

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

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2012**



Dave Yost • Auditor of State

Village Council
Village of Mt. Orab
211 South High 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, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost
Auditor of State

January 8, 2014

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

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Village of Mt. Orab
Brown County
211 South High Street
Mt. Orab, Ohio 45154

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Mt. Orab, Brown County, (the Village) as of and for the year ended December 31, 2012.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinion.

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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012, or changes in financial position or cash flows thereof for the year 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 as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 November 22, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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
November 22, 2013

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, 2012

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property and Local Taxes	\$ 63,424	\$ 243,861	\$ -	\$ -	\$ 307,285
Municipal Income Tax	909,761	-	-	-	909,761
Intergovernmental	63,580	194,460	27,130	104,000	389,170
Special Assessments	-	-	85,710	-	85,710
Payments in Lieu of Taxes	-	554,732	-	-	554,732
Charges for Services	-	548,078	-	-	548,078
Fines, Licenses and Permits	145,775	1,348	1,157	10,080	158,360
Earnings on Investments	6,804	134	-	-	6,938
Miscellaneous	894	278	5,600	2,616	9,388
Total Cash Receipts	1,190,238	1,542,891	119,597	116,696	2,969,422
<i>Cash Disbursements:</i>					
<i>Current:</i>					
General Government	232,382	105,436	-	-	337,818
Security of Person and Property	610,734	936,345	-	1,956,516	3,503,595
Leisure Time Activities	25,751	17,065	-	-	42,816
Community Environment	51,855	-	-	-	51,855
Public Health Services	10,421	-	-	-	10,421
Transportation	151,423	157,043	-	389,001	697,467
Capital Outlay	-	-	-	105,402	105,402
<i>Debt Service:</i>					
Redemption of Principal	27,651	100,575	3,234,832	-	3,363,058
Interest and Fiscal Charges	-	56,518	239,350	-	295,868
Total Cash Disbursements	1,110,217	1,372,982	3,474,182	2,450,919	8,408,300
Receipts Over (Under) Disbursements	80,021	169,909	(3,354,585)	(2,334,223)	(5,438,878)
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from OPWC and OWDA Loans	-	-	-	373,737	373,737
Proceeds from Notes and Bonds	-	-	2,960,000	1,150,000	4,110,000
Premium and Accrued Interest on Notes	-	-	20,859	-	20,859
Proceeds from Sale of Fixed Assets	-	-	-	3,616	3,616
Transfers-In	-	-	393,418	-	393,418
Transfers-Out	-	(316,417)	-	-	(316,417)
Advances-In	20,000	20,000	-	685	40,685
Advances-Out	(20,685)	(20,000)	-	-	(40,685)
Total Other Financing Receipts (Disbursements)	(685)	(316,417)	3,374,277	1,528,038	4,585,213
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	79,336	(146,508)	19,692	(806,185)	(853,665)
Fund Cash Balances, January 1	177,286	650,900	168,974	1,053,831	2,050,991
Fund Cash Balances, December 31					
Restricted	-	504,392	188,666	247,646	940,704
Unassigned	256,622	-	-	-	256,622
Fund Cash Balances, December 31	\$ 256,622	\$ 504,392	\$ 188,666	\$ 247,646	\$ 1,197,326

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, 2012**

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
<i>Operating Cash Receipts:</i>				
Charges for Services	\$ 2,252,373	\$ 50,000	\$ -	\$ 2,302,373
Miscellaneous	2,940	-	-	2,940
Total Operating Cash Receipts	2,255,313	50,000	-	2,305,313
<i>Operating Cash Disbursements:</i>				
Personal Services	304,261	-	-	304,261
Fringe Benefits	157,247	12,593	-	169,840
Contractual Services	908,109	-	-	908,109
Materials and Supplies	241,954	-	-	241,954
Total Operating Cash Disbursements	1,611,571	12,593	-	1,624,164
Operating Income	643,742	37,407	-	681,149
<i>Non-Operating Cash Receipts:</i>				
Proceeds from OPWC and OWDA Loans	4,392	-	-	4,392
Other Financing Sources	126,600	-	187,695	314,295
Total Non-Operating Cash Receipts	130,992	-	187,695	318,687
<i>Non-Operating Cash Disbursements:</i>				
Redemption of Principal	432,989	-	-	432,989
Interest and Other Fiscal Charges	133,054	-	-	133,054
Capital Outlay	90,253	-	-	90,253
Other Financing Uses	-	-	182,151	182,151
Total Non-Operating Cash Disbursements	656,296	-	182,151	838,447
Excess of Receipts Over Disbursements Before Transfers and Advances	118,438	37,407	5,544	161,389
Transfers-In	182,969	-	-	182,969
Transfers-Out	(259,970)	-	-	(259,970)
Net Receipts Over (Under) Disbursements	41,437	37,407	5,544	84,388
Fund Cash Balances, January 1	526,525	142,380	5,387	674,292
Fund Cash Balances, December 31	\$ 567,962	\$ 179,787	\$ 10,931	\$ 758,680

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, 2012**

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 Mt. Orab, Brown County, Ohio (the Village) as a body corporate and politic. A publicly-elected Mayor and six-member Council directs the Village. The Village provides general government services, public safety, fire and EMS services, recreation, street maintenance, water and sewer utilities, and garbage services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable except the financial statements do not include cash balances in debt service trust funds which are maintained by external custodians. Note 8 to the financial statements describes these assets.

