



Certified Public Accountants, A.C.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY  
Regular Audit  
For the Years Ended December 31, 2017 and 2016**

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# Dave Yost • 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 Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. 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.

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 5, 2018

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VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2017 .....	4
Notes to the Financial Statements for the Year Ended December 31, 2017 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016 .....	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2016 .....	14
Notes to the Financial Statements for the Year Ended December 31, 2016 .....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Schedule of Audit Findings .....	25
Schedule of Prior Audit Findings .....	27

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## INDEPENDENT AUDITOR'S REPORT

September 28, 2018

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Mount Victory**, Hardin County, (the Village) as of and for the years ended December 31, 2017 and 2016.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Mount Victory, Hardin County, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 11,062	\$ 3,673	\$ 14,735
Municipal Income Tax	135,385	-	135,385
Intergovernmental	16,679	31,805	48,484
Special Assessments	-	18,017	18,017
Fines, Licenses and Permits	3,802	-	3,802
Earnings on Investments	1,494	202	1,696
Miscellaneous	27,270	-	27,270
	<u>195,692</u>	<u>53,697</u>	<u>249,389</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	157	12,144	12,301
Public Health Services	1,862	-	1,862
Leisure Time Activities	20,495	-	20,495
Community Environment	6,002	-	6,002
Transportation	180	18,751	18,931
General Government	53,781	1,034	54,815
	<u>82,477</u>	<u>31,929</u>	<u>114,406</u>
<i>Net Change in Fund Cash Balances</i>	113,215	21,768	134,983
<i>Fund Cash Balances, January 1</i>	<u>249,385</u>	<u>128,163</u>	<u>377,548</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	149,931	149,931
Assigned	25,602	-	25,602
Unassigned	336,998	-	336,998
	<u>362,600</u>	<u>149,931</u>	<u>512,531</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 362,600</u>	<u>\$ 149,931</u>	<u>\$ 512,531</u>

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 313,244
	<u>313,244</u>
Total Operating Cash Receipts	<u>313,244</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	25,242
Fringe Benefits	3,979
Contractual Services	65,341
Supplies and Materials	21,563
	<u>116,125</u>
Total Operating Cash Disbursements	<u>116,125</u>
Operating Income	<u>197,119</u>
<b>Non-Operating Receipts (Disbursements):</b>	
Special Assessments	2,539
Miscellaneous Receipts	6,415
Principal Retirement	(95,675)
Interest and Other Fiscal Charges	(69,628)
	<u>(156,349)</u>
Total Non-Operating Receipts (Disbursements)	<u>(156,349)</u>
<i>Net Change in Fund Cash Balances</i>	40,770
<i>Fund Cash Balances, January 1</i>	<u>646,322</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 687,092</u>

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 YEAR ENDED DECEMBER 31, 2017**

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Mount Victory, Hardin County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property.

***Jointly Governed Organizations and Public Entity Risk Pool***

The Village participates in jointly governed organizations and a public entity risk pool. Notes 6 and 11 to the financial statements provides additional information for these entities. These organizations are:

**Public Entity Risk Pool:**

The Village participates in the Public Entities Pool of Ohio is a risk sharing pool available to Ohio governments.

**Jointly Governed Organizations:**

Southeast Hardin Northwest Union Joint Fire District – This District provides fire services to members within the District.

Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic and governmental characteristics, functions and services of the County.

Southeastern Hardin Ambulance District – This District provides emergency medical services to members within the District.

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

**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 and fiduciary fund types which are 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 Fund:

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

VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)

**Note 2 – Summary of Significant Accounting Policies (Continued)**

Special Assessments Lights Fund – This fund receives special assessments to provide street lights.

**Enterprise Funds** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund – This fund accounts for charges for services from residents to cover water service costs.

Sewer Operating Fund – This fund accounts for charges for services from residents to cover sewer service costs.

Sewer Debt Service Fund – This fund receives charges for services from residents to provide for the debt retirement of the sewer system.

