



Dave Yost • Auditor of State



VILLAGE OF MOUNT CORY  
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2016.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2016.....	4
Notes to the Financial Statements - For the Year Ended December 31, 2016 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2015.....	11
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2015.....	12
Notes to the Financial Statements - For the Year Ended December 31, 2015 .....	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21
Summary Schedule of Prior Audit Findings (Prepared by Management) .....	23

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Mount Cory  
Hancock County  
109 South Main Street, P.O. Box 5  
Mount Cory, Ohio 45868-0005

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Mount Cory, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

### ***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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Mount Cory, Hancock County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 11, 2018

Village of Mount Cory  
Hancock County  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$5,053		\$5,053
Municipal Income Tax	8,293		8,293
Intergovernmental	32,405	\$11,583	43,988
Special Assessments		12,951	12,951
Charges for Services	2,090		2,090
Earnings on Investments	898	315	1,213
Miscellaneous	2,862		2,862
<i>Total Cash Receipts</i>	<u>51,601</u>	<u>24,849</u>	<u>76,450</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	4,383	7,508	11,891
Public Health Services	527		527
Leisure Time Activities	7,100		7,100
Basic Utility Services	11,514		11,514
Transportation		133	133
General Government	4,479		4,479
<i>Total Cash Disbursements</i>	<u>28,003</u>	<u>7,641</u>	<u>35,644</u>
<i>Net Changes in Fund Cash Balances</i>	23,598	17,208	40,806
<i>Fund Cash Balances, January 1</i>	<u>14,457</u>	<u>106,197</u>	<u>120,654</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		123,405	123,405
Unassigned	<u>38,055</u>		<u>38,055</u>
<i>Fund Cash Balances, December 31</i>	<u>\$38,055</u>	<u>\$123,405</u>	<u>\$161,460</u>

See accompanying notes to the basic financial statements

Village of Mount Cory  
Hancock County  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Proprietary and Fiduciary Fund Types  
For the Year Ended December 31, 2016

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$54,521
<b>Operating Cash Disbursements</b>	
Personal Services	4,292
Employee Fringe Benefits	536
Contractual Services	9,961
<i>Total Operating Cash Disbursements</i>	14,789
<i>Operating Income</i>	39,732
<b>Non-Operating Disbursements</b>	
Principal Retirement	(11,621)
Interest and Other Fiscal Charges	(25,776)
<i>Total Non-Operating Disbursements</i>	(37,397)
<i>Income before Transfers</i>	2,335
Transfers In	2,165
Transfers Out	(2,165)
<i>Net Change in Fund Cash Balances</i>	2,335
<i>Fund Cash Balances, January 1</i>	236,265
<i>Fund Cash Balances, December 31</i>	\$238,600

*See accompanying notes to the basic financial statements*

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

---

**Note 1 - Reporting Entity**

The Village of Mount Cory (the Village), Hancock County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and park operations. The Village appropriates general fund money to support a volunteer fire department.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Lighting Fund*** This fund receives assessments to provide lighting for the Village.

***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 Fund:

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

---

**Budgetary Process**

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

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

**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.

**Capital Assets**

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

**Fund Balance**

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

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

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

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

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

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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.

**Note 3 - Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,875	\$51,601	\$14,726
Special Revenue	23,000	24,849	1,849
Enterprise	60,000	56,686	(3,314)
Total	\$119,875	\$133,136	\$13,261

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,332	\$28,003	\$23,329
Special Revenue	129,197	7,641	121,556
Enterprise	296,265	54,351	241,914
Total	\$476,794	\$89,995	\$386,799

**Note 4 – Deposits**

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

Demand deposits	\$400,060
-----------------	-----------

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation.

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

---

**Note 5 – Taxes**

***Property Taxes***

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

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

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

***Income Taxes***

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

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

**Note 6 - Risk Management**

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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 prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

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

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

---

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$472,000	4.25%
USDA/Rural Development Loan	102,899	4.50%
Ohio Public Works Commission Loan	22,327	
Total	\$597,226	

Mortgage Revenue Bonds were issued to finance the sewer system project the Ohio Environmental Protection Agency mandated. The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2015 is \$28,700.

The United States Department of Agriculture/Rural Development loan represents the Village's 23% share of debt incurred by the Village of Rawson for the development of the wastewater treatment plant as per the intergovernmental agreement signed with the Villages of Rawson and Benton Ridge as described in Note 10.