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.

STAR Ohio is recorded at share values the mutual funds report.

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.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

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 monies for constructing, maintaining and repairing Village streets.

Police Levy Fund - This fund receives property tax money to pay for the Village's expenses for police protection.

Fire Levy Fund - This fund receives property tax money to pay for the Village's expenses for fire protection.

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 account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

TIF Apple Street West Note Fund - This fund is for making payments of principal and interest on notes, and receives note proceeds for funding ongoing street improvement projects within the tax incremental funding districts of the Village.

TIF Infrastructure Bond Fund - This fund is for making payments of principal and interest on bonds, and receives bond proceeds for funding ongoing infrastructure projects within the tax incremental funding districts of the Village.

4. 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 significant Capital Project Fund:

Recovery Zone Bonds Firehouse Fund - This fund receives debt proceeds for the funding of improvements to the Firehouse.

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:

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

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.

Waste Collection Operating Fund - This fund receives charges for services from residents to cover the cost of providing waste collection services.

Internal Service Fund

This fund accounts for services provided by one department to other departments of the government unit. The Village had the following Internal Service Fund:

Health Reimbursement 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)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following Fiduciary Fund:

Mayor's Court Fund - This fund is used to account for the collection and distribution of Mayor's Court fines, fees and bonds.

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

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

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 also 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 carried over, and need not be reappropriated.

A summary of 2012 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. Nonspendable

The Village classifies assets as *nonspendable* 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 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 MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(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. Property, Plant and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2012 was as follows:

Demand deposits	\$1,400,622
Certificates of Deposit	<u>407,460</u>
Total deposits	<u>1,808,082</u>
Star Ohio	<u>147,924</u>
Total investments	<u>147,924</u>
Total deposits and investments	<u><u>\$1,956,006</u></u>

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

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

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2012 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,182,387	\$ 1,210,238	\$ 27,851
Special Revenue	1,554,253	1,562,891	8,638
Debt Service	3,488,318	3,493,874	5,556
Capital Projects	1,644,734	1,644,734	-
Enterprise	2,412,020	2,569,274	157,254
Internal Service	40,000	50,000	10,000
Total	\$ 10,321,712	\$ 10,531,011	\$ 209,299

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,336,342	\$ 1,130,902	\$ 205,440
Special Revenue	1,938,360	1,709,399	228,961
Debt Service	3,477,682	3,474,182	3,500
Capital Projects	2,496,753	2,450,919	45,834
Enterprise	2,788,745	2,527,837	260,908
Internal Service	40,000	12,593	27,407
Total	\$ 12,077,882	\$ 11,305,832	\$ 772,050

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.

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.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

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.

6. DEBT

Debt outstanding at December 31, 2012, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1999 Various Purpose General Obligation Bonds	\$ 305,000	4.65-5.2%
2000 Wastewater Treatment Plant Improvement OPWC Loan	39,801	0.00%
2001 Road Improvement Special Assessment Bonds	85,000	4.4-5.25%
2002 Ohio Public Works Commission Reservoir Loan	142,500	0.00%
2003 OPWC Phase 1 High Street Improvement Loan	138,093	0.00%
2004 OPWC Phase 2 High Street Improvement Loan	149,893	0.00%
2004 OWDA Water Treatment Plant Upgrade Loan	1,179,101	2.00%
2007 OWDA Waste Water Treatment Plant Improvement Loan	2,259,283	0.00%
2009 OPWC Apple Street Expansion Loan	280,000	0.00%
2010 OPWC Commercial & Industrial Access Road Phase I	249,150	0.00%
2010 Taxable Fire Station Bonds	1,765,000	6.125-7.25%
2010 OPWC Commercial & Industrial Access Road Phase II	364,280	0.00%
2010 Water Refunding Bonds	2,049,583	1.0-5.20%
2011 Various Purpose Bonds	1,700,000	2.0-5.125%
2011 OWDA Water System Improvement Phase I (Open)	133,124	0.00%
2011 OWDA Sewer Rehabilitation Design (Open)	12,070	0.00%
2012 OPWC Main Street West Improvements	373,737	0.00%
2012 Tax Increment Revenue Note, Series 2012	<u>2,360,000</u>	2.50%
Total	<u><u>\$ 13,585,615</u></u>	

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.

