



Dave Yost • Auditor of State



VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY

TABLE OF CONTENTS

| TITLE  | PAGE |
|--|------|
| Independent Auditor's Report .....   | 1    |
| Combined Statement of Receipts, Disbursements, and Changes in<br>Fund Balances (Cash Basis) - All Governmental Fund Types -<br>For the Year Ended December 31, 2015 .....  | 3    |
| Combined Statement of Receipts, Disbursements, and Changes in<br>Fund Balances (Cash Basis) – Enterprise Funds -<br>For the Year Ended December 31, 2015 .....             | 4    |
| Combined Statement of Receipts, Disbursements, and Changes in<br>Fund Balances (Cash Basis) - All Governmental Fund Types -<br>For the Year Ended December 31, 2014 .....  | 5    |
| Combined Statement of Receipts, Disbursements, and Changes in<br>Fund Balances (Cash Basis) – Enterprise Funds -<br>For the Year Ended December 31, 2014 .....             | 6    |
| Notes to the Financial Statements .....  | 7    |
| Independent Auditor's Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> ..... | 17   |
| Schedule of Findings.....  | 19   |
| Summary Schedule of Prior Audit Findings .....   | 21   |

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

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

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of the Village of Mount Victory, Hardin County, (the Village) as of and for the years ended December 31, 2015 and 2014.

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

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

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

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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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, 2015 and 2014, or 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 combined cash balances of the Village of Mount Victory, Hardin County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2017, 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 Government's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 17, 2017

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

|   | <u>General</u>   | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|------------------|----------------------------|-----------------------------|---|
| <b>Cash Receipts:</b>                   |                  |                            |                             |   |
| Property and Other Local Taxes          | \$10,964         | \$3,370                    |                             | \$14,334                                |
| Municipal Income Tax                    | 125,400          |                            |                             | 125,400                                 |
| Intergovernmental                       | 13,690           | 28,843                     | \$171,932                   | 214,465                                 |
| Special Assessments                     |                  | 13,541                     |                             | 13,541                                  |
| Fines, Licenses and Permits             | 3,550            |                            |                             | 3,550                                   |
| Earnings on Investments                 | 1,122            | 132                        |                             | 1,254                                   |
| Miscellaneous                           | 19,999           | 1,517                      |                             | 21,516                                  |
| Total Cash Receipts                     | <u>174,725</u>   | <u>47,403</u>              | <u>171,932</u>              | <u>394,060</u>                          |
| <b>Cash Disbursements:</b>              |                  |                            |                             |   |
| <b>Current:</b>                         |                  |                            |                             |   |
| Security of Persons and Property        | 157              | 10,525                     |                             | 10,682                                  |
| Public Health Services                  | 2,544            |                            |                             | 2,544                                   |
| Leisure Time Activities                 | 32,542           |                            |                             | 32,542                                  |
| Community Environment                   | 1,188            |                            |                             | 1,188                                   |
| Transportation                          |                  | 9,840                      |                             | 9,840                                   |
| General Government                      | 63,670           | 633                        |                             | 64,303                                  |
| Capital Outlay                          | 2,332            |                            | 171,932                     | 174,264                                 |
| Total Cash Disbursements                | <u>102,433</u>   | <u>20,998</u>              | <u>171,932</u>              | <u>295,363</u>                          |
| Excess of Receipts Over Disbursements   | <u>72,292</u>    | <u>26,405</u>              |                             | <u>98,697</u>                           |
| Fund Cash Balances, January 1           | <u>98,649</u>    | <u>76,951</u>              |                             | <u>175,600</u>                          |
| <b>Fund Cash Balances, December 31:</b> |                  |                            |                             |   |
| Restricted                              |                  | 103,356                    |                             | 103,356                                 |
| Assigned                                | 8,931            |                            |                             | 8,931                                   |
| Unassigned                              | 162,010          |                            |                             | 162,010                                 |
| Fund Cash Balances, December 31         | <u>\$170,941</u> | <u>\$103,356</u>           | <u>\$0</u>                  | <u>\$274,297</u>                        |