The Ohio Public Works Commission Loan represents the Village's 23% share of debt incurred by the Village of Rawson for sewer lagoon installation as per the intergovernmental agreement signed with the Villages of Rawson and Benton Ridge as described in Note 10.

**Amortization**

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

	Mortgage Revenue Bond	USDA/Rural Development Loan	Ohio Public Works Commission Loan
Year ending December 31:			
2017	\$28,660	\$7,193	\$4,784
2018	28,595	7,193	3,190
2019	28,616	7,193	3,190
2020	28,621	7,193	3,189
2021	28,609	7,193	3,190
2022-2026	143,027	35,965	4,784
2027-2031	143,067	35,965	
2032-2036	143,222	35,965	
2037-2041	143,081	35,965	
2042-2045	114,508	21,430	
Total	\$830,006	\$201,255	\$22,327

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

---

**Note 10 – Intergovernmental Agreement**

The Village has entered into an intergovernmental agreement with the Villages of Rawson and Benton Ridge to pay back Mortgage Revenue Bonds for \$118,000 for the construction of a wastewater treatment facility. The facility has been built and is owned by the Village of Rawson. The facility will be leased to the Villages of Benton Ridge and Mount Cory for a minimum of 40 years. The facility was built based on the aggregated population of the three villages, and the cost is shared in proportion to their populations. The Village of Mount Cory's share of the debt is 23% of the bond with an interest rate of 4.5%. Each Village will have a representative on the management Board of the facility.

**Note 11 – Contingent Liabilities**

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

**Note 12 – Miscellaneous Receipts**

Miscellaneous receipts in the General fund mainly consist of a grant received from the Hancock County Parks Foundation.

Village of Mount Cory  
Hancock County  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$4,587		\$4,587
Intergovernmental	26,337	\$11,244	37,581
Special Assessments		12,731	12,731
Charges for Services	2,035		2,035
Earnings on Investments	188	66	254
Miscellaneous	1,173	129	1,302
<i>Total Cash Receipts</i>	<u>34,320</u>	<u>24,170</u>	<u>58,490</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	5,632	11,353	16,985
Public Health Services	600		600
Leisure Time Activities	9,684		9,684
Basic Utility Services	4,928		4,928
Transportation		5,111	5,111
General Government	2,670	203	2,873
<i>Total Cash Disbursements</i>	<u>23,514</u>	<u>16,667</u>	<u>40,181</u>
<i>Net Changes in Fund Cash Balances</i>	10,806	7,503	18,309
<i>Fund Cash Balances, January 1</i>	<u>3,651</u>	<u>98,694</u>	<u>102,345</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		106,197	106,197
Unassigned	14,457		14,457
<i>Fund Cash Balances, December 31</i>	<u>\$14,457</u>	<u>\$106,197</u>	<u>\$120,654</u>

See accompanying notes to the basic financial statements

Village of Mount Cory  
Hancock County  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Proprietary and Fiduciary Fund Types  
For the Year Ended December 31, 2015

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$54,610
<b>Operating Cash Disbursements</b>	
Personal Services	4,275
Employee Fringe Benefits	328
Contractual Services	9,845
<i>Total Operating Cash Disbursements</i>	14,448
<i>Operating Income</i>	40,162
<b>Non-Operating Disbursements</b>	
Principal Retirement	(12,838)
Interest and Other Fiscal Charges	(26,189)
<i>Total Non-Operating Disbursements</i>	(39,027)
<i>Net Change in Fund Cash Balances</i>	1,135
<i>Fund Cash Balances, January 1</i>	235,130
<i>Fund Cash Balances, December 31</i>	\$236,265

*See accompanying notes to the basic financial statements*

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

---

**Note 1 - Reporting Entity**

The Village of Mount Cory (the Village), Hancock County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and park operations. The Village appropriates general fund money to support a volunteer fire department.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Lighting Fund*** This fund receives assessments to provide lighting for the Village.

***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 Fund:

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

---

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

***Fund Balance***

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

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

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

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

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

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,078	\$34,320	(\$758)
Special Revenue	26,000	24,170	(1,830)
Enterprise	60,000	54,610	(5,390)
Total	\$121,078	\$113,100	(\$7,978)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,693	\$23,514	\$15,179
Special Revenue	124,694	16,667	108,027
Enterprise	295,405	53,475	241,930
Total	\$458,792	\$93,656	\$365,136

**Note 4 – Deposits**

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

Demand deposits	\$356,919
-----------------	-----------

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation.

