

***VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants**





**Auditor of State  
Betty Montgomery**

Village Council  
Village of Mount Victory

We have reviewed the Independent Auditor's Report of the Village of Mount Victory, Hardin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 6, 2004



**VILLAGE OF MOUNT VICTORY**  
**HARDIN COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2003 & 2002**

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**VILLAGE OF MOUNT VICTORY**  
**HARDIN COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2003 & 2002**

**ELECTED OFFICIALS**

| <u>NAME</u>     | <u>TITLE</u> | <u>TERM EXPIRATION</u> |
|-----------------|--------------|------------------------|
| Norman Smiley   | Mayor        | 12/31/03               |
| Lowell Brose    | Council      | 12/31/05               |
| Jason Robinson  | Council      | 12/31/03               |
| Jeff Parthemore | Council      | 12/31/05               |
| Dale Poling     | Council      | 12/31/03               |
| Peggy Harrison  | Council      | 12/31/05               |
| Angela Howard   | Council      | 12/31/03               |

**Statutory Legal Council**

Mark Schwemmer  
Village Solicitor  
109 E Franklin St  
Kenton, Ohio 43326

Rockefeller Building  
614 W Superior Ave Ste1242  
Cleveland OH 44113-1306  
Phone - (216) 575-1630  
Fax - (216) 436-2411

**Charles E. Harris & Associates, Inc.**  
*Certified Public Accountants*

**REPORT OF INDEPENDENT ACCOUNTANTS**

The Honorable Mayor and Members  
of Village Council  
Village of Mount Victory  
Mount Victory, Ohio

We have audited the accompanying financial statements of the Village of Mount Victory (the Village), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and fund cash balances of the Village, as of December 31, 2003 and 2002, and the combined receipts, disbursements, and changes in fund cash balances, its combined statement of receipts-budget and actual and combined statement of disbursements and encumbrances compared with expenditure authority for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

**Charles E. Harris & Associates, Inc.**  
June 15, 2004

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO  
COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND  
CASH BALANCES - ALL FUND TYPES  
As of December 31, 2003 & 2002**

|                           | <u>2003<br/>Balance</u> | <u>2002<br/>Balance</u> |
|---------------------------|-------------------------|-------------------------|
| Cash and Cash Equivalents | \$ 285,196              | \$ 285,365              |
| Investments               | <u>138,787</u>          | <u>148,103</u>          |
|                           | <u>\$ 423,983</u>       | <u>\$ 433,468</u>       |

**CASH BALANCES BY FUND CLASS**

**Governmental Fund Types:**

|                       |           |           |
|-----------------------|-----------|-----------|
| General Fund          | \$ 46,412 | \$ 40,975 |
| Special Revenue Funds | 53,760    | 45,557    |
| Debt Service Funds    | 2,011     | 1,913     |

**Proprietary Fund Type:**

|                  |                   |                   |
|------------------|-------------------|-------------------|
| Enterprise Funds | <u>321,800</u>    | <u>345,023</u>    |
| Total            | <u>\$ 423,983</u> | <u>\$ 433,468</u> |

See accompanying Notes to the Financial Statements.