***Basis of Accounting***

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

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

***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.

The Village invests all available funds in checking and certificates of deposit accounts.

VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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.

***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.

***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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***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.

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.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 130,106	\$ 195,692	\$ 65,586
Special Revenue	43,570	53,697	10,127
Enterprise	377,285	322,198	(55,087)
Total	\$ 550,961	\$ 571,587	\$ 20,626

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 130,000	\$ 82,477	\$ 47,523
Special Revenue	90,612	31,929	58,683
Enterprise	452,355	281,428	170,927
Total	\$ 672,967	\$ 395,834	\$ 277,133

**Note 4 – Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2017 was as follows:

Demand deposits	\$ 1,040,606
Certificates of Deposit	159,017
Total deposits	\$ 1,199,623

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 5 – Taxes**

**Property Taxes**

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

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**Note 5 – Taxes (Continued)**

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

***Income Taxes***

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

The income tax is collected by the Regional Income Tax Agency (RITA) and is remitted to the Village. Income tax receipts are credited to the Village's General Fund.

**Note 6 – Risk Management**

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<b><u>2017</u></b>
<b><u>Assets</u></b>	<b><u>\$44,452,326</u></b>
<b><u>Liabilities</u></b>	<b><u>(13,004,011)</u></b>
<b><u>Net Position</u></b>	<b><u>\$31,448,315</u></b>

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**Note 6 – Risk Management (Continued)**

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$10,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b>2017 Contributions to PEP</b> \$15,203
--

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also, upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Note 8 - Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2017.



**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**Note 9 - Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OWDA Loan #3575	\$ 24,151	2.00%
OWDA Loan #4517	271,825	3.92%
OPWC Loan #CP03Q	1,209,210	0.00%
USDA Mortgage Revenue Bonds - Series A	911,200	5.13%
USDA Mortgage Revenue Bonds - Series B	168,300	5.625%
Total	<u>\$ 2,584,686</u>	

The Ohio Water Development Authority (OWDA) loan #3575, was entered into on December 13, 2001, in the amount of \$92,575, at 2% interest, for improvements to the water system. The loan will be repaid in semiannual installments of \$2,819, over 20 years with final maturity scheduled for January 1, 2022.

The OWDA loan #4517, was entered into on May 25, 2006, in the amount of \$382,502 at 3.92% interest, for improvements to the water plant. The loan will be repaid in semiannual installments of \$12,070, over 25 years with final maturity scheduled for July 1, 2032.

The Ohio Public Works Commission (OPWC) loan #CP03Q, was entered into on July 1, 2013, in the amount of \$1,408,209 at 0% interest, for a water distribution system project. The loan will be repaid in semiannual installments of \$20,848 over a 30 year period, following the date of project completion. In 2016, the final loan proceeds in the amount of \$249,754, were received on this loan.

The United States Department of Agriculture (USDA) mortgage revenue bonds relate to a sewer project. The USDA mortgage revenue bonds were issued on March 31, 1995, in the amount of \$1,306,000 and \$235,000 at 5.125% and 5.625% interest, respectively. These bonds will be repaid in annual installments of principal and interest payments over 40 years with final maturity scheduled for March 1, 2035.

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

Year ending December 31:	OWDA Loan #3575	OWDA Loan #4517	OPWC Loan CP03Q	USDA Series A	USDA Series B
2018	\$ 5,639	\$ 24,141	\$ 41,697	78,699	15,167
2019	5,639	24,141	41,697	78,659	15,046
2020	5,639	24,141	41,697	78,737	15,114
2021	5,639	24,141	41,697	78,723	15,160
2022	2,819	24,141	41,697	78,716	15,083
2023-2027		120,703	208,484	393,586	75,543
2028-2032	-	120,703	208,484	393,539	75,481
2033-2037	-		208,484	236,189	45,358
2038-2042	-	-	208,484	-	-
2043-2046	-	-	166,789	-	-
Total	<u>\$ 25,375</u>	<u>\$ 362,111</u>	<u>\$ 1,209,210</u>	<u>\$ 1,416,848</u>	<u>\$ 271,952</u>

