

VILLAGE OF MOUNT VICTORY

HARDIN COUNTY

REGULAR AUDIT

January 01, 2008 through December 31, 2009

Years Audited Under GAGAS: 2009 and 2008

CAUDILL & ASSOCIATES, CPA'S

725 5TH Street
Portsmouth, OH 45662



Mary Taylor, CPA
Auditor of State

Village Council
Village of Mount Victory
P.O. Box 7
Mount Victory, Ohio 43340

We have reviewed the *Independent Auditor's Report* of the Village of Mount Victory, Hardin County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Mount Victory is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 22, 2010

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**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s 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, 2009	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types - For the Year Ended December 31, 2009	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2008	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types - For the Year Ended December 31, 2008	6
Notes to the Financial Statements	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	14
Schedule of Audit Findings and Responses	16
Schedule of Prior Audit Findings	18



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Independent Auditor's Report

Village of Mount Victory
Hardin County
124 South Washington Street
Mount Victory, Ohio 43340

To the Village Council:

We have audited the accompanying financial statements of Village of Mount Victory, Hardin County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Mount Victory, Hardin County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Village of Mount Victory
Hardin County

Independent Auditor's Report (Continued)

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Caudill & Associates, CPAs

Caudill & Associates, CPA's

June 29, 2010

VILLAGE OF MOUNT VICTORY
HARDIN COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<u>Cash Receipts:</u>			
Property and Local Taxes	\$ 16,082	\$ 10,237	\$ 26,319
Licenses, Fees and Permit	5,942	-	5,942
Intergovernmental	13,964	27,897	41,861
Special Assessments	-	14,215	14,215
Earnings on Investment	4,698	95	4,793
Miscellaneous	9,792	8,087	17,879
	<u>50,478</u>	<u>60,531</u>	<u>111,009</u>
Total Cash Receipts			
<u>Cash Disbursements:</u>			
Security of Persons and Property	-	13,095	13,095
Public Health Services	3,472	-	3,472
Leisure Time Activities	1,003	-	1,003
Community Environment	1,959	-	1,959
Basic Utility Services	1,811	-	1,811
Transportation	-	35,609	35,609
General Government	31,131	-	31,131
Debt Service:			
Principal	293	597	890
Interest	24	48	72
	<u>39,693</u>	<u>49,349</u>	<u>89,042</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>10,785</u>	<u>11,182</u>	<u>21,967</u>
Fund Cash Balances, January 1	<u>34,046</u>	<u>46,866</u>	<u>80,912</u>
Fund Cash Balances, December 31	<u>\$ 44,831</u>	<u>\$ 58,048</u>	<u>\$ 102,879</u>

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

VILLAGE OF MOUNT VICTORY
HARDIN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Type
	Enterprise
<u>Operating Cash Receipts:</u>	
Charges for Services	\$ 317,608
Total Operating Cash Receipts	317,608
<u>Operating Cash Disbursements:</u>	
Personal Services	31,211
Employee Fringe Benefits	3,847
Contractual Services	79,342
Supplies and Materials	23,401
Total Operating Cash Disbursements	137,801
Operating Income/(Loss)	179,807
<u>Non-Operating Cash Receipts:</u>	
Sale of Fixed Assets	5,250
Miscellaneous Receipts	10,048
Total Non-Operating Cash Receipts	15,298
<u>Non-Operating Cash Disbursements:</u>	
Debt Service:	
Principal	38,119
Interest	86,233
Total Non-Operating Cash Disbursements	124,352
Net Receipts Over/(Under) Disbursements	70,753
Fund Cash Balances, January 1	258,516
Fund Cash Balances, December 31	\$ 329,269

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

VILLAGE OF MOUNT VICTORY
HARDIN COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<u>Cash Receipts:</u>			
Property and Local Taxes	\$ 14,043	\$ 8,277	\$ 22,320
Licenses, Fees and Permit	2,908	-	2,908
Intergovernmental	16,020	27,017	43,037
Special Assessments	-	13,286	13,286
Earnings on Investment	5,906	129	6,035
Miscellaneous	8,517	6,542	15,059
	<u>47,394</u>	<u>55,251</u>	<u>102,645</u>
Total Cash Receipts			
<u>Cash Disbursements:</u>			
Security of Persons and Property	330	12,000	12,330
Public Health Services	3,374	-	3,374
Leisure Time Activities	427	-	427
Basic Utility Services	1,610	-	1,610
Transportation	-	46,202	46,202
General Government	35,889	-	35,889
Debt Service:			
Principal	293	597	890
Interest	24	48	72
	<u>41,947</u>	<u>58,847</u>	<u>100,794</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>5,447</u>	<u>(3,596)</u>	<u>1,851</u>
Fund Cash Balances, January 1	<u>28,599</u>	<u>50,462</u>	<u>79,061</u>
Fund Cash Balances, December 31	<u>\$ 34,046</u>	<u>\$ 46,866</u>	<u>\$ 80,912</u>

