



Dave Yost • Auditor of State

VILLAGE OF MOUNT VICTORY
HARDIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2013	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Mount Victory, Hardin County, (the Village) as of and for the years ended December 31, 2013 and 2012.

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 opinion.

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

As described in Note 1 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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position 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 combined cash balances of the Village of Mount Victory, Hardin County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2014 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.



Dave Yost
Auditor of State

Columbus, Ohio

August 13, 2014

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$10,912	\$3,373	\$14,285
Municipal Income Tax	8,539		8,539
Intergovernmental	11,157	29,690	40,847
Special Assessments		13,202	13,202
Fines, Licenses and Permits	3,601		3,601
Earnings on Investments	810	104	914
Miscellaneous	29,284		29,284
Total Cash Receipts	<u>64,303</u>	<u>46,369</u>	<u>110,672</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	157	10,989	11,146
Public Health Services	2,570		2,570
Leisure Time Activities	7,909		7,909
Community Environment	1,777		1,777
Transportation		21,262	21,262
General Government	49,769	644	50,413
Capital Outlay		1,128	1,128
Total Cash Disbursements	<u>62,182</u>	<u>34,023</u>	<u>96,205</u>
Excess of Receipts Over Disbursements	<u>2,121</u>	<u>12,346</u>	<u>14,467</u>
Fund Cash Balances, January 1	<u>32,451</u>	<u>60,892</u>	<u>93,343</u>
Fund Cash Balances, December 31:			
Restricted		73,238	73,238
Assigned	5,298		5,298
Unassigned	29,274		29,274
Fund Cash Balances, December 31	<u>\$34,572</u>	<u>\$73,238</u>	<u>\$107,810</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 (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$314,682		\$314,682
Total Operating Cash Receipts	<u>314,682</u>		<u>314,682</u>
Operating Cash Disbursements:			
Personal Services	31,967		31,967
Employee Fringe Benefits	5,890		5,890
Contractual Services	49,554		49,554
Supplies and Materials	20,624		20,624
Other		\$17,350	17,350
Total Operating Cash Disbursements	<u>108,035</u>	<u>17,350</u>	<u>125,385</u>
Operating Income (Loss)	<u>206,647</u>	<u>(17,350)</u>	<u>189,297</u>
Non-Operating Receipts (Disbursements):			
Other Debt Proceeds	83,817		83,817
Capital Outlay	(90,209)		(90,209)
Principal Retirement	(53,552)		(53,552)
Interest and Other Fiscal Charges	(78,473)		(78,473)
Total Non-Operating Receipts (Disbursements)	<u>(138,417)</u>		<u>(138,417)</u>
Income (Loss)	68,230	(17,350)	50,880
Fund Cash Balances, January 1	<u>429,727</u>	<u>17,350</u>	<u>447,077</u>
Fund Cash Balances, December 31	<u>\$497,957</u>	<u>\$0</u>	<u>\$497,957</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 (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$10,822	\$3,366	\$14,188
Intergovernmental	12,950	30,450	43,400
Special Assessments		10,875	10,875
Fines, Licenses and Permits	3,713		3,713
Earnings on Investments	1,200	164	1,364
Miscellaneous	16,285	362	16,647
Total Cash Receipts	<u>44,970</u>	<u>45,217</u>	<u>90,187</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	157	16,463	16,620
Public Health Services	3,128		3,128
Leisure Time Activities	7,914		7,914
Community Environment	1,255		1,255
Transportation	1,224	29,082	30,306
General Government	50,160	700	50,860
Total Cash Disbursements	<u>63,838</u>	<u>46,245</u>	<u>110,083</u>
Excess of Receipts (Under) Disbursements	<u>(18,868)</u>	<u>(1,028)</u>	<u>(19,896)</u>
Other Financing Receipts (Disbursements):			
Other Financing Uses	(69)		(69)
Total Other Financing Receipts (Disbursements)	<u>(69)</u>		<u>(69)</u>
Net Change in Fund Cash Balances	(18,937)	(1,028)	(19,965)
Fund Cash Balances, January 1	<u>51,388</u>	<u>61,920</u>	<u>113,308</u>
Fund Cash Balances, December 31:			
Restricted		60,892	60,892
Assigned	32,451		32,451
Unassigned (Deficit)			
Fund Cash Balances, December 31	<u>\$32,451</u>	<u>\$60,892</u>	<u>\$93,343</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 (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$293,680		\$293,680
Total Operating Cash Receipts	<u>293,680</u>		<u>293,680</u>
Operating Cash Disbursements:			
Personal Services	34,801		34,801
Employee Fringe Benefits	6,455		6,455
Contractual Services	61,843		61,843
Supplies and Materials	30,139		30,139
Total Operating Cash Disbursements	<u>133,238</u>		<u>133,238</u>
Operating Income (Loss)	<u>160,442</u>		<u>160,442</u>
Non-Operating Receipts (Disbursements):			
Other Debt Proceeds	230,740		230,740
Miscellaneous Receipts		17,350	17,350
Capital Outlay	(230,741)		(230,741)
Principal Retirement	(42,299)		(42,299)
Interest and Other Fiscal Charges	(78,734)		(78,734)
Total Non-Operating Receipts (Disbursements)	<u>(121,034)</u>	<u>17,350</u>	<u>(103,684)</u>
Income	39,408	17,350	56,758
Fund Cash Balances, January 1	<u>390,319</u>		<u>390,319</u>
Fund Cash Balances, December 31	<u><u>\$429,727</u></u>	<u><u>\$17,350</u></u>	<u><u>\$447,077</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
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the 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.

