of appropriations.

The Village should establish procedures to pass the annual appropriation resolution on or about the first day of each fiscal year. Procedures should also be established to ensure proper documentation of approval of the annual appropriation measure including, but not limited to, noting the approval by Council in the Village minutes.

FINDING NUMBER 2002-30281-003

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The Village did not pass the annual appropriation measure during 2001, which resulted in all expenditures exceeding appropriations. For 2002, the annual appropriation measure was not filed with the County Auditor until August 17, 2002. Therefore, all expenditures made up to August 17th exceeded appropriations. In addition, at December 31, 2002, expenditures exceeded appropriations at the object level for two general government line item accounts.

Spending in excess of appropriations could lead to deficit spending.

Periodic comparisons between the expenditures and appropriations should be made to determine that expenditures do not exceed appropriations. No expenditures should be made until the annual appropriation resolution has been passed.

FINDING NUMBER 2002-30281-004

Ohio Rev. Code Section 5705.41 (D) states that no subdivision shall make any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to an appropriated fund free from any previous encumbrance. Further, contracts and order to expenditures lacking prior certification should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury of in the process of collection and such finds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

The Village honored ninety-nine percent (99%) of expenditures for which there was no certification from the fiscal officer (Clerk-Treasurer) and there was no evidence of subsequent Council resolutions authorizing such payments.

The Village should review Ohio Rev. Code Section 5705.41(D) and implement procedures for certification of funds.

FINDING NUMBER 2002-30281-005

Internal Controls Over Compliance

Compliance over laws and regulations is important because the Village government organization, programs, activities, and functions are created by law and are subject to more specific rules and regulations that private sector entities. The Village's management is responsible for establishing an internal control structure to assure compliance with laws and regulations. The lack of administrative continuity in government units (because of continuing changes in elected positions) increases the need for an effective internal control system.

It is apparent from the number of violations of the Ohio Revised Code and Federal Regulations (proper issuance of W-2's, proper withholding of Medicare and required participation in retirement systems), that the management of the Village has failed to establish an internal control structure that assures compliance with laws and regulations.

The Village needs to develop a control system which includes a monitoring system and the assignment of responsibilities over monitoring the compliance to appropriate individuals. Areas for which the Village should immediately consider include:

- Budgetary compliance
- Payroll-related compliance

The Village should also ensure those individuals assigned the responsibility of monitoring compliance receive adequate training and have adequate tools and references, including a current Village Handbook and the Ohio Compliance Supplement and a means to communicate results of monitoring reviews to the Village Council.

**VILLAGE OF VENEDOCIA
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30281-001	5705.41 (D) – Prior certification was not obtained for all expenditures.	No	See finding #2002-30281-004
2000-30281-002	9.38 – Deposits were not made within in the required time frame or at all.	No	Partially Corrected, repeated in management letter
2000-30281-003	117.38 – No financial statements were initially prepared by the Village and filed with the Auditor of State’s Office.	No	Partially Corrected, repeated in management letter
2000-30281-004	Village Accounting Records – The Village’s accounting records were not maintained in the prescribed manner.	No	Partially Corrected, repeated in management letter



**Auditor of State
Betty Montgomery**

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VILLAGE OF VENEDOCIA

VAN WERT 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
APRIL 15, 2003**