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

VILLAGE OF MOUNT VICTORY
HARDIN COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
<u>Operating Cash Receipts:</u>	
Charges for Services	\$ 219,735
Fines, Licenses and Permits	225
	219,960
Total Operating Cash Receipts	219,960
<u>Operating Cash Disbursements:</u>	
Personal Services	31,658
Employee Fringe Benefits	2,808
Contractual Services	99,413
Supplies and Materials	20,437
	154,316
Total Operating Cash Disbursements	154,316
Operating Income/(Loss)	65,644
<u>Non-Operating Cash Receipts:</u>	
Miscellaneous Receipts	113
Proceeds from Notes and Bonds	44,764
	44,877
Total Non-Operating Cash Receipts	44,877
<u>Non-Operating Cash Disbursements:</u>	
Debt Service:	
Principal	36,356
Interest	87,870
	124,226
Total Non-Operating Cash Disbursements	124,226
Net Receipts Over/(Under) Disbursements	(13,705)
Fund Cash Balances, January 1	272,221
Fund Cash Balances, December 31	\$ 258,516

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

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Mount Victory, Hardin County, (the Village) is a body corporate and politic established for the purpose of exercising 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, seven-member Council. The Village provides general governmental services, including water, sewer, and electric utilities, park operations (leisure time activities), and police, fire and ambulance services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. Basis of Accounting

The Village prepares its financial statements following 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 (i.e., when an encumbrance is approved.)

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

C. Cash

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village maintains its accounting records in accordance with the principles of "Fund" Accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity, which stands separate from the activities reported in other funds.

The restrictions associated with each class of funds are as follows:

Governmental Fund Types

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

The Village has the following significant Special Revenue funds:

- Street Construction, Maintenance, and Repair Fund – Receives Motor Vehicle and gasoline taxes for constructing, maintaining and repairing Village roads.
- Special Assessments Light Fund – Receives special assessments to provide for street lights.

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

- Water Operating Fund – This fund receives charges for services from residents to provide for the operation of providing this utility.
- Sewer Operating Fund – This fund receives charges for services from residents to provide for the operation of providing this utility.
- Sewer Debt Service Fund – This fund receives charges for services from residents to provide for the debt retirement of the sewer system.

E. Budgetary Process

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process (Continued)

On or about January 1, the Clerk sends the county auditor a certificated, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificated, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2009 and 2008. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 273,130	\$ 230,410
Certificates of Deposit	159,018	109,018
Total deposits	<u>\$ 432,148</u>	<u>\$ 339,428</u>

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool or (3) collateralized by securities specifically pledged by the financial institution to the Village.

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2007.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are taxes on personal and real property located with the Village.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The County Treasurer collects property tax on behalf of all taxing authorities with the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 45,356	\$ 50,478	\$ 5,122
Special Revenue	55,850	60,531	4,681
Enterprise Funds	301,872	332,906	31,034
Total	\$ 403,078	\$ 443,915	\$ 40,837

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 57,083	\$ 39,693	\$ 17,390
Special Revenue	77,815	49,349	28,466
Enterprise Funds	363,034	262,153	100,881
Total	\$ 497,932	\$ 351,195	\$ 146,737

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

4. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 44,713	\$ 47,394	\$ 2,681
Special Revenue	39,702	55,251	15,549
Enterprise Funds	220,431	264,837	44,406
Total	\$ 304,846	\$ 367,482	\$ 62,636

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,265	\$ 41,947	\$ 17,318
Special Revenue	66,009	58,847	7,162
Enterprise Funds	285,195	278,542	6,653
Total	\$ 410,469	\$ 379,336	\$ 31,133

5. RETIREMENT SYSTEMS

The Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10 percent of their wages. The Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

6. RISK MANAGEMENT

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contribution to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP. If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

6. RISK MANAGEMENT (Continued)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned reinsurance agreements do not discharge PEP's primary liability for payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	2008	2007
Assets	\$35,769,535	\$37,560,071
Liabilities	(15,310,206)	(17,340,825)
Retained Earnings	\$20,459,329	\$20,219,246

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

7. DEBT

Debt outstanding at December 31, 2009 is as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan (#3575)	\$ 62,091	2.00%
Ohio Water Development Authority Loan (#4517)	357,728	3.92%
USDA Mortgage Revenue Bonds	1,117,100	5.13%
USDA Mortgage Revenue Bonds	203,800	5.63%
Mount Victory State Bank	1,170	7.50%
Total	\$ 1,741,889	

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

7. DEBT (Continued)

Principal and interest requirements for debt outstanding at December 31, 2009 is as follows:

Year ending December 31:	OWDA LOAN #3575	OWDA LOAN #4517	USDA Mortgage Bonds	USDA Mortgage Bonds	Mount Victory State Bank Loan	Total
2010	\$ 5,639	\$ 20,976	\$ 79,818	\$ 15,109	\$ 962	\$ 122,504
2011	5,639	20,976	79,818	15,109	481	122,023
2012	5,639	20,976	79,818	15,109		121,542
2013	5,639	20,976	79,818	15,109		121,542
2014	5,639	20,976	79,818	15,109		121,542
2015-2019	28,195	104,880	399,090	75,545		607,710
2020-2024	14,098	104,880	399,090	75,545		593,613
2025-2029		104,880	399,090	75,545		579,515
2030-2034		62,928	399,090	75,545		537,563
2035-2039			75,926	15,109		91,035
Total	\$ 70,488	\$ 482,448	\$ 2,071,376	\$ 392,834	\$ 1,443	\$ 3,018,589

8. Miscellaneous Receipts

Miscellaneous Receipts consisted of payments from contributions and donations, insurance damage proceeds, and other receipts not accounted for in other categories. In 2009, the Village received \$5,389 for damage from insurance proceeds in Street Repair and Maintenance Fund. This accounted for 97.3% of the miscellaneous revenue received for this fund. Also in 2009, the Village received \$9,375 in the General Fund for rent revenue. This accounted for 95.7% of the miscellaneous revenue received for this fund. In 2008, the Village received \$6,509 for road project reimbursement in Street Repair and Maintenance Fund. This accounted for 99.5% of the miscellaneous revenue received for this fund. Also in 2008, the Village received \$8,055 in the General Fund for rent revenue. This accounted for 94.6% of the miscellaneous revenue received for this fund.

9. COMPLIANCE

Contrary to Ohio Admin. Code 117-2-02(C) (1), the Village did not post all budgetary amendments to accounting system for Street Repair and Maintenance and Water operating Funds in 2009, and for General, Street Repair and Maintenance, Water operating, Sewer Operating, Sewer Payment, and Water Works Deposit Funds in 2008.

Contrary to Ohio Revised Code Section 5705.41(D), the Village did not properly certify the availability of funds prior to obligation in 2009 and 2008.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Village of Mount Victory
Hardin County
124 South Washington Street
Mount Victory, Ohio 43340

To the Village Council:

We have audited the financial statements of Village of Mount Victory, Hardin County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 29, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Responses we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying Schedule of Findings and Responses to be material weaknesses.

Village of Mount Victory
Hardin County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Continued)

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under Government Auditing Standards which are described in the accompanying Schedule of Findings and Responses as items 2009-002 and 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 29, 2010.

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

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's

June 29, 2010

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2009-001

Material Weakness – Misclassification of Receipts/Disbursements

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditor during a financial statements audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During 2009 and 2008, the Village erroneously posted receipts and debt payments to the incorrect accounts. This required reclassifications to properly present the activity of the Village for both years.

We recommend the Village implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Village Responses:

The Clerk will review the UAN manual chart of accounts to determine the correct coding of receipts and disbursements.

Finding Number 2009-002

Material Weakness/ Noncompliance Citation – Budgeted Amounts Not Properly Posted to Ledgers

Ohio Admin. Code 117-2-02(C) (1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

Estimated receipts and appropriations posted to the Village’s receipt and expenditure ledgers varied significantly from the estimated receipts per the Amended Official Certificates of Estimated Resources and the Village’s appropriations resolutions in several funds in 2009 and 2008.

We recommend the Village ensure that approved estimated receipts and appropriations are accurately posted to the receipts and expenditures ledgers and that Council monitor budget versus actual activity for any unusual or unexpected variances.

Village Responses:

The Village officials will ensure that approved estimated receipts and disbursements are accurately posted to the receipt and expenditure ledgers. Council will monitor budget versus actual activity for any unusual or unexpected variances.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2009-003

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)

(1): Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

(2): Blanket certificate – Fiscal officer may prepare “blanket” certificates not exceeding \$44,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three month (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may be outstanding at one particular time for any one particular line item appropriation.

(3): Super Blanket certification – The Township 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 reasonable 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 one line item appropriation.

During testing, we noted 35 out of 42 samples in 2008 and 39 out of 44 samples were certified after the incurrence of disbursements.

We recommend the Village should certify before expenditure, that the requested expenditures has been lawfully appropriated by the Council and is free from any previous encumbrance.

Village Responses:

The Village will monitor disbursements more closely.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding No. 2007-001	Non-compliance with ORC Section 5705.36	Yes	N/A
Finding No. 2007-002	Misclassification of receipts and disbursements	No	Reissued as Finding No. 2009-001
Finding No. 2007-003	Bank Reconciliation	Yes	N/A
Finding No. 2007-004	Budgeted amounts not properly posted to ledgers	No	Reissued as Finding No. 2009-002

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Mary Taylor, CPA
Auditor of State

VILLAGE OF MOUNT VICTORY

HARDIN 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
NOVEMBER 4, 2010**