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

|  |                         |
|--|-------------------------|
| <b>Operating Cash Receipts:</b>                |                         |
| Charges for Services                           | <u>\$335,647</u>        |
| <b>Operating Cash Disbursements:</b>           |                         |
| Personal Services                              | 35,660                  |
| Employee Fringe Benefits                       | 7,439                   |
| Contractual Services                           | 107,224                 |
| Supplies and Materials                         | <u>50,464</u>           |
| Total Operating Cash Disbursements             | <u>200,787</u>          |
| Operating Income                               | <u>134,860</u>          |
| <b>Non-Operating Receipts (Disbursements):</b> |                         |
| Intergovernmental                              | 313,471                 |
| Special Assessments                            | 1,531                   |
| Other Debt Proceeds                            | 869,328                 |
| Miscellaneous Receipts                         | 1,621                   |
| Capital Outlay                                 | (1,201,599)             |
| Principal Retirement                           | (49,402)                |
| Interest and Other Fiscal Charges              | <u>(74,258)</u>         |
| Total Non-Operating Receipts (Disbursements)   | <u>(139,308)</u>        |
| Net Change in Fund Cash Balances               | (4,448)                 |
| Fund Cash Balances, January 1                  | <u>554,057</u>          |
| Fund Cash Balances, December 31                | <u><u>\$549,609</u></u> |

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



**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|   | <u>General</u>  | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|-----------------|----------------------------|-----------------------------|---|
| <b>Cash Receipts:</b>                   |                 |                            |                             |   |
| Property and Other Local Taxes          | \$10,868        | \$3,318                    |                             | \$14,186                                |
| Municipal Income Tax                    | 90,898          |                            |                             | 90,898                                  |
| Intergovernmental                       | 10,812          | 29,199                     | \$132,068                   | 172,079                                 |
| Special Assessments                     |                 | 13,989                     |                             | 13,989                                  |
| Fines, Licenses and Permits             | 3,578           |                            |                             | 3,578                                   |
| Earnings on Investments                 | 987             | 113                        |                             | 1,100                                   |
| Miscellaneous                           | 33,663          |                            |                             | 33,663                                  |
| Total Cash Receipts                     | <u>150,806</u>  | <u>46,619</u>              | <u>132,068</u>              | <u>329,493</u>                          |
| <b>Cash Disbursements:</b>              |                 |                            |                             |   |
| <b>Current:</b>                         |                 |                            |                             |   |
| Security of Persons and Property        | 157             | 15,072                     |                             | 15,229                                  |
| Public Health Services                  | 2,544           |                            |                             | 2,544                                   |
| Leisure Time Activities                 | 22,368          |                            |                             | 22,368                                  |
| Community Environment                   | 1,365           |                            |                             | 1,365                                   |
| Transportation                          | 2,215           | 27,051                     |                             | 29,266                                  |
| General Government                      | 58,080          | 781                        |                             | 58,861                                  |
| Capital Outlay                          |                 |                            | 132,068                     | 132,068                                 |
| Total Cash Disbursements                | <u>86,729</u>   | <u>42,904</u>              | <u>132,068</u>              | <u>261,701</u>                          |
| Excess of Receipts Over Disbursements   | <u>64,077</u>   | <u>3,715</u>               |                             | <u>67,792</u>                           |
| Fund Cash Balances, January 1:          | <u>34,572</u>   | <u>73,236</u>              |                             | <u>107,808</u>                          |
| <b>Fund Cash Balances, December 31:</b> |                 |                            |                             |   |
| Restricted                              |                 | 76,951                     |                             | 76,951                                  |
| Unassigned (Deficit)                    | 98,649          |                            |                             | 98,649                                  |
| Fund Cash Balances, December 31         | <u>\$98,649</u> | <u>\$76,951</u>            | <u>\$0</u>                  | <u>\$175,600</u>                        |