**Note 10 – Contingent Liabilities**

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

**Note 11 – Jointly Governed Organizations**

**Southeast Hardin Northwest Union Joint Fire District**

The Southeast Hardin Northwest Union Joint Fire District, Hardin County, (the Fire District) 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 Fire District is directed by an appointed four-member Board of Trustees. One Board Member is appointed by each political subdivision within the Fire District which consists of Dudley Township and Hale Township in Hardin County, Washington Township in Union County and the Village of Mount Victory, in Hardin County. The Fire District provides fire protection within the Fire District. Financial information can be obtained from Jim Cyrus, Fiscal Officer, Southeast Hardin Northwest Union Joint Fire District, P.O. Box 123, Mount Victory, Ohio 43340.

**Hardin County Regional Planning Commission**

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by a participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Village is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

**Southeastern Hardin Ambulance District**

The constitution and laws of the State of Ohio establish the rights and privileges of the Southeastern Hardin Ambulance District, Hardin County (the District), as a body corporate and politic. The District is directed by an appointed four-member Board of Trustees. The Board of Trustees is appointed by the governing bodies of the Villages and Townships within Hardin County who receive ambulance services from the District. The District provides ambulance service for the Villages of Mount Victory and Ridgeway and the townships of Hale and Taylor Creek. Financial information can be obtained from the District at 212 South Wheeler Street, Mount Victory, Ohio 43340.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 11,133	\$ 3,657	\$ 14,790
Municipal Income Tax	131,731	-	131,731
Intergovernmental	15,964	29,683	45,647
Special Assessments	4,434	13,750	18,184
Fines, Licenses and Permits	3,937	-	3,937
Earnings on Investments	1,234	169	1,403
Miscellaneous	22,040	-	22,040
	<u>190,473</u>	<u>47,259</u>	<u>237,732</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	157	10,083	10,240
Public Health Services	1,941	-	1,941
Leisure Time Activities	44,135	-	44,135
Community Environment	739	-	739
Transportation	-	11,364	11,364
General Government	65,057	1,005	66,062
	<u>112,029</u>	<u>22,452</u>	<u>134,481</u>
<i>Net Change in Fund Cash Balances</i>	78,444	24,807	103,251
<i>Fund Cash Balances, January 1</i>	<u>170,941</u>	<u>103,356</u>	<u>274,297</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	128,163	128,163
Unassigned	249,385	-	249,385
	<u>249,385</u>	<u>128,163</u>	<u>377,548</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 249,385</u>	<u>\$ 128,163</u>	<u>\$ 377,548</u>

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 321,582
	<u>321,582</u>
Total Operating Cash Receipts	<u>321,582</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	31,251
Fringe Benefits	5,535
Contractual Services	43,858
Supplies and Materials	21,423
	<u>102,067</u>
Total Operating Cash Disbursements	<u>102,067</u>
Operating Income	<u>219,515</u>
<b>Non-Operating Receipts (Disbursements):</b>	
Special Assessments	4,436
Other Debt Proceeds	249,754
Miscellaneous Receipts	1,500
Capital Outlay	(254,918)
Principal Retirement	(51,579)
Interest and Other Fiscal Charges	(71,995)
	<u>(122,802)</u>
Total Non-Operating Receipts (Disbursements)	<u>(122,802)</u>
<i>Net Change in Fund Cash Balances</i>	96,713
<i>Fund Cash Balances, January 1</i>	<u>549,609</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 646,322</u></u>

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 YEAR ENDED DECEMBER 31, 2016**

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Mount Victory, Hardin County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property.

