

**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**



Mary Taylor, CPA

Auditor of State

Village Council
Village of Mt. Orab
142 North Main Street
Mt. Orab, Ohio 45154

We have reviewed the *Independent Auditors' Report* of the Village of Mt. Orab, Brown County, prepared by Bastin & Company, LLC, 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 Auditors' 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 Auditors' 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 Mt. Orab is responsible for compliance with these laws and regulations.

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Mary Taylor, CPA
Auditor of State

July 7, 2008

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**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Village Council
Village of Mt. Orab
211 South High Street
Mt. Orab, OH 45154

We have audited the accompanying financial statements of the Village of Mt. Orab, Brown County, Ohio, (the Village) 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As 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 to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards require 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, villages 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 their changes in financial position or cash flows, where applicable, 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 basis of accounting described in Note 1.

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 February 29, 2008, on our consideration of the Village's internal control over financial reporting and on 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a white background.

Cincinnati, Ohio
February 29, 2008

**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO**

**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)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<i>Cash Receipts:</i>					
Property Tax	\$ 51,584	\$ 277,572	\$ -	\$ -	\$ 329,156
Municipal Income Tax	784,874	-	-	-	784,874
Intergovernmental Receipts	90,575	394,157	-	-	484,732
Special Assessments	-	-	62,777	-	62,777
Charges for Services	120	28,389	-	-	28,509
Fines, Licenses and Permits	199,147	5,918	-	22,838	227,903
Earnings on Investments	79,953	1,511	-	-	81,464
Total Cash Receipts	<u>1,206,253</u>	<u>707,547</u>	<u>62,777</u>	<u>22,838</u>	<u>1,999,415</u>
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	613,286	296,620	-	8,828	918,734
Leisure Time Activities	24,750	6,952	-	-	31,702
Community Environment	45,136	-	-	-	45,136
Transportation	175,553	157,492	-	-	333,045
General Government	204,867	4,403	-	-	209,270
Capital Outlay	-	-	-	226,248	226,248
Debt Service:					
Principal Payments	12,000	12,000	457,000	-	481,000
Interest and Fiscal Charges	-	-	62,482	-	62,482
Total Cash Disbursements	<u>1,075,592</u>	<u>477,467</u>	<u>519,482</u>	<u>235,076</u>	<u>2,307,617</u>
Total Receipts Over (Under) Disbursements	<u>130,661</u>	<u>230,080</u>	<u>(456,705)</u>	<u>(212,238)</u>	<u>(308,202)</u>
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from OWDA Loan	-	-	-	12,789	12,789
Proceeds from Notes	-	-	397,618	194,382	592,000
Proceeds from Sale of Fixed Assets	706	2,700	-	-	3,406
Advances-In	3,945	3,025	-	920	7,890
Advances-Out	(3,945)	(3,025)	-	(920)	(7,890)
Total Other Financing Receipts (Disbursements)	<u>706</u>	<u>2,700</u>	<u>397,618</u>	<u>207,171</u>	<u>608,195</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>131,367</u>	<u>232,780</u>	<u>(59,087)</u>	<u>(5,067)</u>	<u>299,993</u>
Fund Cash Balances, January 1, 2007	<u>148,155</u>	<u>337,263</u>	<u>114,089</u>	<u>56,914</u>	<u>656,421</u>
Fund Cash Balances, December 31 2007	<u>\$ 279,522</u>	<u>\$ 570,043</u>	<u>\$ 55,002</u>	<u>\$ 51,847</u>	<u>\$ 956,414</u>

