

VILLAGE OF MOUNT VICTORY

Hardin County

Regular Audit

January 1, 2010 through December 31, 2011

Fiscal Years Audited Under GAGAS: 2011 and 2010



**Caudill & Associates, CPA**

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# Dave Yost • Auditor of State

Village Council  
Village of Mount Victory  
124 South Washington Street  
Mount Victory, Ohio 43340

We have reviewed the *Independent Auditor's Report* of the Village of Mount Victory, Hardin County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2010 through December 31, 2011. 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

December 13, 2013

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**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

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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 the Village of Mount Victory, Hardin County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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.

Except as noted below in paragraph 6, 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 reasonable 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.

Village Council  
Village of Mount Victory  
**Independent Auditor's Report (Continued)**

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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

We were unable to obtain sufficient evidential matter supporting the amounts recorded as charges for services receipts in the Proprietary Fund Type Charges for Services reported at \$284,325 and \$271,962 for the years ended December 31, 2011 and 2010 respectively, which is One Hundred percent of total Enterprise Fund operating receipts for the year ended December 31, 2011, and 2010. We were unable to determine the completeness or accuracy of utility receipts through alternative procedures

Also, in our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to examine the Enterprise Fund Charges for Services receipts in 2011 and 2010, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Village of Mount Victory, Hardin County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 10, during 2011 the Village of Mount Victory adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 September 30, 2013, 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, CPA*

Caudill & Associates, CPA  
September 30, 2013

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, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b><u>Cash Receipts:</u></b>			
Property and Local Taxes	\$ 10,922	\$ 9,354	\$ 20,276
Licenses, Fees and Permit	3,812	-	3,812
Intergovernmental	16,753	25,627	42,380
Special Assessments	-	14,026	14,026
Earnings on Investment	1,994	259	2,253
Miscellaneous	20,137	253	20,390
	<u>53,618</u>	<u>49,519</u>	<u>103,137</u>
<b><u>Cash Disbursements:</u></b>			
Security of Persons and Property	18	15,172	15,190
Public Health Services	5,916	-	5,916
Leisure Time Activities	4,590	-	4,590
Community Environment	342	-	342
Basic Utility Services	1,584	-	1,584
Transportation	405	25,828	26,233
General Government	37,359	793	38,152
	<u>50,214</u>	<u>41,793</u>	<u>92,007</u>
Total Receipts Over/(Under) Disbursements	<u>3,404</u>	<u>7,726</u>	<u>11,130</u>
<b><u>Other Financing Receipts / (Disbursements):</u></b>			
Other Financing Uses	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Total Other Financing Receipts / (Disbursements)	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,399	7,726	11,125
Fund Cash Balances, January 1	<u>47,989</u>	<u>54,194</u>	<u>102,183</u>
Fund Cash Balance, December 31			
Restricted	-	61,920	61,920
Unassigned (Deficit)	<u>51,388</u>	<u>-</u>	<u>51,388</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 51,388</u></b>	<b><u>\$ 61,920</u></b>	<b><u>\$ 113,308</u></b>

*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, 2011

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b><u>Operating Cash Receipts:</u></b>	
Charges for Services	\$ 284,325
Total Operating Cash Receipts	284,325
<b><u>Operating Cash Disbursements:</u></b>	
Personal Services	37,216
Employee Fringe Benefits	6,257
Contractual Services	58,248
Supplies and Materials	15,670
Total Operating Cash Disbursements	117,391
Operating Income/(Loss)	166,934
<b><u>Non-Operating Cash Receipts:</u></b>	
Other Debt Proceeds	12,826
Miscellaneous Receipts	21
Special Assessments	105
Total Non-Operating Cash Receipts	12,952
<b><u>Non-Operating Cash Disbursements:</u></b>	
Capital Outlay	12,059
Debt Service:	
Principal	41,591
Interest	83,480
Total Non-Operating Cash Disbursements	137,130
Net Receipts Over/(Under) Disbursements	42,756
Fund Cash Balances, January 1	347,563
<b>Fund Cash Balances, December 31</b>	<b>\$ 390,319</b>