The Village participates in jointly governed organizations and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

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.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

C. 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.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

3. 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 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.

OWDA Loan Fund – This fund accounts for 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.

4. Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for deposits held to assure the clean-up of properties damage by fire.

E. Budgetary Process

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

VILLAGE OF MOUNT VICTORY
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. 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:

1. Non-spendable

The Village classifies assets as *non-spendable* 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.

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.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED 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 was as follows:

	2013	2012
Demand deposits	\$446,749	\$381,402
Certificates of deposit	159,018	159,018
Total deposits	\$605,767	\$540,420

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,765	\$64,303	\$10,538
Special Revenue	46,155	46,369	214
Enterprise	347,384	398,499	51,115
Total	\$447,304	\$509,171	\$61,867

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,457	\$62,182	\$28,275
Special Revenue	90,839	34,023	56,816
Enterprise	411,177	330,269	80,908
Total	\$592,473	\$426,474	\$165,999

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,664	\$44,970	(\$2,694)
Special Revenue	49,210	45,217	(3,993)
Enterprise	384,200	524,420	140,220
Total	\$481,074	\$614,607	\$133,533

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,677	\$63,907	\$38,770
Special Revenue	91,697	46,245	45,452
Enterprise	610,254	485,012	125,242
Total	\$804,628	\$595,164	\$209,464

The Village did not comply with requirements regarding establishment of funds and posting disbursements to the correct funds.

4. PROPERTY TAX

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.

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

5. LOCAL INCOME TAX

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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency, the third party tax administrator for the Village, either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #3575	\$43,877	2%
OWDA Loan #4517	321,303	3.92%
OWDA Loan #5785	15,520	4.77%
OWDA Loan #6126	303,145	3.80%
USDA Mortgage Revenue Bonds - Series A	1,024,400	5.125%
USDA Mortgage Revenue Bonds - Series B	188,000	5.625%
Total	<u>\$1,896,245</u>	

The Ohio Water Development Authority (OWDA) loan #3575, 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, 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 OWDA loan #5785, entered into on January 27, 2011 in the amount of \$14,910 at 4.77% interest, for water general improvements. During 2012 loan proceeds, including capitalized interest, in the amount of \$3,145 was received on this loan. During 2013, capitalize interest in the amount of \$666 was added to the loan balance. The loan will be repaid in semiannual installments of \$373 with a final balloon payment at maturity scheduled for January 1, 2017. No amortization schedule has been provided at this time.

The OWDA loan #6126, entered into on February 23, 2012 in the amount of \$304,060 at 3.8% interest, for water system design. During 2012 loan proceeds, including capitalize interest, in the amount of \$227,596 was received on this loan. During 2013 loan proceeds including capitalize interest in the amount of \$83,151 was received on this loan. The loan will be repaid in semiannual installments of \$7,602 with a final balloon payment at maturity scheduled for January 1, 2018. No amortization schedule has been provided at this time.

The United States Department of Agriculture (USDA) mortgage revenue bonds relates 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:

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT (Continued)

<u>Year ending December 31:</u>	<u>OWDA Loan #3575</u>	<u>OWDA Loan #4517</u>	<u>USDA Series A</u>	<u>USDA Series B</u>
2014	\$5,639	\$24,141	\$78,701	\$15,075
2015	5,639	24,141	78,758	15,122
2016	5,639	24,141	78,643	15,152
2017	5,639	24,141	78,762	15,065
2018	5,639	24,141	78,699	15,167
2019-2023	19,736	120,703	393,547	75,493
2024-2028		120,703	393,616	75,508
2029-2033		96,563	393,559	75,616
2034-2035			157,426	30,168
Total	<u>\$47,931</u>	<u>\$458,674</u>	<u>\$1,731,711</u>	<u>\$332,366</u>

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribe this plan benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

All Council members contribute to Social Security. The Village's liability for social security is 6.2% of wages paid.