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

VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

|  |                         |
|--|-------------------------|
| <b>Operating Cash Receipts:</b>                |                         |
| Charges for Services                           | <u>\$390,789</u>        |
| <b>Operating Cash Disbursements:</b>           |                         |
| Personal Services                              | 36,015                  |
| Fringe Benefits                                | 6,374                   |
| Contractual Services                           | 74,537                  |
| Supplies and Materials                         | <u>44,824</u>           |
| Total Operating Cash Disbursements             | <u>161,750</u>          |
| Operating Income                               | <u>229,039</u>          |
| <b>Non-Operating Receipts (Disbursements):</b> |                         |
| Intergovernmental                              | 667,954                 |
| Other Debt Proceeds                            | 131,824                 |
| Capital Outlay                                 | (522,474)               |
| Principal Retirement                           | (373,830)               |
| Interest and Other Fiscal Charges              | <u>(76,413)</u>         |
| Total Non-Operating Receipts (Disbursements)   | <u>(172,939)</u>        |
| Net Change in Fund Cash Balances               | 56,100                  |
| Fund Cash Balances, January 1:                 | <u>497,957</u>          |
| Fund Cash Balances, December 31:               | <u><u>\$554,057</u></u> |

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**Public Entity Risk Pool:**

Public Entities Pool of Ohio is a risk sharing pool available to Ohio governments.

**Jointly Governed Organizations:**

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

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

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

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

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

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following Capital Project Fund:

**CDBG Fund** – This fund accounts for Community Development Block Grants administered by Hardin County for park improvements.

**4. Enterprise Funds**

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

**Water Operating Fund** - This fund receives charges for services from residents to cover water service costs.

**Sewer Operating Fund** - This fund receives charges for services from residents to cover sewer service costs.

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

**CDBG Water Distribution System Project Fund** - This fund accounts for grant proceeds for water improvements.

**E. Budgetary Process**

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

VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

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

2. 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.

3. 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 re-appropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Unassigned**

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Capital Assets**

The Village records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED DEPOSITS**

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

|                         | <b>2015</b> | <b>2014</b> |
|-------------------------|-------------|-------------|
| Demand deposits         | \$664,888   | \$570,639   |
| Certificates of deposit | 159,018     | 159,018     |
| Total deposits          | \$823,906   | \$729,657   |

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

| <b>2015 Budgeted vs. Actual Receipts</b> |                              |                            |                 |
|--|------------------------------|----------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted<br/>Receipts</b> | <b>Actual<br/>Receipts</b> | <b>Variance</b> |
| General                                  | \$123,280                    | \$174,725                  | \$51,445        |
| Special Revenue                          | 45,155                       | 47,403                     | 2,248           |
| Capital Projects                         | 171,932                      | 171,932                    |                 |
| Enterprise                               | 1,935,631                    | 1,521,598                  | (414,033)       |
| Total                                    | \$2,275,998                  | \$1,915,658                | (\$360,340)     |

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

**2015 Budgeted vs. Actual Budgetary Basis Expenditures**

| <u>Fund Type</u> | <u>Appropriation<br/>Authority</u> | <u>Budgetary<br/>Expenditures</u> | <u>Variance</u>  |
|------------------|------------------------------------|-----------------------------------|------------------|
| General          | \$120,000                          | \$102,433                         | \$17,567         |
| Special Revenue  | 84,242                             | 20,998                            | 63,244           |
| Capital Projects | 171,932                            | 171,932                           |                  |
| Enterprise       | 1,995,007                          | 1,526,046                         | 468,961          |
| Total            | <u>\$2,371,181</u>                 | <u>\$1,821,409</u>                | <u>\$549,772</u> |

**2014 Budgeted vs. Actual Receipts**

| <u>Fund Type</u> | <u>Budgeted<br/>Receipts</u> | <u>Actual<br/>Receipts</u> | <u>Variance</u>      |
|------------------|------------------------------|----------------------------|----------------------|
| General          | \$123,430                    | \$150,806                  | \$27,376             |
| Special Revenue  | 45,155                       | 46,619                     | 1,464                |
| Capital Projects | 132,068                      | 132,068                    |                      |
| Enterprise       | 2,924,700                    | 1,190,567                  | (1,734,133)          |
| Total            | <u>\$3,225,353</u>           | <u>\$1,520,060</u>         | <u>(\$1,705,293)</u> |

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

| <u>Fund Type</u> | <u>Appropriation<br/>Authority</u> | <u>Budgetary<br/>Expenditures</u> | <u>Variance</u>    |
|------------------|------------------------------------|-----------------------------------|--------------------|
| General          | \$118,445                          | \$86,729                          | \$31,716           |
| Special Revenue  | 89,171                             | 42,904                            | 46,267             |
| Capital Projects | 132,068                            | 132,068                           |                    |
| Enterprise       | 2,834,285                          | 1,134,467                         | 1,699,818          |
| Total            | <u>\$3,173,969</u>                 | <u>\$1,396,168</u>                | <u>\$1,777,801</u> |

The Village failed to establish a fund to account for on-behalf activity which violated Ohio Revised Code Section 5705.09(F).