*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, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b><u>Cash Receipts:</u></b>			
Property and Local Taxes	\$ 14,396	\$ 11,112	\$ 25,508
Licenses, Fees and Permit	38	-	38
Intergovernmental	14,000	28,588	42,588
Special Assessments	-	13,575	13,575
Earnings on Investment	4,735	69	4,804
Miscellaneous	9,812	20	9,832
	<u>42,981</u>	<u>53,364</u>	<u>96,345</u>
Total Cash Receipts			
<b><u>Cash Disbursements:</u></b>			
Security of Persons and Property	330	14,250	14,580
Public Health Services	3,204	-	3,204
Leisure Time Activities	476	-	476
Basic Utility Services	2,270	-	2,270
Transportation	-	39,928	39,928
General Government	33,126	2,193	35,319
Debt Service:			
Principal	386	784	1,170
Interest	31	63	94
	<u>39,823</u>	<u>57,218</u>	<u>97,041</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	3,158	(3,854)	(696)
Fund Cash Balances, January 1	<u>44,831</u>	<u>58,048</u>	<u>102,879</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 47,989</u></b>	<b><u>\$ 54,194</u></b>	<b><u>\$ 102,183</u></b>

*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, 2010

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b><u>Operating Cash Receipts:</u></b>	
Charges for Services	\$ 271,962
Total Operating Cash Receipts	271,962
<b><u>Operating Cash Disbursements:</u></b>	
Personal Services	34,928
Employee Fringe Benefits	4,631
Contractual Services	83,255
Supplies and Materials	23,845
Total Operating Cash Disbursements	146,659
Operating Income/(Loss)	125,303
<b><u>Non-Operating Cash Receipts:</u></b>	
Special Assessments	5,436
Total Non-Operating Cash Receipts	5,436
<b><u>Non-Operating Cash Disbursements:</u></b>	
Debt Service:	
Principal	34,415
Interest	78,030
Total Non-Operating Cash Disbursements	112,445
Net Receipts Over/(Under) Disbursements	18,294
Fund Cash Balances, January 1	329,269
<b>Fund Cash Balances, December 31</b>	<b>\$ 347,563</b>

*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, 2011 AND 2010**

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**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 park operations (leisure time activities).

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, 2011 AND 2010**

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**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, 2011 AND 2010**

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**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, 2011 and 2010. 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. Fund Balance**

For 2011, Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**2. Restricted**

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**F. Fund Balance (Continued)**

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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.

**G. 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.

**H. 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:

	2011	2010
Demand deposits	\$ 344,609	\$ 290,728
Certificates of Deposit	159,018	159,018
Total deposits	<u>\$ 503,627</u>	<u>\$ 449,746</u>

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**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, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,065	\$ 53,618	\$ 7,553
Special Revenue	46,890	49,519	2,629
Enterprise Funds	252,529	297,277	44,748
Total	\$ 345,484	\$ 400,414	\$ 54,930

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 90,291	\$ 50,219	\$ 40,072
Special Revenue	88,900	41,793	47,107
Enterprise Funds	323,800	254,521	69,279
Total	\$ 502,991	\$ 346,533	\$ 156,458

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**4. BUDGETARY ACTIVITY (Continued)**

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,156	\$ 42,981	\$ (3,175)
Special Revenue	46,890	53,364	6,474
Enterprise Funds	252,529	277,398	24,869
Total	\$ 345,575	\$ 373,743	\$ 28,168

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 58,546	\$ 39,823	\$ 18,723
Special Revenue	88,400	57,218	31,182
Enterprise Funds	278,001	259,104	18,897
Total	\$ 424,947	\$ 356,145	\$ 68,802

**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 2011 and 2010, OPERS members contributed 10 percent of their wages. The Village contributed an amount equal to 14 percent of participants' gross salaries. The Village paid all contributions required through December 31, 2011.