8. RISK MANAGEMENT

A. Risk Pool Membership

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 judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

B. 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, 2013, 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 limites are the obligation of the respective government.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

C. Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013 (the latest information available):

	2012	2013
Assets	\$34,389,569	\$34,411,883
Liabilities	(14,208,353)	(12,760,194)
Net Position	\$20,181,216	\$21,651,689

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$8,000.

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.

Contributions to PEP	
2012	2013
\$11,124	\$10,778

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 obligations 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.

9. JOINTLY GOVERNED ORGANIZATIONS

A. 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, Southeast Hardin Northwest Union Joint Fire District, P.O. Box 123, Mount Victory, Ohio 43340.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. 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.

C. 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 Linda Vermillion, P.O. Box 85, Mount Victory, Ohio 43340.

This page intentionally left blank.



Dave Yost • Auditor of State

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

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

To the Members of 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 Village of Mount Victory, Hardin County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated August 13, 2014 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings 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 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. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Entity's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State

Columbus, Ohio

August 13, 2014

VILLAGE OF MOUNT VICTORY
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Material Weakness/Noncompliance Citation

Ohio Rev. Code § 5705.09(F) requires that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

In 2013, the Village failed to establish the required funds to account for the receipt and disbursements of Ohio Water Development Authority (OWDA) loan money in the amount of \$83,151 for loan number 6126 and \$666 for loan number 5785. Of the loan amount received, the Village recorded \$73,272 for loan number 6126 in the Enterprise Water Operating Fund leaving an unrecorded amount of \$9,879 for loan number 6126 and \$666 for loan number 5785.

In 2012, the Village failed to establish the required funds to account for the receipt and disbursements of Ohio Water Development Authority (OWDA) loan money in the amount of \$227,596 for loan number 6126 and \$3,145 for loan number 5785. Of the loan amount received, the Village recorded \$223,122 for loan number 6126 and \$2,451 for loan number 5785 in the Enterprise Water Operating Fund leaving an unrecorded amount of \$4,474 for loan number 6126 and \$694 for loan number 5785.

The accompanying financial statements have been adjusted to reflect receipt and disbursement of this money in the correct amount and fund. In addition, the Village has established the required enterprise funds and adjusted its accounting records.

The failure to establish the required funds and record the related activity not only materially misstates the financial statements but also prevents the users of the financial statements from seeing the financial benefit received by the Village.

The Fiscal Officer and Members of Council should periodically review the accounting records to help assure the completeness and accuracy of the recorded financial transactions and year-end financial statements. The Fiscal Officer should utilize governmental accounting resources such as those found on the Auditor of State Website at <https://ohioauditor.gov/> for assistance in recording financial activity.

FINDING NUMBER 2013-002

Material Weakness/Noncompliance Citation

Ohio Rev. Code Section § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

In 2013 the Village recorded a disbursement in the amount of \$2,997 in the Street Construction Maintenance and Repair Fund when it should have been recorded in the Enterprise Water Operating Fund. The accompanying financial statements and accounting records have been adjusted to correct this recording error.

FINDING NUMBER 2013-002
(Continued)

In addition, the Village recorded the wages of an hourly employee, in the amount of \$730 in 2013 and \$385 in 2012, for tasks, such as, cleaning the Village Community Center and Village Hall, and various tasks at the Village Park, in the Street Construction Maintenance & Repair Fund instead of the General Fund. The accompanying financial statements and accounting records have been adjusted to correct these recording errors.

The failure to charge disbursements to the appropriate fund(s) results in the illegal use of restricted money. In addition, it results in an inaccurate picture of operations, may result in the material misstatement of the financial statements, and makes it more difficult to detect irregularities.

Disbursements should be charged to funds based on the supporting documentation and whether or not the purpose agrees with the purpose for which the fund was established. Periodically the Fiscal Officer and Members of Council should review the accounting records to help assure only permissible disbursements are charged to each fund.

OFFICIALS' RESPONSE: I understand and agree with the findings and have/will take measures to correct them.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code Section 117.38 - filing annual report with the Auditor of State and publish notice of availability	Yes	Corrected
2011-002	Ohio Rev. Code Section 733.27 - Village Fiscal Officer annual continuing education	No	Repeated in the Management Letter
2011-003	Ohio Rev. Code Section 5705.41(D) – prior certification of expenditures	No	Repeated in the Management Letter
2011-004	Ohio Rev. Code Section 149.351 and Ohio Rev. Code Section 149.43(B)(1) – destruction of records	Yes	Corrected
2011-005	Material Weakness - Financial control procedures and documentation	Yes	Corrected
2011-006	Material Weakness - Misclassification of Disbursements	Yes	Corrected

This page intentionally left blank.



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
SEPTEMBER 16, 2014**