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 semi-annual 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, 2012
(Continued)

The 2002 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, 2022.

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 loaned \$1,757,942 with interest at 2.0% to the Village for this project. The Village will repay the loan in semiannual installments of \$53,539 including interest, over 20 years and payments began on July 1, 2005, 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 loaned \$2,952,202 to the Village for this project. The Village will make payments of \$118,938 during 2013 and repay the remaining loan balance in semiannual installments of \$73,805 through January 2018.

The 2009 Ohio Public Works Commission Apple Street Expansion Loan relates to a street improvement project within the Village. The OPWC has approved a \$300,000 interest free loan to the Village. The Village will repay the loan in semiannual installments of \$5,000 over 30 years. Payments began on January 1, 2011, with the final payment due July 1, 2040.

The 2010 Ohio Public Works Commission Commercial & Industrial Access Road Phase I Loan relates to a street improvement project within the Village. The OPWC has approved a \$262,263 interest free loan to the Village. The Village will repay the loan in semiannual installments of \$4,371 over 30 years. Payments began on July 1, 2011, with the final payment due July 1, 2041.

The 2010 Taxable Fire Station Recovery Zone Bonds were used to construct a new Village Fire Station. The Bonds were issued in a total amount of \$1,800,000 and are payable in varying amounts through 2035. These bonds contain an annual federal reimbursement subsidy applicable to interest costs over the life of the bonds.

The 2010 Ohio Public Works Commission Commercial & Industrial Access Road Phase II Loan relates to Phase II of a street improvement project within the Village. The OPWC has approved a \$376,841 interest free loan to the Village. The Village will repay the loan in semiannual installments of \$6,281 over 30 years. Payments began on July 1, 2012, with the final payment due January 1, 2042.

The 2010 Water Refunding Bonds were used to advance refund \$820,000 of the 2002 First Mortgage Waterworks System Revenue Bonds, retire a \$807,000 Water Purchase Rights Note and provide additional funding for improvements to the Village's waterworks system. The Bonds were issued in a total amount of \$2,140,000 and are payable in varying amounts through 2030. The Village has agreed to various bond

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

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 8.

The 2011 Various Purpose Bonds were used to construct a new Village Fire Station. The Bonds were issued in a total amount of \$1,800,000 and are payable in varying amounts through 2034.

The 2011 Ohio Water Development Authority Water System Improvement Phase I Loan relates to a water system improvement project within the Village. The OWDA has approved a \$139,099 loan at 2.0% interest to the Village. Project expenditures during 2012 totaled \$4,392. Repayment terms as of December 31, 2012, have not been established by OWDA.

The 2011 Ohio Water Development Authority Sewer Rehabilitation Design Loan relates to a sewer system improvement project within the Village. The OWDA has approved a \$66,100 interest free loan to the Village. Repayment terms as of December 31, 2012, have not been established by OWDA.

The 2012 Ohio Public Works Commission Main Street West Improvements Loan relates to a street improvement project within the Village. The OPWC has approved a \$373,737 interest free loan to the Village. The Village will repay the loan in semiannual installments of \$6,229 over 30 years. Payments begin on January 1, 2013, with the final payment due July 1, 2042.

The Tax Increment Revenue Note, Series 2012 was issued for the purpose of refinancing four note issues which financed public infrastructure improvements. The \$2,360,000 note and interest at 2.5% mature and are payable December 5, 2013.

Amortization of the above remaining debt and interest (excluding short term notes and OWDA loans that have not been finalized) is scheduled as follows:

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

Year ending December 31:	1999 Various Purpose Bonds	2000 OPWC Loan	2001 Road		2002 OPWC Loan	2003 OPWC Loan	2004 OPWC Loan
			Improvement Bonds				
2013	\$ 60,793	\$ 4,975	\$ 9,350		\$ 15,000	\$ 12,008	\$ 11,992
2014	58,520	4,975	14,110		15,000	12,008	11,992
2015	61,180	4,975	13,620		15,000	12,008	11,992
2016	58,580	4,975	13,120		15,000	12,008	11,992
2017	60,980	4,975	12,610		15,000	12,008	11,992
2018-2022	63,120	14,926	45,245		67,500	60,041	59,957
2023-2027	-	-	-		-	18,012	29,976
2028-2032	-	-	-		-	-	-
2033-2037	-	-	-		-	-	-
2038-2042	-	-	-		-	-	-
Total	<u>\$ 363,173</u>	<u>\$ 39,801</u>	<u>\$ 108,055</u>		<u>\$ 142,500</u>	<u>\$ 138,093</u>	<u>\$ 149,893</u>