**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types  
For the Year Ended December 31, 2003**

|  | Governmental Fund Types |                    |                 | Total<br>Memorandum<br>Only |
|--|-------------------------|--------------------|-----------------|-----------------------------|
|  | General                 | Special<br>Revenue | Debt<br>Service |                             |
| <b>Receipts:</b>   |                         |                    |                 |                             |
| Taxes  | \$ 7,861                | \$ 9,000           | \$ 4,526        | \$ 21,387                   |
| Intergovernmental  | 16,004                  | 15,237             | -               | 31,241                      |
| Special Assessments  | -                       | 10,902             | -               | 10,902                      |
| Fines, Licenses and Permits  | 2,091                   | -                  | -               | 2,091                       |
| Interest   | 6,744                   | 377                | -               | 7,121                       |
| Other  | 10,727                  | -                  | -               | 10,727                      |
| <b>Total Receipts</b>  | <b>43,427</b>           | <b>35,516</b>      | <b>4,526</b>    | <b>83,469</b>               |
| <b>Disbursements:</b>  |                         |                    |                 |                             |
| <b>Current:</b>  |                         |                    |                 |                             |
| Security of Persons & Property   | 241                     | 11,019             | -               | 11,260                      |
| Public Health Services   | 3,142                   | -                  | -               | 3,142                       |
| Leisure Time Activities  | 1,936                   | -                  | -               | 1,936                       |
| Community Environment  | 1,055                   | -                  | -               | 1,055                       |
| Basic Utility Services   | 1,800                   | -                  | -               | 1,800                       |
| Transportation   | -                       | 16,258             | -               | 16,258                      |
| General Government   | 29,100                  | -                  | -               | 29,100                      |
| <b>Debt Service</b>  |                         |                    |                 |                             |
| Principal  | -                       | -                  | 1,550           | 1,550                       |
| Interest   | -                       | -                  | 2,878           | 2,878                       |
| <b>Total Disbursements</b>   | <b>37,274</b>           | <b>27,277</b>      | <b>4,428</b>    | <b>68,979</b>               |
| <b>Total Receipts Over/(Under)<br/>Disbursements</b>   | <b>6,153</b>            | <b>8,239</b>       | <b>98</b>       | <b>14,490</b>               |
| <b>Other Financing Sources (Uses):</b>   |                         |                    |                 |                             |
| Other Financing Uses   | (716)                   | (36)               | -               | (752)                       |
| <b>Total Other Financing Sources (Uses)</b>  | <b>(716)</b>            | <b>(36)</b>        | <b>-</b>        | <b>(752)</b>                |
| <b>Excess/Deficiency of Receipts and<br/>Other Sources Over Disbursements<br/>and Other Uses</b> | <b>5,437</b>            | <b>8,203</b>       | <b>98</b>       | <b>13,738</b>               |
| <b>Fund Cash Balance January 1, 2003</b>   | <b>40,975</b>           | <b>45,557</b>      | <b>1,913</b>    | <b>88,445</b>               |
| <b>Fund Cash Balance December 31, 2003</b>   | <b>\$ 46,412</b>        | <b>\$ 53,760</b>   | <b>\$ 2,011</b> | <b>\$ 102,183</b>           |

See accompanying Notes to the Financial Statements.

**VILLAGE OF MOUNT VICTORY**  
**HARDIN COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2002**

|  | Governmental Fund Types |                    |                 | Total<br>Memorandum<br>Only |
|--|-------------------------|--------------------|-----------------|-----------------------------|
|  | General                 | Special<br>Revenue | Debt<br>Service |                             |
| <b>Receipts:</b>   |                         |                    |                 |                             |
| Taxes  | \$ 6,896                | \$ 8,632           | \$ 4,148        | \$ 19,676                   |
| Intergovernmental  | 16,182                  | 14,013             | -               | 30,195                      |
| Special Assessments  | -                       | 7,777              | 47              | 7,824                       |
| Fines, Licenses and Permits  | 1,905                   | -                  | -               | 1,905                       |
| Interest   | 7,395                   | 382                | -               | 7,777                       |
| Other  | 2,937                   | -                  | -               | 2,937                       |
| <b>Total Receipts</b>  | <b>35,315</b>           | <b>30,804</b>      | <b>4,195</b>    | <b>70,314</b>               |
| <b>Disbursements:</b>  |                         |                    |                 |                             |
| <b>Current:</b>  |                         |                    |                 |                             |
| Security of Persons & Property   | -                       | 11,032             | -               | 11,032                      |
| Public Health Services   | 3,018                   | -                  | -               | 3,018                       |
| Leisure Time Activities  | 3,311                   | -                  | -               | 3,311                       |
| Basic Utility Services   | 1,500                   | -                  | -               | 1,500                       |
| Transportation   | -                       | 24,523             | -               | 24,523                      |
| General Government   | 32,867                  | -                  | -               | 32,867                      |
| <b>Debt Service</b>  |                         |                    |                 |                             |
| Principal  | -                       | -                  | 1,343           | 1,343                       |
| Principal  | -                       | -                  | 2,988           | 2,988                       |
| <b>Total Disbursements</b>   | <b>40,696</b>           | <b>35,555</b>      | <b>4,331</b>    | <b>80,582</b>               |
| <b>Total Receipts Over/(Under)</b>   |                         |                    |                 |                             |
| Disbursements  | (5,381)                 | (4,751)            | (137)           | (10,269)                    |
| <b>Other Financing Sources (Uses):</b>   |                         |                    |                 |                             |
| Other Financing Sources  | 47                      | -                  | -               | 47                          |
| Other Financing Uses   | -                       | (29)               | -               | (29)                        |
| <b>Total Other Financing Sources (Uses)</b>  | <b>47</b>               | <b>(29)</b>        | <b>-</b>        | <b>18</b>                   |
| <b>Excess/Deficiency of Receipts and<br/>Other Sources Over Disbursements<br/>and Other Uses</b> | <b>(5,334)</b>          | <b>(4,780)</b>     | <b>(137)</b>    | <b>(10,251)</b>             |
| <b>Fund Cash Balance January 1, 2002</b>   | <b>46,309</b>           | <b>50,337</b>      | <b>2,050</b>    | <b>98,696</b>               |
| <b>Fund Cash Balance December 31, 2002</b>   | <b>\$ 40,975</b>        | <b>\$ 45,557</b>   | <b>\$ 1,913</b> | <b>\$ 88,445</b>            |

See accompanying Notes to the Financial Statements.