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

**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO**

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

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>				
Charges for Services	\$ 2,095,000	\$ 38,617	\$ -	\$ 2,133,617
Miscellaneous	50,866	-	-	50,866
Total Operating Cash Receipts	<u>2,145,866</u>	<u>38,617</u>	<u>-</u>	<u>2,184,483</u>
<i>Operating Cash Disbursements:</i>				
Personal Services	396,443	-	-	396,443
Fringe Benefits	113,888	5,469	-	119,357
Contractual Services	916,473	-	-	916,473
Materials and Supplies	155,218	-	-	155,218
Total Operating Cash Disbursements	<u>1,582,022</u>	<u>5,469</u>	<u>-</u>	<u>1,587,491</u>
Operating Income	<u>563,844</u>	<u>33,148</u>	<u>-</u>	<u>596,992</u>
<i>Non-Operating Cash Receipts:</i>				
Proceeds from OWDA Loan	476,230	-	-	476,230
Proceeds from Notes	175,000	-	-	175,000
Proceeds from Sale of Fixed Assets	1,761	-	-	1,761
Special Assessments	255	-	-	255
Other Non-operating Receipts	-	-	254,131	254,131
Total Non-Operating Cash Receipts	<u>653,246</u>	<u>-</u>	<u>254,131</u>	<u>907,377</u>
<i>Non-Operating Cash Disbursements:</i>				
Capital Outlay	(399,268)	-	-	(399,268)
Debt Service - Principal	(541,746)	-	-	(541,746)
Debt Service - Interest and Fiscal Charges	(135,160)	-	-	(135,160)
Other Non-operating Disbursements	-	-	(254,056)	(254,056)
Total Non-Operating Cash Disbursements	<u>(1,076,174)</u>	<u>-</u>	<u>(254,056)</u>	<u>(1,330,230)</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	140,916	33,148	75	174,139
Operating Transfers-In	271,302	-	-	271,302
Operating Transfers-Out	<u>(271,302)</u>	<u>-</u>	<u>-</u>	<u>(271,302)</u>
Net Cash Receipts Over (Under) Cash Disbursements	140,916	33,148	75	174,139
Fund Cash Balances, January 1, 2007	<u>570,735</u>	<u>106,585</u>	<u>137</u>	<u>677,457</u>
Fund Cash Balances, December 31, 2007	<u>\$ 711,651</u>	<u>\$ 139,733</u>	<u>\$ 212</u>	<u>\$ 851,596</u>

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

**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO**

**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 (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<i>Cash Receipts:</i>					
Property Tax	\$ 55,857	\$ 293,585	\$ -	\$ -	\$ 349,442
Municipal Income Tax	700,942	-	-	-	700,942
Intergovernmental Receipts	66,886	175,996	-	235,000	477,882
Special Assessments	-	-	71,963	-	71,963
Charges for Services	294	18,372	-	-	18,666
Fines, Licenses and Permits	163,879	9,402	-	18,539	191,820
Earnings on Investments	68,579	1,085	-	-	69,664
Total Cash Receipts	<u>1,056,437</u>	<u>498,440</u>	<u>71,963</u>	<u>253,539</u>	<u>1,880,379</u>
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	567,068	300,850	-	4,365	872,283
Leisure Time Activities	67,283	5,800	-	-	73,083
Community Environment	33,542	-	-	-	33,542
Transportation	96,213	126,906	-	-	223,119
General Government	242,095	4,248	-	-	246,343
Capital Outlay	-	2,000	-	575,302	577,302
Debt Service:					
Principal Payments	-	24,000	35,000	-	59,000
Interest and Fiscal Charges	-	-	34,960	-	34,960
Total Cash Disbursements	<u>1,006,201</u>	<u>463,804</u>	<u>69,960</u>	<u>579,667</u>	<u>2,119,632</u>
Total Receipts Over (Under) Disbursements	50,236	34,636	2,003	(326,128)	(239,253)
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from Notes	-	-	-	382,000	382,000
Proceeds from Sale of Fixed Assets	1,086	1,350	-	-	2,436
Advances-In	18,000	5,700	-	-	23,700
Advances-Out	(5,700)	(5,700)	-	(12,300)	(23,700)
Total Other Financing Receipts (Disbursements)	<u>13,386</u>	<u>1,350</u>	<u>-</u>	<u>369,700</u>	<u>384,436</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	63,622	35,986	2,003	43,572	145,183
Fund Cash Balances, January 1, 2006	<u>84,533</u>	<u>301,277</u>	<u>112,086</u>	<u>13,342</u>	<u>511,238</u>
Fund Cash Balances, December 31, 2006	<u>\$ 148,155</u>	<u>\$ 337,263</u>	<u>\$ 114,089</u>	<u>\$ 56,914</u>	<u>\$ 656,421</u>

