

VILLAGE OF MOUNT VICTORY

HARDIN COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Village Council
Village of Mount Victory
P.O. Box 7
Mt. Victory, Ohio 43340

We have reviewed the *Independent Auditor's Report* of the Village of Mount Victory, Hardin County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Mount Victory is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 27, 2008

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VILLAGE OF MOUNT VICTORY
HARDIN COUNTY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Village of Mount Victory (the Village), Hardin County, Ohio, as of and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States *Government Auditing Standards*. 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

July 31, 2008

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<u>Cash Receipts:</u>				
Property and Other Taxes	\$ 14,030	\$ 8,497	\$ -	\$ 22,527
License, Fees, and Permits	2,455	-	-	2,455
Intergovernmental	16,876	25,648	-	42,524
Special Assessments	-	13,277	-	13,277
Earnings on Investments	8,523	125	-	8,648
Miscellaneous	7,208	7,988	-	15,196
Total Cash Receipts	<u>49,092</u>	<u>55,535</u>	<u>-</u>	<u>104,627</u>
<u>Disbursements:</u>				
Security of Persons and Property	-	11,850	-	11,850
Public Health Services	3,142	-	-	3,142
Leisure Time Activities	8	-	-	8
Basic Utility Services	4,999	-	-	4,999
Transportation	-	38,941	-	38,941
General Government	38,586	-	-	38,586
Debt Service:				
Principal Payment	234	477	1,529	2,240
Interest and Fiscal Charges	83	168	748	999
Total Cash Disbursements	<u>47,052</u>	<u>51,436</u>	<u>2,277</u>	<u>100,765</u>
Total Receipts Over/(Under) Disbursements	<u>2,040</u>	<u>4,099</u>	<u>(2,277)</u>	<u>3,862</u>
Fund Cash Balance, January 1	<u>26,559</u>	<u>46,363</u>	<u>2,277</u>	<u>75,199</u>
Fund Cash Balance, December 31	<u>\$ 28,599</u>	<u>\$ 50,462</u>	<u>\$ -</u>	<u>\$ 79,061</u>

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

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Enterprise
<u>Operating Cash Receipts:</u>	
Charges for Services	\$ 223,998
Fines, Licenses, and Permits	200
Total Operating Cash Receipts	224,198
<u>Operating Cash Disbursements:</u>	
Personal Services	27,816
Fringe Benefits	2,692
Contractual Services	66,989
Capital Outlay	307,644
Supplies and Materials	24,424
Total Operating Cash Disbursements	429,565
Operating Income	(205,367)
<u>Non-Operating Cash Receipts:</u>	
Miscellaneous Receipts	391
Proceeds from Notes and bonds	287,885
Total Non-Operating Cash Receipts	288,276
<u>Non-Operating Cash Disbursements:</u>	
Debt Service:	
Principal	(24,234)
Interest	(72,982)
Other Non-Operating Cash Disbursements	(488)
Total Non-Operating Cash Disbursements	(97,704)
Net Receipts Over/(Under) Disbursements	(14,795)
Fund Cash Balance, January 1	287,016
Fund Cash Balance, December 31	\$ 272,221

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

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	(Memorandum Only)
<u>Cash Receipts:</u>				
Property and Other Taxes	\$ 9,219	\$ 8,898	\$ 5,156	\$ 23,273
Intergovernmental	18,336	24,783	-	43,119
Fines, Licenses, and Permits	2,598	-	-	2,598
Special Assessments	-	12,021	-	12,021
Earnings on Investments	4,587	92	-	4,679
Miscellaneous	6,252	95	-	6,347
Total Cash Receipts	<u>40,992</u>	<u>45,889</u>	<u>5,156</u>	<u>92,037</u>
<u>Disbursements:</u>				
Security of Persons and Property	-	11,408	-	11,408
Public Health Services	3,252	-	-	3,252
Leisure Time Activities	320	-	-	320
Basic Utility Services	3,001	-	-	3,001
Transportation	-	27,877	-	27,877
General Government	43,281	320	-	43,601
Other	-	-	145	145
Debt Service:				
Principle Payment	105	235	3,514	3,854
Interest and Fiscal Charges	45	102	1,558	1,705
Total Cash Disbursements	<u>50,004</u>	<u>39,942</u>	<u>5,217</u>	<u>95,163</u>
Total Receipts Over (Under) Disbursements	<u>(9,012)</u>	<u>5,947</u>	<u>(61)</u>	<u>(3,126)</u>
Other Financing Receipts/(Disbursements):				
Debt Proceeds	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,012)	5,947	(61)	874
Fund Cash Balance, January 1	<u>31,571</u>	<u>40,416</u>	<u>2,338</u>	<u>74,325</u>
Fund Cash Balance, December 31	<u>\$ 26,559</u>	<u>\$ 46,363</u>	<u>\$ 2,277</u>	<u>\$ 75,199</u>