**VILLAGE OF MOUNT VICTORY**  
**HARDIN COUNTY, OHIO**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2003**

| <b>Receipts:</b>  | <u><b>Enterprise</b></u> |
|---|--------------------------|
| <b>Charges for Services</b>   | <b>\$ 219,554</b>        |
| <b>Fines, Licenses, and Permits</b>   | <b>1,025</b>             |
|   | <b>220,579</b>           |
| <b>Total Receipts</b>   | <b>220,579</b>           |
| <br><b>Disbursements:</b>   |                          |
| <b>Personal Services</b>  | <b>24,909</b>            |
| <b>Travel Transportation</b>  | <b>3,526</b>             |
| <b>Contractual Services</b>   | <b>69,242</b>            |
| <b>Material and Supplies</b>  | <b>18,609</b>            |
| <b>Capital Outlay</b>   | <b>82,000</b>            |
|   | <b>198,286</b>           |
| <b>Total Disbursements</b>  | <b>198,286</b>           |
| <b>Excess Receipts Over/(Under) Disbursements</b>   | <b>22,293</b>            |
| <br><b>Other Financing Sources (Uses):</b>  |                          |
| <b>Debt Service</b>   |                          |
| <b>Principal</b>  | <b>(46,373)</b>          |
| <b>Interest and Fiscal Charges</b>  | <b>(87,977)</b>          |
| <b>Miscellaneous</b>  | <b>6,747</b>             |
| <b>Debt Proceeds</b>  | <b>82,087</b>            |
|   | <b>(45,516)</b>          |
| <b>Total Other Financing Sources/<br/>(Uses)</b>  | <b>(45,516)</b>          |
| <br><b>Net Receipts and Other Financing<br/>Sources over Disbursements and<br/>Other Financing (Uses)</b> | <b>(23,223)</b>          |
| <br><b>Fund Cash Balance January 1, 2003</b>  | <b>345,023</b>           |
|   | <b>345,023</b>           |
| <b>Fund Cash Balance December 31, 2003</b>  | <b>\$ 321,800</b>        |
|   | <b>321,800</b>           |

See accompanying Notes to the Financial Statements.

**VILLAGE OF MOUNT VICTORY**  
**HARDIN COUNTY, OHIO**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2002**

| <b>Receipts:</b>  | <u><b>Enterprise</b></u>        |
|---|---------------------------------|
| <b>Charges for Services</b>   | \$ 221,527                      |
| <b>Fines, Licenses, and Permits</b>   | 250                             |
| <b>Miscellaneous</b>  | <u>8,703</u>                    |
| <b>Total Receipts</b>   | <b>230,480</b>                  |
| <b>Disbursements:</b>   |                                 |
| <b>Personal Services</b>  | 23,940                          |
| <b>Travel Transportation</b>  | 3,098                           |
| <b>Contractual Services</b>   | 48,243                          |
| <b>Material and Supplies</b>  | 15,096                          |
| <b>Capital Outlay</b>   | <u>4,043</u>                    |
| <b>Total Disbursements</b>  | <u><b>94,420</b></u>            |
| <b>Excess Receipts Over/(Under) Disbursements:</b>  | <b>136,060</b>                  |
| <b>Other Financing Sources (Uses):</b>  |                                 |
| <b>Debt Service</b>   |                                 |
| <b>Principal</b>  | (41,457)                        |
| <b>Interest and Fiscal Charges</b>  | (90,324)                        |
| <b>Debt Proceeds</b>  | <u>10,087</u>                   |
| <b>Total Other Financing Sources/<br/>(Uses)</b>  | <u><b>(121,694)</b></u>         |
| <b>Net Receipts and Other Financing<br/>Sources over Disbursements and<br/>Other Financing (Uses)</b> | <b>14,366</b>                   |
| <b>Fund Cash Balance January 1, 2002</b>  | <u><b>330,657</b></u>           |
| <b>Fund Cash Balance December 31, 2002</b>  | <b>\$ <u><u>345,023</u></u></b> |

See accompanying Notes to the Financial Statements.