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

**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO**

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

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>				
Charges for Services	\$ 2,110,798	\$ 40,000	\$ -	\$ 2,150,798
Miscellaneous	11,100	-	-	11,100
Total Operating Cash Receipts	2,121,898	40,000	-	2,161,898
<i>Operating Cash Disbursements:</i>				
Personal Services	372,093	-	-	372,093
Fringe Benefits	115,288	4,012	-	119,300
Contractual Services	865,303	-	-	865,303
Materials and Supplies	181,985	-	-	181,985
Total Operating Cash Disbursements	1,534,669	4,012	-	1,538,681
Operating Income	587,229	35,988	-	623,217
<i>Non-Operating Cash Receipts</i>				
Proceeds from OWDA Loan	103,331	-	-	103,331
Proceeds from Notes	175,000	-	-	175,000
Special Assessments	3,988	-	-	3,988
Other Non-operating Receipts	-	-	216,835	216,835
Total Non-Operating Cash Receipts	282,319	-	216,835	499,154
<i>Non-Operating Cash Disbursements:</i>				
Capital Outlay	(292,158)	-	-	(292,158)
Debt Service - Principal	(529,672)	-	-	(529,672)
Debt Service - Interest and Fiscal Charges	(154,630)	-	-	(154,630)
Other Non-operating Disbursements	-	-	(216,928)	(216,928)
Total Non-Operating Cash Disbursements	(976,460)	-	(216,928)	(1,193,388)
Excess of Receipts Over (Under)				
Disbursements Before Interfund Transfers	(106,912)	35,988	(93)	(71,017)
Operating Transfers-In	258,000	-	-	258,000
Operating Transfers-Out	(258,000)	-	-	(258,000)
Net Cash Receipts Over (Under) Cash Disbursements	(106,912)	35,988	(93)	(71,017)
Fund Cash Balances, January 1, 2006	677,647	70,597	230	748,474
Fund Cash Balances, December 31, 2006	\$ 570,735	\$ 106,585	\$ 137	\$ 677,457

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

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Mt. Orab, Brown County, Ohio (the Village) 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. A publicly elected, six-member Council directs the Village. The Village provides general government services, public safety, recreation, street maintenance, water and sewer utilities, and garbage services. The Village contracts with Mt. Orab Fire Department, Inc. to provide fire protection and emergency medical services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements.

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are reported as assets. 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.

Investments in STAR Ohio (the State Treasurer's investment pool) are recorded at share values reported by the State Treasurer.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

Police Levy Fund - This fund receives local taxes for the purpose of providing police protection services for the security of persons and property.

Police Security Fund - This fund receives funds from Western Brown Local School District for providing police protection services to the District.

Fire Levy Fund - This fund receives local taxes for the purpose of providing fire protection services.

TIF District 1-3 Fund - This fund receives proceeds from 10 year tax incremental funding agreements. The Village retains 75 percent for debt service and 25 percent is paid to other taxing entities.

TIF District 4-40 Fund - This fund receives proceeds from 30 year tax incremental funding agreements. The Village retains 80 percent for debt service and 20 percent is paid to other taxing entities.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

68/32 Project Final Assessment Debt Fund – This fund receives tax assessments for the purpose of road and sewer improvements through 2019.

TIF Bond Anticipation Note Fund – This fund is for the purpose of making payments of principal and interest payments due on notes and receive note proceeds for funding ongoing parks and street improvement projects within the tax incremental funding districts of the Village.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Park & Street Improvement Fund – This fund receives funding from note proceeds and from tax incremental funding for the purpose of making improvements to parks and streets within the Village.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

TIF 2007 Park & Street Fund – This fund receives funding from note proceeds and from tax incremental funding for the purpose of making improvements to parks and streets within the Village.

5. Proprietary Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following Proprietary Fund types:

Enterprise Funds

Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing water services.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing sewer services.

Trash Operating Fund - This fund receives charges for services from residents to cover the cost of providing trash collection services.

Internal Service Fund

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency of the Village on a cost-reimbursement basis. The Village had the following Internal Service Fund:

Employee Insurance Fund – This fund is used to account for the costs associated with the employee health insurance plan for the Village.

6. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Fund:

Agency Fund – This fund receives fines collected by Mayor’s Court which are distributed to the Village and State.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled and re-appropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

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.

H. Total Columns on Financial Statements

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

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	2007	2006
Demand deposits	\$ 901,470	\$ 472,436
Certificates of Deposit	763,053	725,000
Total deposits	1,664,523	1,197,436
Star Ohio	143,487	136,442
Total investments	143,487	136,442
Total deposits and investments	\$1,808,010	\$1,333,878

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form.