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**5. LOCAL INCOME TAX**

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**5. LOCAL INCOME TAX (Continued)**

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

**6. DEBT**

Debt outstanding at December 31, 2015 was as follows:

|  | <b>Principal</b> | <b>Interest Rate</b> |
|--|------------------|----------------------|
| OWDA Loan #3575                        | \$34,210         | 2.0%                 |
| OWDA Loan #4517                        | 297,524          | 3.92%                |
| OPWC Loan #CP03Q                       | 1,001,152        | 0%                   |
| USDA Mortgage Revenue Bonds - Series A | 970,600          | 5.13%                |
| USDA Mortgage Revenue Bonds - Series B | 178,700          | 5.625%               |
| Total                                  | \$2,482,186      |                      |

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

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

The Ohio Public Works Commission (OPWC) loan #CP03Q, was entered into on July 1, 2013, in the amount of \$1,408,209 at 0% interest, for a water distribution system project. The loan will be repaid in semiannual installments of \$20,848 over a 30 year period, following the date of project completion. This project has not yet been completed therefore, no amortization schedule has been provided at this time. In 2015 and 2014, additional loan proceeds in the amount of \$869,328 and \$131,824, respectively, were received on this loan.

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

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

| <b>Year ending<br/>December 31:</b> | <b>OWDA<br/>Loan #3575</b> | <b>OWDA<br/>Loan #4517</b> | <b>USDA<br/>Series A</b> | <b>USDA<br/>Series B</b> | <b>Total</b> |
|-------------------------------------|----------------------------|----------------------------|--------------------------|--------------------------|--------------|
| 2016                                | \$5,639                    | \$24,141                   | \$78,643                 | \$15,152                 | \$123,575    |
| 2017                                | 5,639                      | 24,141                     | 78,762                   | 15,065                   | 123,607      |
| 2018                                | 5,639                      | 24,141                     | 78,699                   | 15,169                   | 123,648      |
| 2019                                | 5,639                      | 24,141                     | 78,659                   | 15,046                   | 123,485      |
| 2020                                | 5,639                      | 24,141                     | 78,737                   | 15,114                   | 123,631      |
| 2021-2025                           | 8,458                      | 120,703                    | 393,649                  | 75,542                   | 598,352      |
| 2026-2030                           |                            | 120,703                    | 393,548                  | 75,541                   | 589,792      |
| 2031-2034                           |                            | 48,281                     | 393,556                  | 75,541                   | 517,378      |
| Total                               | \$36,653                   | \$410,392                  | \$1,574,253              | \$302,170                | \$2,323,468  |



**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**8. RISK MANAGEMENT**

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

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

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

**A. Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

**B. Financial Position**

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available):

|              | <u>2014</u>         | <u>2015</u>         |
|--------------|---------------------|---------------------|
| Assets       | \$35,402,177        | \$38,307,677        |
| Liabilities  | (12,363,257)        | (12,759,127)        |
| Net Position | <u>\$23,038,920</u> | <u>\$25,548,550</u> |

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$9,000.

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

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

| <b>Contributions to PEP</b> |                 |
|-----------------------------|-----------------|
| <b>2014</b>                 | <b>2015</b>     |
| <u>\$11,285</u>             | <u>\$14,938</u> |

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

**9. JOINTLY GOVERNED ORGANIZATIONS**

**A. Southeast Hardin Northwest Union Joint Fire District**

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

**B. Hardin County Regional Planning Commission**

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

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

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**C. Southeastern Hardin Ambulance District**

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

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# Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Mount Victory, Hardin County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002.

***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 17, 2017

**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**FINDING NUMBER 2015-001**

**Material Weakness**

**Recording of Financial Activity**

The Village should have controls and/or procedures in place to help prevent and detect errors in financial reporting.