**VILLAGE OF MOUNT VICTORY**  
**HARDIN COUNTY, OHIO**  
 COMBINED STATEMENT OF RECEIPTS -  
 BUDGET AND ACTUAL  
 For the Years Ended December 31, 2003 and 2002

| <u>Fund Types/Funds</u> | <u>2002<br/>Budget</u> | <u>2002<br/>Actual</u> | <u>Variance<br/>Favorable/<br/>(Unfavorable)</u> |
|-------------------------|------------------------|------------------------|--|
| Governmental:           |                        |                        |  |
| General                 | \$ 35,829              | \$ 35,362              | \$ (467)   |
| Special Revenue         | 29,835                 | 30,804                 | 969  |
| Debt Service            | 4,201                  | 4,195                  | (6)  |
| Proprietary:            |                        |                        |  |
| Enterprise              | <u>312,606</u>         | <u>240,567</u>         | <u>(72,039)</u>                                  |
| Total (Memorandum Only) | <u>\$ 382,471</u>      | <u>\$ 310,928</u>      | <u>\$ (71,543)</u>                               |

| <u>Fund Types/Funds</u> | <u>2003<br/>Budget</u> | <u>2003<br/>Actual</u> | <u>Variance<br/>Favorable/<br/>(Unfavorable)</u> |
|-------------------------|------------------------|------------------------|--|
| Governmental:           |                        |                        |  |
| General                 | \$ 34,602              | \$ 43,427              | \$ 8,825   |
| Special Revenue         | 29,442                 | 35,516                 | 6,074  |
| Debt Service            | 4,688                  | 4,526                  | (162)  |
| Proprietary:            |                        |                        |  |
| Enterprise              | <u>300,932</u>         | <u>309,413</u>         | <u>8,481</u>                                     |
| Total (Memorandum Only) | <u>\$ 369,664</u>      | <u>\$ 392,882</u>      | <u>\$ 23,218</u>                                 |

See accompanying Notes to the Financial Statements.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO**

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
For the Years Ended December 31, 2003 and 2002

| Fund Types/Funds        | Prior Year<br>Carryover<br>Appropriations | 2002<br>Appropriations | Total      | Actual 2002<br>Disbursements | Encumbrances<br>Outstanding<br>at 12/31/02 | Total      | Variance<br>Favorable/<br>(Unfavorable) |
|-------------------------|---|------------------------|------------|------------------------------|--|------------|---|
| Governmental:           |   |                        |            |                              |  |            |   |
| General                 | \$ -                                      | \$ 56,369              | \$ 56,369  | \$ 40,696                    | \$ -                                       | \$ 40,696  | \$ 15,673                               |
| Special Revenue         | -   | 54,329                 | 54,329     | 35,584                       | -  | 35,584     | 18,745                                  |
| Debt Service            | -   | 4,800                  | 4,800      | 4,331                        | -  | 4,331      | 469                                     |
| Proprietary:            |   |                        |            |                              |  |            |   |
| Enterprise              | -   | 362,656                | 362,656    | 226,201                      | -  | 226,201    | 136,455                                 |
| Total (Memorandum Only) | \$ -                                      | \$ 478,154             | \$ 478,154 | \$ 306,812                   | \$ -                                       | \$ 306,812 | \$ 171,342                              |

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-

| Fund Types/Funds        | Prior Year<br>Carryover<br>Appropriations | 2003<br>Appropriations | Total      | Actual 2003<br>Disbursements | Encumbrances<br>Outstanding<br>at 12/31/03 | Total      | Variance<br>Favorable/<br>(Unfavorable) |
|-------------------------|---|------------------------|------------|------------------------------|--|------------|---|
| Governmental:           |   |                        |            |                              |  |            |   |
| General                 | \$ -                                      | \$ 58,783              | \$ 58,783  | \$ 37,990                    | \$ -                                       | \$ 37,990  | \$ 20,793                               |
| Special Revenue         | -   | 52,307                 | 52,307     | 27,313                       | -  | 27,313     | 24,994                                  |
| Debt Service            | -   | 6,600                  | 6,600      | 4,428                        | -  | 4,428      | 2,172                                   |
| Proprietary:            |   |                        |            |                              |  |            |   |
| Enterprise              | -   | 381,100                | 381,100    | 332,636                      | -  | 332,636    | 48,464                                  |
| Total (Memorandum Only) | \$ -                                      | \$ 498,790             | \$ 498,790 | \$ 402,367                   | \$ -                                       | \$ 402,367 | \$ 96,423                               |

See accompanying Notes to the Financial Statements.