3. BUDGETARY ACTIVITY

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

Fund Type	2007 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,199,985	\$ 1,210,904	\$ 10,919
Special Revenue	711,068	713,272	2,204
Debt Service	460,395	460,395	-
Capital Projects	230,927	230,929	2
Enterprise	3,053,460	3,070,414	16,954
Internal Service	33,000	38,617	5,617
Total	\$ 5,688,835	\$ 5,724,531	\$ 35,696

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,235,808	\$ 1,079,537	\$ 156,271
Special Revenue	685,998	480,492	205,506
Debt Service	520,319	519,482	837
Capital Projects	281,302	235,996	45,306
Enterprise	3,261,706	2,929,498	332,208
Internal Service	60,000	5,469	54,531
Total	\$ 6,045,133	\$ 5,250,474	\$ 794,659

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,038,764	\$ 1,075,523	\$ 36,759
Special Revenue	495,787	505,490	9,703
Debt Service	71,963	71,963	-
Capital Projects	635,544	635,539	(5)
Enterprise	2,679,364	2,662,217	(17,147)
Internal Service	40,000	40,000	-
Total	\$ 4,961,422	\$ 4,990,732	\$ 29,310

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,118,238	\$ 1,011,901	\$ 106,337
Special Revenue	653,861	469,504	184,357
Debt Service	76,520	69,960	6,560
Capital Projects	632,175	591,967	40,208
Enterprise	3,108,813	2,769,129	339,684
Internal Service	110,000	4,012	105,988
Total	\$ 5,699,607	\$ 4,916,473	\$ 783,134

Contrary to Ohio Revised Code, Section 5705.39, the Village's total appropriations exceeded the total of estimated resources during 2006 for the State Highway Fund and Police Cruiser Fund by \$326 and \$8,568, respectively.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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 one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1993 Ohio Water Development Authority Loan	\$ 702,483	2.00%
1997 First Mortgage Water Revenue Bonds	550,000	4.65-5.5%
1999 Various Purpose General Obligation Bonds	500,000	4.65-5.2%
2000 Wastewater Treatment Plant Improvement OPWC Loan	62,188	0.00%
2001 Road Improvement Special Assessment Bonds	110,000	4.4-5.25%
2002 First Mortgage Waterworks System Revenue Bonds	960,000	5.00%
2002 Ohio Public Works Commission Reservoir Loan	210,000	0.00%
2003 OPWC Phase 1 High Street Improvement Loan	192,129	0.00%
2004 OPWC Phase 2 High Street Improvement Loan	203,857	0.00%
2004 OWDA Water Treatment Plant Upgrade Loan	1,574,511	2.00%
2007 OWDA Waste Water Treatment Plant Improvement Loan	387,777	0.00%
2007 Various Purpose Bond Anticipation Note	592,000	4.10%
2007 Water Purchase Rights Note	175,000	4.225%
Total	<u>\$ 6,219,945</u>	

The 1993 Ohio Water Development Authority (OWDA) Loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA loaned the Village \$2,435,336 for this project. The Village will repay the loan in semiannual installments, including interest, over 20 years with a final payment date of July 1, 2012.

The 1997 First Mortgage Water Revenue Bonds were used to refund previously issued 1997 and 1986 First Mortgage Water Revenue Bonds and 1996 Water Clarifier Notes, which were used to expand water lines and purchase water system improvements. The 1997 First Mortgage Water Revenue Bonds were issued in a total amount of \$975,000 and are payable in varying amounts through 2012. The Village has agreed to various bond covenants, including establishing Reserve Accounts with a Bond Trustee, and to set utility rates sufficient to maintain net income at 125% of maximum annual debt service requirements. See related Trustee note disclosure included in Note 9.

The 1999 Various Purpose General Obligation Bonds were used for street improvements and sewer line extensions. The Bonds were issued in a total amount of \$765,000 and are payable in varying amounts through 2019. Principle and interest payments due on the bonds on January 1, 2008 were paid by the Village in December 2007 as reflected in the following amortization schedule.

The 2000 Wastewater Treatment Plant Improvement Ohio Public Works Commissions Loan (OPWC) relates to a sewer plant improvement project. The OPWC loaned the Village \$99,500 for this project. The Village will repay the loan in semiannual installments over 20 years with a final payment date of July 1, 2020.