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

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Enterprise
<u>Operating Cash Receipts:</u>	
Charges for Services	\$ 219,990
Fines, Licenses, and Permits	625
Total Operating Cash Receipts	220,615
<u>Operating Cash Disbursements:</u>	
Personal Services	25,612
Fringe Benefits	2,985
Contractual Services	67,026
Capital Outlay	8,577
Supplies and Materials	21,836
Total Operating Cash Disbursements	126,036
Operating Income	94,579
<u>Non-Operating Cash Receipts:</u>	
Proceeds From Notes	44,476
Miscellaneous Receipts	1,710
Total Non-Operating Cash Receipts	46,186
<u>Non-Operating Cash Disbursements:</u>	
Debt Service:	
Principal	(56,780)
Interest	(75,835)
Total Non-Operating Cash Disbursements	(132,615)
Net Receipts Over/(Under) Disbursements	8,150
Fund Cash Balance, January 1	278,866
Fund Cash Balance, December 31	\$ 287,016

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, 2007 AND 2006**

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. Basis of Accounting

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village maintains its accounting records in accordance with the principles of "Fund" Accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity, which stands separate from the activities reported in other funds.

The restrictions associated with each class of funds are as follows:

Governmental Fund Types

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has the following significant Special Revenue funds:

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

- Street Construction, Maintenance, and Repair Fund – Receives Motor Vehicle and gasoline taxes for constructing, maintaining and repairing Village roads.
- Special Assessments Light Fund – Receives special assessments to provide for street lights.

Debt Service Fund: This fund is used to accumulate resources for the payment of bond and note indebtedness. The Village has the following significant Debt Service Fund:

- Water Payment Fund – Receives tax receipts for the payment of a portion of the Village's Water debt.

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

- Water Operating Fund – This fund receives charges for services from residents to provide for the operation of providing this utility.
- Sewer Operating Fund – This fund receives charges for services from residents to provide for the operation of providing this utility.
- Sewer Debt Service Fund – This fund receives charges for services from residents to provide for the debt retirement of the sewer system.

E. Budgetary Process

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process (Continued)

On or about January 1, the Clerk sends the county auditor a certificated, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificated, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2006 and 2007. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$230,264	\$241,197
Certificates of Deposit	\$121,018	\$121,018
Total deposits	<u>\$351,282</u>	<u>\$362,215</u>

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool or (3) collateralized by securities specifically pledged by the financial institution to the Village.

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2007.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are taxes on personal and real property located with the Village.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The County Treasurer collects property tax on behalf of all taxing authorities with the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,134	\$49,092	\$2,958
Special Revenue	\$39,700	\$55,535	\$15,835
Debt Service Funds	\$1	\$0	(\$1)
Enterprise Funds	609,430	512,474	(\$96,956)
Total	\$695,265	\$617,101	(\$78,164)

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

4. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,705	\$47,052	\$10,653
Special Revenue	\$57,400	\$51,436	\$5,964
Debt Service Funds	\$2,278	\$2,277	\$1
Enterprise Funds	639,400	527,269	\$112,131
Total	\$756,783	\$628,034	\$128,749

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,074	\$44,992	\$4,918
Special Revenue	\$38,902	\$45,889	\$6,987
Debt Service Funds	\$5,279	\$5,156	(\$123)
Enterprise Funds	230,011	266,801	\$36,790
Total	\$314,266	\$362,838	\$48,572

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,435	\$50,004	\$11,431
Special Revenue	\$61,410	\$39,942	\$21,468
Debt Service Funds	\$7,617	\$5,217	\$2,400
Enterprise Funds	295,881	258,651	\$37,230
Total	\$426,343	\$353,814	\$72,529

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.50 and 9.00 percent of their wages. The Village contributed an amount equal to 13.85 and 13.55 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

6. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contribution to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed members' deductibles.

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

6. RISK MANAGEMENT (CONTINUED)

Casualty Coverage

PEP retains casualty risk up to \$250,000 per occurrence, including loss adjustments expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 to \$250,000 per occurrence, subject to annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurance Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (latest information available).

	2007	2006
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Retained Earnings	\$20,219,246	\$19,384,290

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

7. DEBT

Debt outstanding at December 31, 2007 is as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan (#3575)	\$70,670	2.00%
Ohio Water Development Authority Loan (#4517)	\$332,360	3.92%
USDA Mortgage Revenue Bonds	1,156,900	5.125%
USDA Mortgage Revenue Bonds	210,500	5.625%
Mount Victory State Bank	2,950	7.50%
Total	\$1,773,380	

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

7. DEBT (Continued)

Principal and interest requirements for debt outstanding at December 31, 2007 is as follows:

Year ending December 31:	OWDA LOAN #3575	OWDA LOAN #4517	USDA Mortgage Bonds	USDA Mortgage Bonds	Mount Victory State Bank Loan	Total
2008	5,639	20,976	79,818	15,109	962	122,504
2009	5,639	20,976	79,818	15,109	962	122,504
2019	5,639	20,976	79,818	15,109	962	122,504
2011	5,639	20,976	79,818	15,109	481	122,023
2012	5,639	20,976	79,818	15,109		121,542
2013 -2017	28,195	104,880	399,090	75,545		607,710
2018-2022	25,376	104,880	399,090	75,545		604,891
2023-2027		104,880	399,090	75,545		579,515
2028-2032		104,880	399,090	75,545		579,515
2033-2035		-	235,562	45,327		280,889
Total	\$ 81,766	\$ 524,400	\$ 2,231,012	\$ 423,052	\$ 3,367	3,263,597

In 2006, the Village paid off OWDA Loan #1379/0617 and on July 27, 2006 received OWDA Loan #4517 for \$393,819. As of December 31, 2007, \$58,500 of these funds was un-disbursed, with repayment to begin on January 1, 2008.

8. Miscellaneous Receipts

Miscellaneous Receipts consisted of payments from contributions and donations, insurance damage proceeds, and other receipts not accounted for in other categories. In 2007, the Village received \$7,965 in Street Repair and Maintenance Fund for a damaged traffic light from insurance proceeds. This accounted for 99.7% of the miscellaneous revenue received for this fund. Also in 2007, the Village received \$6,975 in the General Fund for rent revenue. This accounted for 96.8% of the miscellaneous revenue received for this fund. In 2006, the Village received \$5,500 in the General Fund for rent revenue. This accounted for 53.6% of the miscellaneous revenue received for this fund.

9. COMPLIANCE

Contrary to Ohio Rev. Code Section 5705.36, the Village made appropriations in excess of what was available for appropriation concerning the Debt Service Fund in 2006 and 2007 and Water Operating Fund in 2007.

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Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Village Council
Village of Mount Victory
P.O. Box 7
Mt. Victory, Ohio 43340

We have audited the accompanying cash-basis financial statements of The Village of Mount Victory (the Village), Hardin County, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's financial statements, and have issued our report thereon dated July 31, 2008, wherein we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified three deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2007-002, 2007-003, and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Village of Mount Victory
Hardin County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiency as described in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting as item 2007-004.

Compliance and Other Matters

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 grant agreements, 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 one instance of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as item 2007-001.

We noted certain other matters that we reported to the Village's management in a separate letter dated July 31, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's
July 31, 2008

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation – Ohio Rev. Code Section 5705.36

Ohio Rev. Code Section 5705.36 states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Notification of reduced receipts, resulting in resources below the level of current appropriations, was not made to the commission as required. Appropriations were greater than resources available for the Debt Service Fund in 2006 and 2007 and the Water Operating Fund in 2007.

We recommend the Village monitor budgetary financial reports throughout the year to prevent budgetary expenditures from exceeding available resources.

Village Response:

The Clerk will secure an amended certificate of estimated resources when it is determined that estimated receipts will be less than actual receipts.

FINDING NUMBER 2007-002

Significant Deficiency – Misclassification of Receipts/Disbursements

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statements audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During 2007 and 2006, the Village erroneously posted several receipts and disbursements to the incorrect line item. This required reclassifications to properly present the activity of the Village for both years.

We recommend the Village implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Village Response:

The Clerk will review the UAN manual chart of accounts to determine the correct coding of receipts and disbursements

**VILLAGE OF MOUNT VICTORY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-003

Significant Deficiency – Bank Reconciliations

For each regular meeting, the Clerk presents the council with detailed budget and actual financial statements, lists of investments, cash balances, and reconciliation reports. However, there is no documentation except the minutes that council reviews the aforementioned information and makes appropriate inquiries to help determine the continued integrity of financial information.

The lack of proper reviews of reports generated from the accounting system could allow for errors or irregularities occurring without detection in the normal course of business on a timely basis.

We recommend Village Council maintain documentation to support the review and approval of financial reports. Council could do so by initialing documents reviewed. Also Council should investigate any failures to meet reporting requirements and/or unusual delays in obtaining financial information or providing financial reports.

Village Response:

Village Council will maintain documentation to support the review and approval of financial reports.

FINDING NUMBER 2007-004

Significant Deficiency/Material Weakness – Budgeted Amounts Not Properly Posted to Ledgers

Estimated receipts and appropriations posted to the Village's receipt and expenditure ledgers varied significantly from the estimated receipts per the Amended Official Certificates of Estimated Resources and the Village's appropriations resolutions in several funds in 2006 and 2007.

Estimated receipts as approved on the Amended Official Certificates of Estimated Resources and appropriations per the appropriations resolutions should be accurately reflected in the Village's receipt and expenditure ledgers to allow for proper monitoring of budget versus actual activity.

We recommend the Village ensure that approved estimated receipts and appropriations are accurately posted to the receipts and expenditures ledgers and that Council monitor budget versus actual activity for any unusual or unexpected variances.

Village Response:

Village officials will ensure that approved estimated receipts and disbursements are accurately posted to the receipt and expenditure ledgers. Council will monitor budget versus actual activity for any unusual or unexpected variances.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MOUNT VICTORY

HARDIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2008**