**VILLAGE OF MOUNT VICTORY**  
**HARDIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2003 and 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Village of Mount Victory, Hardin County, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected, seven-member Council. The Village provides general governmental services, including water, sewer, and electric utilities, park operations (leisure time activities), and police, fire and ambulance services.

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

**B. REPORTING ENTITY**

In evaluating how to define the Village for financial reporting purposes, management has considered all agencies, departments and organizations making up the Village of Mount Victory (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the Village, as the primary government, is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and 1) the Village is able to significantly influence the programs or services performed or provided by the organization; or 2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the Village has determined that there were no component units required to be included the financial statements.

**C. BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement 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.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2003 and 2002**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **INVESTMENTS AND INACTIVE FUNDS**

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at purchase cost. Interest earned is recognized and recorded when received. See Note 2 for further description.

E. **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, an 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 Fund is 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:** To account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes.

**Debt Service Fund:** This fund is used to accumulate resources for the payment of bond and note debt.

**Proprietary Fund Types:**

**Enterprise Funds:** These funds account for operations that are similar to private business enterprise where management intends that the significant costs of providing certain goods or services will be recovered through user charges.



**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2003 and 2002**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

F. **BUDGETARY PROCESS**

1. **Budget**

A budget of estimated cash receipts and disbursements is prepared by the Clerk/Treasurer, approved by Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

2. **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 Treasurer 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.

On or about January 1, the Clerk/Treasurer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Clerk/Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificates issued during 2003 and 2002.

Budget receipts, as shown in the accompanying financial statements, do not include the unencumbered fund balances as of January 1, 2003 and 2002. However, those fund balances are available for appropriation.

3. **Appropriations**

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period 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. The legal level of control is the fund level.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2003 and 2002**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

F. **BUDGETARY PROCESS** - (continued)

4. **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. Unencumbered appropriations lapse at year end.

Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated. In the budgetary financial statements, encumbrances are added to budgetary expenditures and compared to current year appropriations plus prior year carry-over appropriations.

G. **Property, Plant and Equipment**

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

H. **Unpaid Vacation and Sick Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

I. **Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The Village maintains a cash and investment pool used by all funds. The balance of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types, As of December 31, 2003 and 2002."

**Legal Requirements**

State statutes classify monies held by the Village into three categories.

"Active deposits" are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2003 and 2002**

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)**

**Legal Requirements - (continued)**

"Inactive deposits" are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

"Interim deposits" are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligations guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities, subject to the repurchase agreement, must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No -load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in the is division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2003 and 2002**

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS** - (continued)

**Legal Requirements** - (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk/Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No.3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

**Deposits:** At year end, the carrying amount of the Village's deposits were \$423,983 in 2003 and \$433,468 in 2002 and the bank balances were \$423,983 in 2003 and \$433,468 in 2002. Of the bank balance,

1. \$100,000 in 2003 and 2002 was covered by federal depository insurance; and
2. \$323,983 in 2003 and \$333,468 in 2002 were uninsured, but collateralized by U.S. Government securities pooled by the depository not in the Village's name. As with all deposits, there is a risk of loss of resources, but management believes this collateral gives the Village its safest deposit of money.

**Investments:**

The Village's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or by its trust department but not in the Village's name. At December 31, 2003 and 2002, the Village held no investments that would be classified as investments under GASB Statement No. 3.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2003 and 2002**

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)**

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less and cash and investments of the cash management pool.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

| <u>2003</u>                             | <u>Cash and Cash<br/>Equivalents</u>     | <u>Investment</u>     |
|---|--|-----------------------|
| GASB Statement 9                        | \$ 285,196                               | \$ 138,787            |
| Certificates of deposit<br>over 90 days | <u>138,787</u>                           | <u>(138,787)</u>      |
| <br>GASB Statement 3                    | <br><u>\$ 423,983</u>                    | <br><u>\$ -</u>       |
| <br><u>2002</u>                         | <br><u>Cash and Cash<br/>Equivalents</u> | <br><u>Investment</u> |
| GASB Statement 9                        | \$ 285,365                               | \$ 148,103            |
| Certificates of deposit<br>over 90 days | <u>148,103</u>                           | <u>(148,103)</u>      |
| <br>GASB Statement 3                    | <br><u>\$ 433,468</u>                    | <br><u>\$ -</u>       |

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2003 and 2002**

**3. PROPERTY TAX**

Real property taxes are levied on assessed values which equal 35 percent 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 2000.