The 2001 Road Improvement Special Assessment General Obligation Bonds were used to make improvements to State Route 68. The Bonds were issued in a total amount of \$140,000 and are payable in varying amounts through 2021.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

The 2002 First Mortgage Waterworks System Revenue Bonds were used to refund previously issued Water Reservoir Bond Anticipation Notes that were used to create a water reservoir. The Bonds were issued in a total amount of \$1,165,000 and are payable in varying amounts through 2022. The Village has agreed to various bond covenants, including establishing Reserve Accounts with a Bond Trustee, and to set utility rates sufficient to maintain net income at 125% of maximum annual debt service requirements. See related Trustee note disclosure included in Note 9.

The 2002 Reservoir Ohio Public Works Commission Reservoir Loan relates to the creation of a water reservoir. The OPWC loaned the Village \$300,000 for this project. The Village will repay the loan in semiannual installments over 20 years with a final payment date of July 1, 2024.

The 2003 Ohio Public Works Commission Phase 1 High Street Improvement Loan relates to a street improvement project within the Village. The OPWC loaned the Village \$240,162 for this project. The Village will repay the loan in semiannual installments over 20 years with a final payment date of January 1, 2024.

The 2004 Ohio Public Works Commission Phase 2 High Street Improvement Loan relates to a street improvement project within the Village. The OPWC loaned the Village \$239,830 for this project. The Village will repay the loan in semiannual installments over 20 years with a final payment date of July 1, 2024.

The 2004 Ohio Water Development Authority Water Treatment Plant Upgrade Loan relates to upgrades to the Village's water treatment plant. The OWDA has approved a loan up to \$1,727,942 to the Village for this project. As of December 31, 2007, the loan is in an "open" status as final project costs have not been determined. Additions to project expenditures totaled \$103,331 and \$101,241, during 2006 and 2007 respectively. The loan has established an interim payment schedule which may be revised upon project close out. The Village has been and is currently making payments based on an estimated amortization of the loan amount valued at \$1,727,942 of which the unpaid balance at December 31, 2007 is \$1,574,511. The estimated loan amount is scheduled to be repaid in semi-annual installments, including principal and interest of \$53,539 beginning July 1, 2005 over 20 years with the final payment due January 1, 2025.

The 2007 Ohio Water Development Authority Phase 1 Pump Station Waste Water Treatment Plant Improvement Loan relates to upgrades to the Village's water treatment plant. The OWDA has approved a loan up to \$2,871,553 to the Village for this project. As of December 31, 2007, the loan is in an "open" status and no loan amortization or repayment terms have been established. As a result, no amortization is included in the following schedule. Additions to project expenditures totaled \$387,777 during 2007, which also represents the current loan balance at December 31, 2007. The loan amount when finalized will be paid over 20 years.

The \$592,000 Various Purpose Bond Anticipation Note, First (2007) Renewal was issued to refund a \$382,000 Various Purpose Bond Anticipation Note, Series 2006 and to provide additional funding for various street and drainage improvements and improvements to various recreational facilities within the Village. The Various Purpose Bond Anticipation Note, Series 2006 was issued during April 2006. The Various Purpose Bond Anticipation Note, First (2007) Renewal was issued on April 5, 2007 and matures on April 3, 2008 and carries an interest rate of 4.10%.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

The \$175,000 Water Purchase Rights Bond Anticipation Note, Third (2007) Renewal was the third annual renewal of an original note issued in 2005 for the purpose of acquiring water purchase rights for the Village. The Water Purchase Rights Bond Anticipation Note, Third (2007) Renewal matures on November 6, 2008 and carries an interest rate of 4.225%.

In addition to the above items, during 2006, the Village, made a final payment of \$2,000 to retire all remaining 1996 Sewer Line Extension Special Assessment Bonds.

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

Year ending December 31:	1993 OWDA Loan	1999		2000 OPWC Loan	2001 Road Improvement Bonds	Total (*)
		1997 Water Revenue Bonds	Various Purpose Bonds			
2008	\$ 148,339	\$ 129,725	\$ -	\$ 4,975	\$ 10,475	
2009	148,339	129,425	60,232	4,975	10,260	
2010	148,339	128,808	58,606	4,975	10,040	
2011	148,339	127,867	61,942	4,975	9,815	
2012	148,339	126,600	60,002	4,975	9,585	
2013-2017	-	-	302,114	24,875	62,810	
2018-2022	-	-	124,100	12,438	45,336	
2023-2027	-	-	-	-	-	
Total	<u>\$ 741,695</u>	<u>\$ 642,425</u>	<u>\$ 666,996</u>	<u>\$ 62,188</u>	<u>\$ 158,321</u>	