***Jointly Governed Organizations and Public Entity Risk Pool***

The Village participates in jointly governed organizations and a public entity risk pool. Notes 6 and 11 to the financial statements provides additional information for these entities. These organizations are:

**Public Entity Risk Pool:**

The Village participates in the Public Entities Pool of Ohio is a risk sharing pool available to Ohio governments.

**Jointly Governed Organizations:**

Southeast Hardin Northwest Union Joint Fire District – This District provides fire services to members within the District.

Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic and governmental characteristics, functions and services of the County.

Southeastern Hardin Ambulance District – This District provides emergency medical services to members within the District.

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

**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 and fiduciary fund types which are 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 Fund:

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

VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)

**Note 2 – Summary of Significant Accounting Policies (Continued)**

Special Assessments Lights Fund – This fund receives special assessments to provide street lights.

**Enterprise Funds** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund – This fund accounts for charges for services from residents to cover water service costs.

Sewer Operating Fund – This fund accounts for charges for services from residents to cover sewer service costs.

OPWC Water Distribution System Project Fund – This fund accounts for grant and loan proceeds for water improvements.

Sewer Debt Service Fund – This fund receives charges for services from residents to provide for the debt retirement of the sewer system.

***Basis of Accounting***

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

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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.

The Village invests all available funds in checking and certificates of deposit accounts.

***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.

***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.

***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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***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.

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.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 123,955	\$ 190,473	\$ 66,518
Special Revenue	44,555	47,259	2,704
Enterprise	579,354	577,272	(2,082)
Total	\$ 747,864	\$ 815,004	\$ 67,140

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 132,856	\$ 112,029	\$ 20,827
Special Revenue	84,133	22,452	61,681
Enterprise	897,413	480,559	416,854
Total	\$ 1,114,402	\$ 615,040	\$ 499,362

**Note 4 – Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2016 was as follows:

Demand deposits	\$ 864,853
Certificates of Deposit	159,017
Total deposits	\$ 1,023,870

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 5 – Taxes**

**Property Taxes**

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

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



**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**Note 5 – Taxes (Continued)**

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

***Income Taxes***

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

The income tax is collected by the Regional Income Tax Agency (RITA) and is remitted to the Village. Income tax receipts are credited to the Village's General Fund.

**Note 6 – Risk Management**

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<b><u>2016</u></b>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)

**Note 6 – Risk Management (Continued)**

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$9,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b>2016 Contributions to PEP</b> \$15,069
--

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also, upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 8 - Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**Note 9 - Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA Loan #3575	\$ 29,231	2.00%
OWDA Loan #4517	284,924	3.92%
OPWC Loan #CP03Q	1,250,906	0.00%
USDA Mortgage Revenue Bonds - Series A	941,700	5.13%
USDA Mortgage Revenue Bonds - Series B	173,600	5.625%
Total	\$ 2,680,361	

The Ohio Water Development Authority (OWDA) loan #3575, was entered into on December 13, 2001, in the amount of \$92,575, at 2% interest, for improvements to the water system. The loan will be repaid in semiannual installments of \$2,819, over 20 years with final maturity scheduled for January 1, 2022.

The OWDA loan #4517, was entered into on May 25, 2006, in the amount of \$382,502 at 3.92% interest, for improvements to the water plant. The loan will be repaid in semiannual installments of \$12,070, over 25 years with final maturity scheduled for July 1, 2032.

The Ohio Public Works Commission (OPWC) loan #CP03Q, was entered into on July 1, 2013, in the amount of \$1,408,209 at 0% interest, for a water distribution system project. The loan will be repaid in semiannual installments of \$20,848 over a 30 year period, following the date of project completion. In 2016, the final loan proceeds in the amount of \$249,754, were received on this loan.

The United States Department of Agriculture (USDA) mortgage revenue bonds relate to a sewer project. The USDA mortgage revenue bonds were issued on March 31, 1995, in the amount of \$1,306,000 and \$235,000 at 5.125% and 5.625% interest, respectively. These bonds will be repaid in annual installments of principal and interest payments over 40 years with final maturity scheduled for March 1, 2035.