**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 coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 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.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**6. RISK MANAGEMENT (Continued)**

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$6,356.

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.

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$6,908	\$6,338

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.

**7. DEBT**

Debt outstanding at December 31, 2011 is as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (#3575)	\$ 53,166	2.00%
Ohio Water Development Authority Loan (#4517)	342,146	3.92%
USDA Mortgage Revenue Bonds	1,073,100	5.13%
USDA Mortgage Revenue Bonds	196,300	5.63%
Ohio Water Development Authority Loan (#5785)	12,827	5.00%
Total	<u>\$ 1,677,539</u>	

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**7. DEBT (Continued)**

Principal and interest requirements for debt outstanding at December 31, 2011 is as follows:

Year ending December 31:	OWDA LOAN #3575	OWDA LOAN #4517	OWDA LOAN #5785	USDA Mortgage Bonds	USDA Mortgage Bonds	Total
2012	\$ 5,639	\$ 20,976	\$ 1,858	\$ 79,818	\$ 15,109	\$ 123,400
2013	5,639	20,976	3,717	79,818	15,109	125,259
2014	5,639	20,976	3,717	79,818	15,109	125,259
2015	5,639	20,976	3,717	79,818	15,109	125,259
2016	5,639	20,976	3,717	79,818	15,109	125,259
2017-2021	25,376	104,880	1,858	399,090	75,545	606,749
2022-2026	-	104,880	-	399,090	75,545	579,515
2027-2031	-	104,880	-	399,090	75,545	579,515
2032-2036	-	-	-	235,562	45,327	280,889
<b>Total</b>	<b>\$ 53,571</b>	<b>\$ 419,520</b>	<b>\$ 18,584</b>	<b>\$ 1,831,922</b>	<b>\$ 347,507</b>	<b>\$ 2,671,104</b>

**8. Miscellaneous Receipts**

Miscellaneous Receipts consisted of payments from contributions and donations, rental income, insurance damage proceeds, and other receipts not accounted for in other categories. In 2011, the Village received \$17,160 in the General Fund for rent revenue. This accounted for 85.2% of the miscellaneous revenue received for this fund. In 2010, the Village received \$9,378 in the General Fund for rent revenue. This accounted for 95.6% of the miscellaneous revenue received for this fund.

**9. COMPLIANCE**

1. Contrary to Ohio Admin. Code 117-38 the Village did file the annual report with the Auditor of State for 2011.
2. Contrary to Ohio Rev. Code Section 733.27, The Village Fiscal Officer did not attend annual continuing education classes provided by the Auditor of State.
3. Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not properly certify the availability of funds prior to obligation in 2011 and 2010.
4. Contrary to Ohio Rev. Code Section 149.351 and 149.43(B)(1), the Village failed to provide requested documentation for inspection.

**10. Change In Accounting Principles**

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on actual fund balances.



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### **Independent Auditor's 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 the Village of Mount Victory, Hardin County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 30, 2013, 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 qualified our opinion due to the lack of sufficient, appropriate evidential matter for the amounts reported as charges for services receipts for the Enterprise Fund. Except as discussed in the preceding sentence, 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 engagement, we considered the Village's internal control over financial reporting as a basis for designing our engagement 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 2011-004 through 2011-006 described in the accompanying schedule of findings and responses to be material weaknesses.

Village of Mount Victory  
Hardin County

**Independent Auditor's 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 engagement 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 2011-001 through 2011-004.

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

*Caudill & Associates, CPA*

Caudill & Associates, CPA  
September 30, 2013

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2011-001**

**Non-Compliance Citation – Ohio Rev. Code Section 117.38**

Financial information is vital to an organization’s management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and the schedules used to make these management decisions.

The Ohio Revised Code Section 117.38 mandates that cash-basis entities must file their reports with the Auditor of State within 60 days of the entity’s year end. In addition the public office must publish a notice in a local newspaper stating that the financial report is available for public inspection at the office of the chief fiscal officer. As well, a penalty can be imposed of \$25 per each day the report is not filed up to \$750.