Year ending December 31:	2002 Revenue Bonds	2002 OPWC Loan	2003 OPWC Loan	2004 OPWC Loan	2004 OWDA Loan	Total (*)
2009	91,295	15,000	12,008	11,992	107,078	590,604
2010	94,337	15,000	12,008	11,992	107,078	591,183
2011	92,088	15,000	12,008	11,992	107,078	591,104
2012	94,763	15,000	12,008	11,992	107,078	590,342
2013-2017	465,769	75,000	60,041	59,957	535,390	1,585,956
2018-2022	470,887	60,000	60,041	59,957	535,390	1,368,149
2023-2027	-	-	12,007	23,983	267,696	303,686
Total	<u>\$ 1,402,347</u>	<u>\$ 210,000</u>	<u>\$ 192,129</u>	<u>\$ 203,857</u>	<u>\$ 1,873,866</u>	<u>\$ 6,153,824</u>

(*) Excludes amounts related to the 2007 Ohio Water Development Authority Phase 1 Pump Station Waste Water Treatment Plant Improvement Loan that currently has not been scheduled for repayment by OWDA and the Various Purpose Bond Anticipation Note First (2007) Renewal and the Water Purchase Rights Bond Anticipation Note, Third (2007) Renewal, both of which mature in 2008.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. PERS members contributed 9.5 percent for 2007 and 9 percent for 2006 of their wages. The Village contributed an amount equal to 13.85 percent for 2007 and 13.7 percent for 2006 of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Wrongful Acts
- Law Enforcement Liability
- Excess Liability
- Property, Automobile, Inland Marine; and
- EDP
- Crime

The Village also provides health and life insurance coverage for full-time employees through a private carrier.

9. DEBT SERVICE TRUST FUNDS

The 1997 First Mortgage Water Revenue Bonds Trust agreement required the Village to establish various funds to be maintained by a custodian bank. The Village has established these funds. At December 31, 2007, the custodian held \$203,496 in Village assets. These assets, and related receipts and disbursements, are not reflected in the accompanying financial statements.

The 2002 First Mortgage Revenue Bonds Trust Agreement required the Village to establish various funds to be maintained by a custodian bank. The Village has established these funds. At December 31, 2007, the custodian held \$106,405 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

10. RELATED ORGANIZATION

The Mt. Orab Port Authority is a related organization to the Village of Mt. Orab. The Mayor of the Village is responsible for appointing three Directors to the Board of the Port Authority; however, the Village cannot influence the Port Authority's operation nor does the Port Authority represent a potential financial benefit or burden to the Village of Mt. Orab.

11. SUBSEQUENT EVENTS

During 2007, the Village passed legislation to establish a Fire Department and agreed to acquire the assets and liabilities of the Mt. Orab Fire Department, Inc. The Village has been previously contracting for fire protection services. The transaction and transfer of service is expected to be completed in March 2008.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

During April 2008 the Village issued Various Purpose Bond Anticipation Note, Second (2008) Renewal to refund the \$592,000 Various Purpose Bond Anticipation Note, First (2007) Renewal. The Various Purpose Bond Anticipation Note, Second (2008) Renewal matures on April 1, 2009 and carries an interest rate of 3.05%.

Bastin & Company, LLC

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*

The Honorable Members of Village Council
Village of Mt. Orab
211 South High Street
Mt. Orab, OH 45154

We have audited the financial statements of the Village of Mt. Orab, Brown County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated February 29, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 Controls 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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.

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.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, grant agreements and other matters, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-001.

We noted certain matters that we have reported to management of the Village in a separate letter dated February 29, 2008.

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

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
February 29, 2008

**VILLAGE OF MT. ORAB
BROWN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDING NUMBER 2007-01

Noncompliance Citation

Ohio Revised Code, Section 5705.39, states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year). Appropriations exceeded estimated resources in the following funds for 2006:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
State Highway	\$12,774	\$13,100	(\$326)
Police Cruiser	13,732	22,300	(8,568)

Village's Response

The Village will more accurately monitor its compliance with the ORC in the future to ensure that appropriations do not exceed estimated resources.

**VILLAGE OF MT. ORAB
BROWN COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

There were no findings reported in the prior audit report.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MT. ORAB

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 17, 2008**