Year ending December 31:	2004 OWDA Loan	2007 OWDA Loan	2009 OPWC Loan	2010 OPWC Loan Phase I	2010 OPWC Loan Phase II	2010 Taxable
						Fire Station Bonds
2013	\$ 107,078	\$ 118,938	\$ 10,000	\$ 8,742	\$ 12,561	\$ 90,646
2014	107,078	147,610	10,000	8,742	12,561	94,804
2015	107,078	147,610	10,000	8,742	12,561	113,793
2016	107,078	147,610	10,000	8,742	12,561	117,109
2017	107,078	147,610	10,000	8,742	12,561	120,256
2018-2022	535,390	738,050	50,000	43,710	62,807	590,456
2023-2027	267,695	738,050	50,000	43,710	62,807	601,681
2028-2032	-	73,805	50,000	43,710	62,807	605,591
2033-2037	-	-	50,000	43,710	62,807	389,108
2038-2042	-	-	30,000	30,600	50,247	-
Total	<u>\$ 1,338,475</u>	<u>\$ 2,259,283</u>	<u>\$ 280,000</u>	<u>\$ 249,150</u>	<u>\$ 364,280</u>	<u>\$ 2,723,444</u>

Year ending December 31:	2010 Water		2011 Various Purpose Bonds	2012 OPWC Loan	Total
	Refunding Bonds				
2013	\$ 141,735	\$ 127,125	\$ 12,458	\$ 12,458	\$ 743,401
2014	155,485	126,125	12,458	12,458	791,468
2015	183,665	125,000	12,458	12,458	839,682
2016	185,720	123,625	12,458	12,458	840,578
2017	187,320	126,375	12,458	12,458	849,965
2018-2022	993,960	636,987	62,290	62,290	4,024,439
2023-2027	838,180	627,087	62,290	62,290	3,339,488
2028-2032	375,620	635,744	62,290	62,290	1,909,567
2033-2037	-	263,963	62,290	62,290	871,878
2038-2042	-	-	62,287	62,287	173,134
Total	<u>\$ 3,061,685</u>	<u>\$ 2,792,031</u>	<u>\$ 373,737</u>	<u>\$ 373,737</u>	<u>\$ 14,383,600</u>

**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

7. CAPITAL LEASE

During 2008 the Village assumed the capital lease for a fire truck with an initial amount of \$460,332 when the operations of the Mt. Orab Volunteer Fire & EMS Services, a non-profit corporation, were assumed by the Village. Amortization of the remaining lease, including interest, is scheduled as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2013	\$57,257
2014	<u>57,257</u>
Total minimum lease payments	114,514
Less: amount representing interest	<u>(7,505)</u>
Present value of future minimum lease payments	<u>\$107,009</u>

8. 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 trustee. The Village has established these funds. At December 31, 2012, the custodian trustee held \$56,919 in Village assets.

The 2010 Water Refunding Bonds trust agreement also required the Village to establish various funds to be maintained by a custodian trustee that is funded from the proceeds of the 2010 Water Refunding Bonds along with available funds previously maintained in other bond accounts related to bonds that were advanced refunded. The Village has established these funds. At December 31, 2012, the custodian trustee held \$219,836 in Village assets.

These assets, and the related receipts and disbursements within those accounts, are not reflected in the accompanying financial statements.

9. RETIREMENT SYSTEMS

The Village's certified full-time fire fighters and full-time police officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012, OP&F participants contributed 10 percent of their wages. For 2012, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages. For 2012, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

10. TRANSFERS

During 2012 the TIF District Special Revenue Funds transferred \$316,417 to the Debt Service Funds for the retirement of related debt. The Water Operating Enterprise Fund transferred \$97,500 to other funds, which retired water related debt, and the Sewer Operating Enterprise Fund transferred \$162,470 to other funds, which retired sewer related debt.

11. 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.

12. RELATED ORGANIZATION

The Mt. Orab Port Authority is a related organization of the Village of Mt. Orab. Although the Port Authority is legally separate from the Village, the Port Authority is accountable to the Village because the Village appoints the Port Authority's board.

13. SUBSEQUENT EVENTS

During September 2013 the Village received a \$395,000 Ohio Water Development Authority Wastewater Treatment Plant Upgrade Design Loan #6541. As of November 22, 2013, \$1,378 of the loan proceeds has been expended. The loan carries an interest rate of 4.74% and repayment terms have not been established by OWDA due to the interim nature of the loan.

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*

Village of Mt. Orab
Brown County
211 South High Street
Mt. Orab, Ohio 45154

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Mt. Orab, Brown County Ohio, (the Village) as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated November 22, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 opinion 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standard*.

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 "Bastin & Company, L L C". The signature is written in a cursive style and is centered within a light gray rectangular background.

Cincinnati, Ohio
November 22, 2013



Dave Yost • 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
JANUARY 21, 2014**