The Village’s Fiscal Year 2011 report was not filed with the Auditor of State, and no notice of availability of the financial report was published.

The Village should ensure that its financial reports are timely filed with the Auditor of State. In addition, the Village should ensure that notice of availability.

**Village Response:**

We received no response from the Village regarding this issue.

**FINDING NUMBER 2011-002**

**Noncompliance Citation - Ohio Rev. Code Section 733.27**

Ohio Rev. Code Section 733.27 states Village fiscal officers must attend annual continuing education programs provided by the Auditor of State.

Certificates of completion of annual continuing education programs could not be produced for the Village Clerk.

We recommend the Village send the Village Clerk to annual continuing education programs provided by the Auditor of State.

**Village Response:**

We received no response from the Village regarding this issue.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2011-003**

**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 65% of the samples in 2010 and 53% of samples in 2011 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:**

We received no response from the Village regarding this issue.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-004**

**Noncompliance Citation\Material Weakness – Ohio Rev. Code Section 149.351 and Ohio Rev. Code Section 149.43 (B) (1)**

Ohio Rev. Code Section 149.43 (B) (1) states all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. As well, **Ohio Rev Code Section 149.351** states all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Section 149.41. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

As well, Adequate supporting documentation is a key control in the disbursement process to determine if expenditures are for their intended use.

During testing, the Village could not present for audit any of the monthly reports and records from the utility billing system for 2011 and 2010.

The lack of adequate supporting documentation could result in funds being spent on unauthorized purchases, loss of grant monies, theft or fraud. The Village does not require that monthly financial reports be monitored by Council. In addition, the Village should ensure that monies are direct deposited when available and cash collection points are monitored, reconciled and reviewed. Finally, the Village should create policies to record and reconcile debt, income, and expenditures in a reasonable, timely manner.

We recommend the Village promptly prepare public records and make them available to any member of the general public at all reasonable times during regular business hours for inspection. As well, The Village should print and maintain all relevant reports and supporting documentation for all Village business.

**Village Responses:**

We received no response from the Village regarding this issue.

**Finding Number 2011-005**

**Material Weakness – Financial Control Procedures and Documentation**

An important internal control is the Village Council. The Council should be responsible for reviewing financial reports prepared by the Clerk and presenting them to Council each month for review and approval. The reports to be reviewed include: cash reconciliations, statements showing receipts, disbursements and budgetary information and check registers.

The Village did not maintain evidence of control procedures for the review and approval of financial reports and activities. The minute record did not record monthly reviews by Council and none of the reports showed evidence of review or approval.

We recommend the Village Council review the monthly financial reports, including bank statements, disbursements and receipts with the budget comparisons, check registers, and present reconciliations of cash to the Council. Any significant variances should be investigated. Because of the system complexity

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Material Weakness – Financial Control Procedures and Documentation (Continued)**

and the responsibility of reviewing the Village financial records, we recommend continuing education for any Council member who requests it.

Review and approval of financial reports should be recorded in the minute record and also evidenced on the actual documents by signing or initially. Failure to maintain evidence of control procedures eliminates any credibility that the control was actually performed.

**Village Response:**

We received no response from the Village regarding this issue.

**FINDING NUMBER 2011-006**

**Material Weakness – Misclassification of 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 2011 and 2010, the Village erroneously posted debt principle and interest payments to the incorrect object code. 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:**

We received no response from the Village regarding this issue.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
Finding No. 2009-001	Misclassification of receipts and disbursements	No	Partially, Reissued as Finding No. 2011-006
Finding No. 2009-002	Budgeted amounts not properly posted to ledgers	Yes	Finding No Longer Valid
Finding No. 2009-003	Non-compliance with ORC Section 5705.41(D)	No	Reissued as Finding No. 2011-003

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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  
DECEMBER 26, 2013**