The following errors were identified in the financial statements:

- Subsequent year appropriations in the General Fund exceeded estimated receipts by \$8,931 in 2015. The excess of subsequent year appropriations over estimated receipts should be reported as assigned fund balance in the General Fund per GASB Statement No. 54, paragraph 16 (GASB Codification 1800.176);
- In 2015, the Village recorded \$869,328 of Ohio Public Works Commission (OPWC) debt proceeds related to the water systems improvement project as intergovernmental receipts in governmental capital projects fund 4901. The Village also recorded \$869,328 of capital outlay disbursements related to the water systems improvement project in governmental capital projects fund 4901. Activity related to the water systems improvement project should have been recorded in an enterprise capital projects instead of a governmental fund and the OPWC debt proceeds should have been classified as debt proceeds instead of intergovernmental receipts;
- In 2015, the Village recorded \$313,471 of Community Development Block Grant (CDBG) grant proceeds and \$313,471 of capital outlay disbursements for the water systems improvement project in governmental capital projects fund 4902. Activity related to the water systems improvement project should have been recorded in an enterprise capital projects instead of a governmental fund, including the 2015 ending fund balance of capital projects fund 4902 in the amount of \$5,164;
- In 2014, the Village recorded \$500,000 of OPWC grant proceeds and \$131,824 in OPWC debt proceeds related to the water systems improvement project as intergovernmental receipts in governmental capital projects fund 4901. The Village also recorded \$354,520 as capital outlay disbursements, \$274,649 as debt principal retirement and \$2,655 as debt interest charges related to the water systems improvement project in governmental capital projects fund 4901. Activity related to the water systems improvement project should have been recorded in an enterprise capital projects fund instead of a governmental fund and the OPWC debt proceeds should have been classified as debt proceeds instead of intergovernmental receipts; and
- In 2014, the Village recorded \$167,954 of Community Development Block Grant (CDBG) grant proceeds and \$167,954 of capital outlay disbursements for the water systems improvement project in governmental capital projects fund 4902. Activity related to the water systems improvement project should have been recorded in an enterprise capital projects instead of a governmental fund.

The accompanying financial statements, and where necessary, the accounting records have been adjusted to correct these recording errors.

The errors identified above should be reviewed by the Fiscal Officer to help assure that similar errors are not recorded in the accounting records and reported on the financial statements in subsequent years. In addition, the Village Fiscal Officer should review the Village Officer's Handbook, Auditor of State Bulletins, and the UAN Manual, which can be found on the Auditor of State Website at <https://ohioauditor.gov/>, for guidance in recording of financial activity. The Members of Council should also periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements.

**FINDING NUMBER 2015-002**

**Material Weakness/Noncompliance Citation**

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

In 2015, the Village failed to establish the required fund to record memo receipts and disbursements in the amount of \$171,932 related to Village park improvements funded by a Community Development Block Grant (CDBG). The funding for CDBG #B-F-13-1BD-1 was received and disbursed on behalf of the Village by Hardin County.

In 2014, the Village failed to establish the required fund to record memo receipts and disbursements in the amount of \$132,068 related to Village park improvements funded by a Community Development Block Grant (CDBG). The funding for CDBG #B-F-13-1BD-1 was received and disbursed on behalf of the Village by Hardin County.

The accompanying financial statements have been adjusted to reflect the receipt and disbursement of this money in a governmental capital projects fund. The accounting records did not require adjustment since it was "memo" activity and there was no impact on fund balances.

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

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

**OFFICIALS' RESPONSE:** We did not receive a response from Officials to the findings reported above.



**VILLAGE OF MOUNT VICTORY  
HARDIN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

| Finding Number | Finding Summary  | Status   | Additional Information   |
|----------------|--|--|--|
| 2013-001       | Material Weakness/Noncompliance<br>Citation - <b>Ohio Rev. Code § 5705.09(F)</b> – Each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. | Partially Corrected                                    | Two new funds were established in an attempt to comply with this requirement. However, transactions were still posted in error (see Finding 2015-001) and all the required funds were not established. See Finding 2015-002. |
| 2013-002       | Material Weakness/Noncompliance<br>Citation - <b>Ohio Rev. Code Section § 5705.10(I)</b> – Money paid into any fund shall be used only for the purposes for which such fund is established.  | Corrective Action Taken and Finding is Fully Corrected |  |

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# Dave Yost • Auditor of State

VILLAGE OF MT. 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  
MARCH 14, 2017