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

Year ending December 31:	OWDA Loan #3575	OWDA Loan #4517	OPWC Loan CP03Q	USDA Series A	USDA Series B
2017	\$ 5,639	\$ 24,141	\$ 41,697	\$ 78,762	\$ 15,065
2018	5,639	24,141	41,697	78,699	15,167
2019	5,639	24,141	41,697	78,659	15,046
2020	5,639	24,141	41,697	78,737	15,114
2021	5,639	24,141	41,697	78,723	15,160
2022-2026	2,819	120,703	208,484	393,587	75,448
2027-2031	-	120,703	208,484	393,592	75,589
2032-2036	-	24,141	208,484	314,852	60,428
2037-2041	-	-	208,484	-	-
2042-2046	-	-	208,485	-	-
Total	\$ 31,014	\$ 386,252	\$ 1,250,906	\$ 1,495,611	\$ 287,017

**Note 10 – Contingent Liabilities**

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**Note 11 – Jointly Governed Organizations**

**Southeast Hardin Northwest Union Joint Fire District**

The Southeast Hardin Northwest Union Joint Fire District, Hardin County, (the Fire District) 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 Fire District is directed by an appointed four member Board of Trustees. One Board Member is appointed by each political subdivision within the Fire District which consists of Dudley Township and Hale Township in Hardin County, Washington Township in Union County and the Village of Mount Victory, in Hardin County. The Fire District provides fire protection within the Fire District. Financial information can be obtained from Jim Cyrus, Fiscal Officer, Southeast Hardin Northwest Union Joint Fire District, P.O. Box 123, Mount Victory, Ohio 43340.

**Hardin County Regional Planning Commission**

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Certified Public Accountants, A.C.

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

September 28, 2018

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the **Village of Mount Victory**, Hardin County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated September 28, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider to be material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 28, 2018.

### **Purpose of this Report**

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



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

**Material Weakness**

**Financial Reporting**

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54: *Fund Balance Reporting and Governmental Fund Type Definitions*.

During 2016 and 2017, receipts, disbursements, and fund balances were not always posted or classified correctly and footnote disclosures were not always up to date. The following errors were noted:

- State Rollback receipts were improperly posted as Property Tax revenue instead of Intergovernmental revenue in 2017.
- Revenue from debt was improperly recorded as Intergovernmental Revenue instead of Debt Proceeds in 2016.
- The Village improperly recorded subsequent year appropriations in the General Fund that exceeded subsequent year estimated receipts as unassigned instead of assigned in 2017.

Not posting receipts and classifying fund balances accurately resulted in the financial statements requiring several reclassifications. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook and other Auditor of State resources for guidance to determine the proper establishment of receipt accounts and posting of receipts. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

**Management's Response** – We did not receive a response from management to the finding above.

FINDING NUMBER 2017-002

**Material Weakness**

**Utility Adjustments**

The Village should maintain an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-002 (Continued)

**Material Weakness (Continued)**

**Utility Adjustments (Continued)**

During testing of the Village's utilities, we noted the following:

- Council did not have a formal policy regarding utility bill adjustments;
- Council did not approve adjustments to customer accounts;
- The Village did not maintain supporting documentation related to utility bill adjustments.

Failure to follow Village policy and accurately prepare the accounting records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity and make informed financial decisions, and 3) increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the Village Officials and management implement the following:

- Establish a formal policy and related procedures to address identification, authorization, recording and documentation of adjustments to utility customer accounts;
- The Village Council should review and approve all adjustments to be made to utility client accounts;
- Adequately document and approve all adjustments to customer accounts;
- Ensure adjustment calculations are accurate.

**Management's Response** – We did not receive a response from management to the finding above.



**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Recording of Financial Activity	Repeated	Repeated as Finding 2017-001
2015-002	ORC Section 5705.09(F)	Corrected	N/A

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# Dave Yost • 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 15, 2018