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.

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.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

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

**4. DEBT**

Debt outstanding at December 31, 2003 was as follows:

|                               | <u>Balance<br/>1/1/03</u> | <u>Additions</u>        | <u>Deletions</u>        | <u>Balance<br/>12/31/03</u> |
|-------------------------------|---------------------------|-------------------------|-------------------------|-----------------------------|
| <b>OWDA</b>                   |                           |                         |                         |                             |
| 2%, 1/1/2022 maturity         | \$ 8,193                  | \$ 82,087               | \$ 3,844                | \$ 86,436                   |
| <b>OWDA 0617 10.26%</b>       |                           |                         |                         |                             |
| 7/1/06 maturity               | 123,811                   | -                       | 26,579                  | 97,232                      |
| <b>Mortgage Revenue Bonds</b> |                           |                         |                         |                             |
| 5.125%, 3/1/35 maturity       | 1,240,700                 | -                       | 15,100                  | 1,225,600                   |
| <b>Mortgage Revenue Bonds</b> |                           |                         |                         |                             |
| 5.625%, 3/1/35 maturity       | <u>224,400</u>            | <u>-</u>                | <u>2,400</u>            | <u>222,000</u>              |
| <b>Total Debt</b>             | <b><u>\$1,597,104</u></b> | <b><u>\$ 82,087</u></b> | <b><u>\$ 47,923</u></b> | <b><u>\$1,631,268</u></b>   |

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2003 and 2002**

4. **DEBT** – (continued)

Debt outstanding at December 31, 2002 was as follows:

|                         | <u>Balance</u><br><u>1/1/02</u> | <u>Additions</u>        | <u>Deletions</u>        | <u>Balance</u><br><u>12/31/02</u> |
|-------------------------|---------------------------------|-------------------------|-------------------------|-----------------------------------|
| OWDA                    |                                 |                         |                         |                                   |
| 2%, 1/1/2022 maturity   | \$ -                            | \$ 10,087               | \$ 1,894                | \$ 8,193                          |
| OWDA 0617 10.26%        |                                 |                         |                         |                                   |
| 7/1/06 maturity         | 147,917                         | -                       | 24,106                  | 123,811                           |
| Mortgage Revenue Bonds  |                                 |                         |                         |                                   |
| 5.125%, 3/1/35 maturity | 1,255,100                       | -                       | 14,400                  | 1,240,700                         |
| Mortgage Revenue Bonds  |                                 |                         |                         |                                   |
| 5.625%, 3/1/35 maturity | <u>226,800</u>                  | <u>-</u>                | <u>2,400</u>            | <u>224,400</u>                    |
| <b>Total Debt</b>       | <b><u>\$ 1,629,817</u></b>      | <b><u>\$ 10,087</u></b> | <b><u>\$ 42,800</u></b> | <b><u>\$1,597,104</u></b>         |

The OWDA loan from the Special Revenue Fund will be paid from special assessments. The Mortgage Revenue Bonds from the Enterprise Fund will be paid from user charges.

5. **RISK MANAGEMENT**

The Village is a member of the Public Entities Pool of Ohio (A Local Government Risk Pool). The Village has the following insurance coverage: Commercial Property, General Liability, Auto Liability.

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Also, the Village did not reduce its insurance coverage significantly during the year.

6. **PENSION AND RETIREMENT PLANS**

The employees of the Village of Mount Victory are covered by the Ohio Public Employees Retirement System (OPERS) of Ohio. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

**Ohio Public Employees Retirement System (OPERS)**

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2003 and 2002**

**6. PENSION AND RETIREMENT PLANS – (continued)**

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. For local government employer units, the rate was 13.55% of covered payroll for 2003 and 2002. The contribution rates are determined actuarially. The Village has paid all contributions required through December 31, 2003.

**7. CONTINGENT LIABILITIES**

The Village may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village Solicitor, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members  
of Village Council  
Village of Mount Victory  
Mount Victory, Ohio

We have audited the financial statements of the Village of Mount Victory as and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 15, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**This report is intended for the information and use of the Mayor, Members of Village Council, and management, and is not intended to be and should not be used by anyone other than these specified parties.**

***Charles E. Harris & Associates, Inc.***  
**June 15, 2004**

**STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the period ending December 31, 2001 and 2000, did not include material citations or recommendations.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
JULY 20, 2004**