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

---

**Note 5 – Taxes**

***Property Taxes***

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

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

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

**Note 6 - Risk Management**

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Note 7 - Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

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 prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 9 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$480,200	4.25%
USDA/Rural Development Loan	104,725	4.5%
Ohio Public Works Commission Loan	23,922	
Total	\$608,847	

Mortgage Revenue Bonds were issued to finance the sewer system project the Ohio Environmental Protection Agency mandated. The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2015 is \$26,535.

The United States Department of Agriculture/Rural Development loan represents the Village's 23% share of debt incurred by the Village of Rawson for the development of the wastewater treatment plant as per the intergovernmental agreement signed with the Villages of Rawson and Benton Ridge as described in Note 10.

The Ohio Public Works Commission Loan represents the Village's 23% share of debt incurred by the Village of Rawson for sewer lagoon installation as per the intergovernmental agreement signed with the Villages of Rawson and Benton Ridge as described in Note 10.

***Amortization***

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

	Mortgage Revenue Bond	USDA/Rural Development Loan	Ohio Public Works Commission Loan
Year ending December 31:			
2016	\$28,609	\$7,193	\$3,190
2017	28,660	7,193	3,189
2018	28,595	7,193	3,190
2019	28,616	7,193	3,190
2020	28,621	7,193	3,189
2021-2025	143,065	35,965	7,974
2026-2030	143,044	35,965	
2031-2035	143,171	35,965	
2036-2040	143,150	35,965	
2041-2045	143,084	28,623	
Total	\$858,615	\$208,448	\$23,922

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

---

**Note 10 – Intergovernmental Agreement**

The Village has entered into an intergovernmental agreement with the Villages of Rawson and Benton Ridge to pay back Mortgage Revenue Bonds for \$118,000 for the construction of a wastewater treatment facility. The facility has been built and is owned by the Village of Rawson. The facility will be leased to the Villages of Benton Ridge and Mount Cory for a minimum of 40 years. The facility was built based on the aggregated population of the three villages, and the cost is shared in proportion to their populations. The Village of Mount Cory's share of the debt is 23% of the bond with an interest rate of 4.5%. Each Village will have a representative on the management Board of the facility.

**Note 11 – Contingent Liabilities**

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



# 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 Cory  
Hancock County  
109 South Main Street, P.O. Box 5  
Mount Cory, Ohio 45868-0005

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Mount Cory, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated January 11, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 11, 2018

**VILLAGE OF MOUNT CORY  
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

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

**FINDING NUMBER 2016-001**

**Material Weakness**

**Monitoring Village Financial Activity**

Accurate financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Various transactions were improperly classified in 2016 and 2015 due to insufficient monitoring by management. The following adjustments and reclassifications are included in the accompanying financial statements:

- Intergovernmental revenue in the General Fund was classified as miscellaneous revenue in the amount of \$3,429 and \$4,717 in 2016 and 2015, respectively.
- The General Fund balance was classified as Restricted instead of Unassigned in the amount of \$38,055 and \$14,457 in 2016 and 2015, respectively.
- In 2015, debt payments in the Sewer fund were posted as Contractual Services expenditures instead of \$12,838 as principal and \$26,189 as Interest and Other Fiscal Charges.
- In 2016, debt payments in the Sewer fund were posted as Contractual Services and Capital Outlay instead of \$11,621 as principal and \$25,776 as Interest and Other Fiscal Charges.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Village Officers' Handbook issued by the Auditor of State and Council adopt procedures for reviewing the financial statements for accuracy.

**Officials' Response:**

The Fiscal Officer stated she will make an effort to correct these findings for the Village.

**This page intentionally left blank**

VILLAGE OF MOUNT CORY  
HANCOCK COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Material Weakness – Monitoring Village Financial Activity for moneys misclassified.	Not corrected and repeated in this report as finding 2016-001.	Additional errors occurred and were not detected. The Fiscal Officer stated she will make an effort to correct these findings for the Village.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

VILLAGE OF MOUNT CORY

HANCOCK 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  
JANUARY 30, 2018